



MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA
OAKLEY | PINOLE | PITTSBURG | RICHMOND | SAN PABLO | SAN RAMON | WALNUT CREEK

Agenda Page 1 of 1

Technical Committee Meeting Thursday, February 7, 2019 8:30 A.M.

Charles F. McGlashan Board Room, 1125 Tamalpais Avenue, San Rafael, CA 94901
Mt. Diablo Room, 2300 Clayton Road, Suite 1150, Concord, CA 94520
City of El Cerrito, 10890 San Pablo Avenue, Hillside Conference Room, El Cerrito, CA 94530
City of San Ramon, 7000 Bollinger Canyon Road, Room 256, San Ramon, CA 94583

1. Roll Call/Quorum
2. Board Announcements (Discussion)
3. Public Open Time (Discussion)
4. Report from Chief Executive Officer (Discussion)
5. Consent Calendar (Discussion/Action)
 - C.1 Approval of 11.1.18 Meeting Minutes
6. Marin Reach Codes (Discussion)
7. EV Charging Update (Discussion)
8. CPUC PG&E Safety and Restructuring Proceeding (Discussion)
9. Board Matters & Staff Matters (Discussion)
10. Adjourn



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**MCE
TECHNICAL COMMITTEE MEETING
November 1, 2018
8:30 A.M.**

Charles F. McGlashan Board Room, 1125 Tamalpais Avenue, San Rafael, CA 94901
Mt. Diablo Room, 2300 Clayton Road, Suite 1150, Concord, CA 94520
City of El Cerrito, Hillside Conference Room, 10890 San Pablo Avenue, CA 94530

Roll Call

Present: Kevin Haroff, City of Larkspur (**San Rafael**)
Greg Lyman, City of El Cerrito (**El Cerrito**)
Kate Sears, County of Marin (**San Rafael**)
Don Tatzin, City of Lafayette (**Concord**)
Ray Withy, City of Sausalito (**San Rafael**)

Absent: Scott Perkins, City of San Ramon
Rob Schroder, City of Martinez

Staff: Jessica Brooks, Board Assistant (**San Rafael**)
Sherry Clark, Internal Operations Assistant (**Concord**)
John Dalessi, Operations & Development (**San Rafael**)
Kirby Dusel, Resource Planning & Renewable Energy (**San Rafael**)
Darlene Jackson, Board Clerk (**Concord**)
Chris Kubik, Business Development Manager (**San Rafael**)
Sam Kang, Resource Planning (**San Rafael**)
Vicken Kasarjian, Chief Operating Officer (**San Rafael**)
Lindsay Saxby, Interim Deputy Director of Power Resources (**San Rafael**)
Dona Stein, Principal Consultant (**Dial-in**)
Dawn Weisz, Chief Executive Officer (**San Rafael**)
Brett Wiley, Customer Programs Manager (**San Rafael**)
Ian Williams, Power Supply Contracts Manager (**San Rafael**)

Quorum was established and the meeting was called to order at 8:34 A.M. by Committee Chair, Kate Sears.

Action Taken:

Agenda Item #3 – Public Open Time

Committee Chair Sears asked for public comment and there was none.

Agenda Item #4 – Report from the Chief Executive Officer (Discussion)

CEO Dawn Weisz presented a brief report and addressed questions from the Committee:

- Ms. Weisz let the Committee know that Senator McGuire received the CalCCA Award.
- Related to the CPUC, Ms. Weisz shared, “we are watching the CPUC proceeding closely. More information to come in mid-November. Rate setting process is in January”.
- Ms. Weisz informed the Committee that for the month of November, there would be no Executive

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Committee or Board meeting, but there will be an Executive Committee meeting in December and no Board meeting until January.

- Ms. Weisz asked the Committee to please join us for MCE's 2018 Holiday party which will take place in Napa this year.

Committee Chair Sears asked for public comment and there was none.

Agenda Item #05 – 10.8.18 Meeting Minutes (Discussion/Action)

Committee Chair Sears asked for public comment and there was none.

ACTION: It was M/S/C (Lyman/Tatzin) to **approve 10.8.18 meeting minutes**. Motion carried by unanimous vote. (Absent: Directors Perkins, and Schroder).

Agenda Item #06 – Integrated Resource Plan (Discussion/Action)

Lindsay Saxby, Interim Deputy Director of Power Resources, and Ian Williams, Power Supply Contracts Manager, presented this item and addressed questions from the Committee.

Committee Chair Sears asked for public comment and there were comments from members of the public Howdy Dowdy in El Cerrito and Bob Miller from the Marin Conservation League in San Rafael.

ACTION: It was M/S/C (Haroff/Lyman) to **approve MCE's 2019 Integrated Resource Plan**. Motion carried by unanimous vote. (Absent: Directors Perkins and Schroder).

Agenda Item #07 – Electric Vehicle and EVSE Program Update (Discussion)

Brett Wiley, Customer Programs Manager, presented this item and addressed questions from the Committee.

Committee Chair Sears asked for public comment and there were comments from members of the public Doug Wilson, Ken Strong, Dan Segedin from the Marin Conservation League in San Rafael, and Howdy Dowdy in El Cerrito.

ACTION: No action required.

Agenda Item #08 – Committee Member & Staff Matters (Discussion)

CEO Dawn Weisz shared the following:

- Director Don Tatzin is retiring and this will be his final meeting at MCE
- MCE and CalCCA will be collaborating on 2019 legislation
- Regarding Resource Adequacy (RA) challenges: CPUC has not acted on CalCCA's recommendation regarding RA obligations

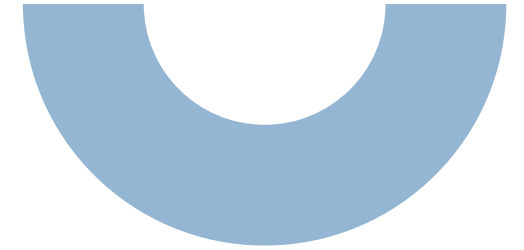
The meeting was adjourned at 10:36 A.M. to the next scheduled meeting on February 7, 2019.

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Kate Sears, Committee Chair

ATTEST:

Dawn Weisz, Chief Executive Officer

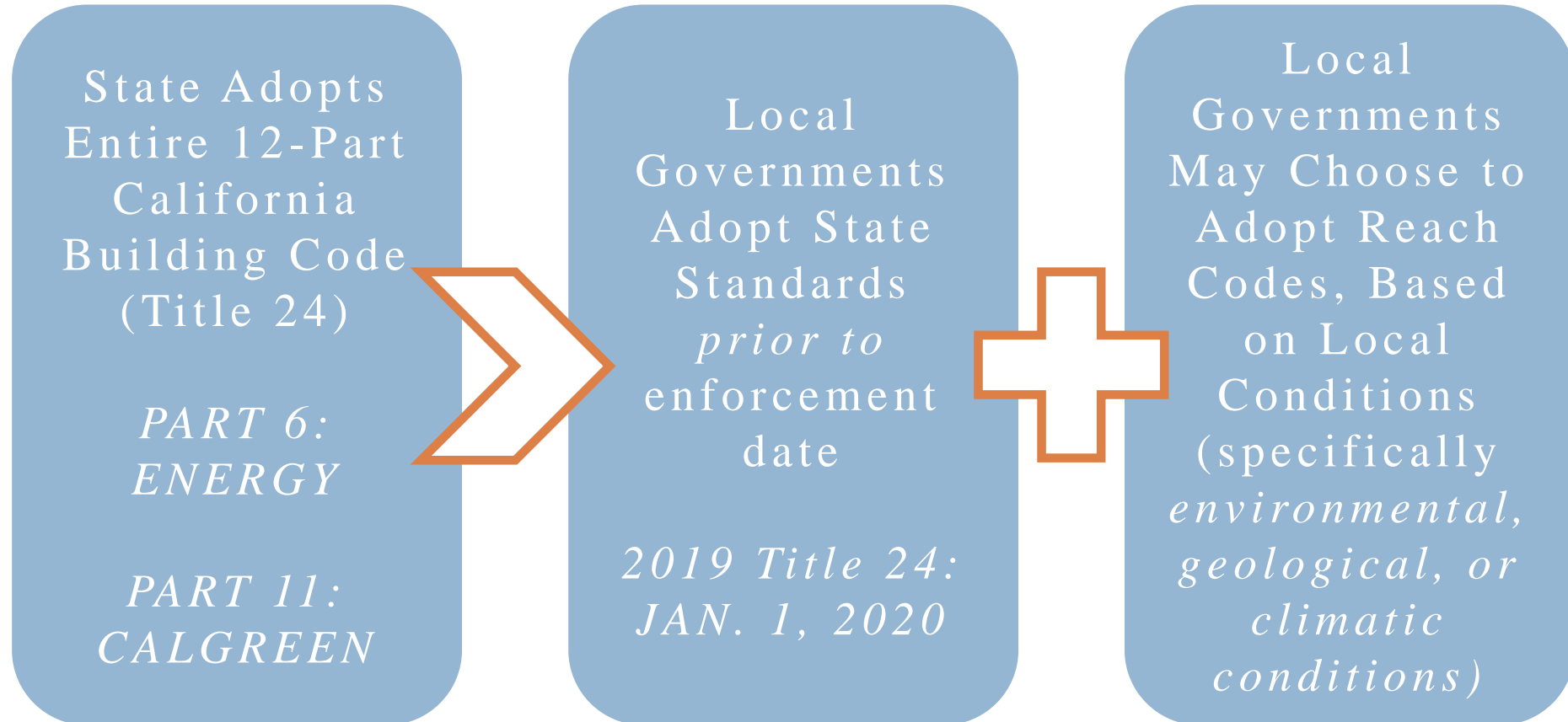


GREEN BUILDING REACH CODES: Upcoming Changes and Evolving Best Practices

Presentation to MCE Technical Committee
February 7, 2019



TITLE 24 ADOPTION OVERVIEW



REACH CODE OBJECTIVES

ENVIRONMENTAL

- Significant removal of fossil fuel dependency in the built environment
- Supportive of Climate Action Plan goals.
- Statewide leadership – setting a model for future code cycles
- Allow for increased EV adoption rates

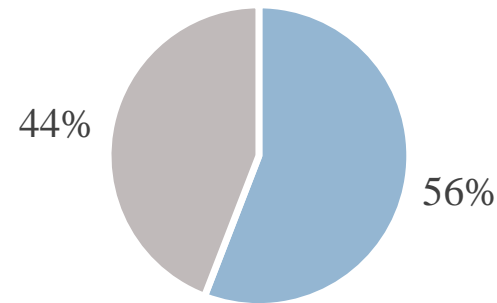
OPERATIONAL

- Flexibility
- Clarity and simplicity for applicants and building departments
- Countywide consistency
- Minimal administrative burden (both in development and implementation)

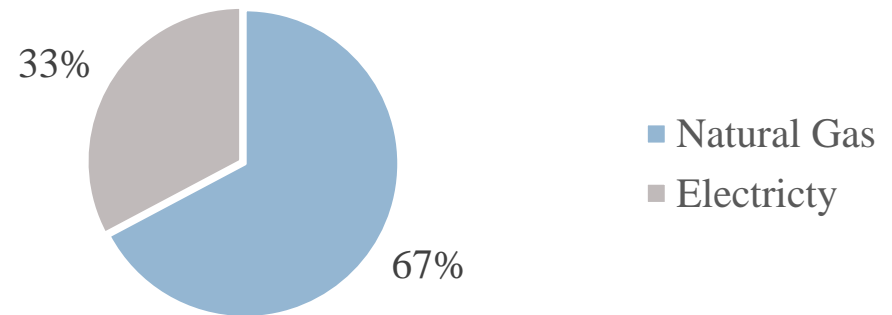
WHAT CAN A REACH CODE IMPACT?

- Energy Efficiency
- Fuel Choice
(electricity, natural propane)
- Solar, Storage
- EV Charging Capacity
- Building Material Selection

Energy Emissions (%), 2005



Energy Emissions (%), 2016



TYPES OF REACH CODES

ENERGY (TITLE 24, PART 6)

- Prescriptive
 - One or more specific EE measure
- Performance Standards
 - Require a building to perform more efficiently than baseline, allows trade-offs between energy efficiency measures

GREEN BUILDING (TITLE 24, PART 11)

- Checklist + Electives
 - Tier 1
- Single-measure modification
 - County updated requirements to significantly increase EV readiness

CURRENT MARIN COUNTY MODEL



MARIN COUNTY GREEN BUILDING CHECKLIST SINGLE FAMILY RESIDENTIAL: NEW CONSTRUCTION¹

STEP 1: FOR ALL PROJECTS, SELECT ONE GREEN BUILDING REQUIREMENT

COMPLIANCE METHOD:	REQUIREMENT:	FIELD VERIFIER:
<input type="checkbox"/> CALGREEN TIER 1	Develop the proposed home to CALGreen Tier 1	CALGreen Inspector
<input type="checkbox"/> GREEN POINT RATED	Achieve Silver Certification Level	Green Point Rater
<input type="checkbox"/> LEED FOR HOMES	Achieve LEED for Homes Silver	LEED AP

STEP 2A (FOR HOMES <4,000 SQUARE FEET): SELECT ONE ENERGY EFFICIENCY METHOD²

COMPLIANCE METHOD:	REQUIREMENT:	FIELD VERIFIER:
<input type="checkbox"/> PROJECT WITHOUT SOLAR	If a photovoltaic system is <u>not</u> installed, demonstrate ³ that the energy use of the proposed home is 15% more efficient than the 2016 State Energy Code.	HERS Rater, where verification is required ⁴
<input type="checkbox"/> PROJECT WITH SOLAR	If a photovoltaic system is installed, demonstrate ³ that the energy use of the proposed home is 20% more efficient than the 2016 State Energy Code.	
<input type="checkbox"/> ALL-ELECTRIC	Demonstrate that the proposed home will be all electric ⁵	

CURRENT MARIN COUNTY MODEL

STEP 2B (FOR HOMES \geq 4,000 SQUARE FEET): SELECT ONE ENERGY EFFICIENCY METHOD²

COMPLIANCE METHOD:	REQUIREMENT:	FIELD VERIFIER:
<input type="checkbox"/> ZERO NET ELECTRICITY	Demonstrate ³ that the proposed mixed-fuel ⁶ home: <ul style="list-style-type: none"> • is 35% more efficient than the 2016 State Energy Code • will generate as much electricity on-site as it is expected to use in a year, equivalent to an energy design rating (EDR) of 20 or less. 	HERS Rater, where verification is required ⁴
<input type="checkbox"/> ALL-ELECTRIC ALTERNATIVE	Demonstrate ³ that the proposed all-electric ⁵ home: <ul style="list-style-type: none"> • is 20% more efficient than the 2016 State Energy Code • includes at least 2.5 kW of solar. 	
<input type="checkbox"/> PASSIVE HOUSE	Develop the proposed home to Passive House Institute US (PHIUS) Standards.	PHIUS Rater

STEP 3: FOR ALL PROJECTS, ACHIEVE ELECTRIC VEHICLE (EV) READINESS REQUIREMENT

COMPLIANCE METHOD:	REQUIREMENT:	FIELD VERIFIER:
<input type="checkbox"/> DEDICATED 208 / 240-VOLT BRANCH CIRCUIT	Comply with CALGreen Measure A4.106.8.1	Verifier from Step 1

2019 REACH CODE TIMELINE

Task	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Develop Ideas for Reach Code	■	■										
Review cost-effective options*		■	■									
Work With Stakeholders		■	■	■	■	■	■					
Develop & Draft Ordinance			■	■	■	■	■					
Review by local stakeholders					■	■	■	■				
First reading of ordinance (introduction)								■	■			
Second reading of ordinance (adoption)									■			
Application to CEC (submit by 9/30)									■			
CEC public comment period*									■	■	■	
Approval from CEC (Dec. Business Meeting)*												■
File with Building Standards Commission												■
Reach Code Takes Effect (1/1/20)												



*Tasks reliant on an outside party

ONGOING CHALLENGES

STATE

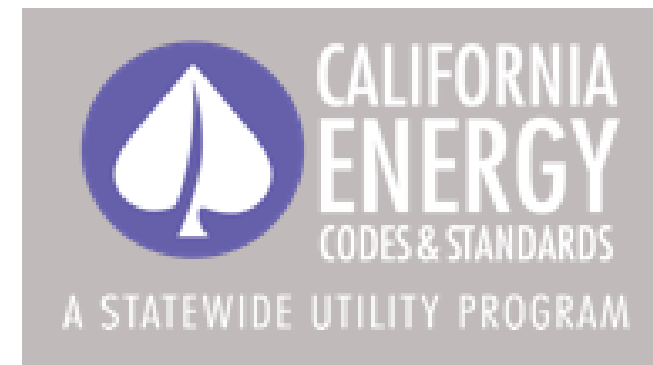
- Sustained incentives for natural gas – rate design, favoring in energy code
- Mandatory solar
 - Exemptions for unsuitable sites
 - Duck curve exacerbation

LOCAL

- Reach codes only apply to new homes
- Implementation
 - Increasing complexity in energy code + limited staff time
 - County is starting to track energy savings and enforcement rate of our 2016 reach code

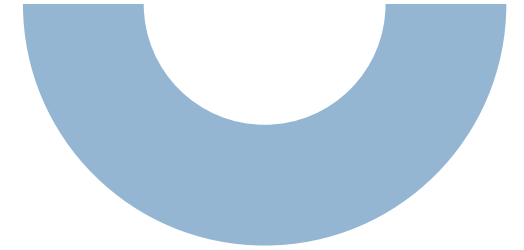
STATE & REGIONAL RESOURCES

- Cost-effectiveness study development
- March 7th BayREN Regional Forum on Reach Codes
- Statewide stakeholders and advocates focusing on opportunities for decarbonization and reach codes.



NEXT STEPS

- See what cost-effectiveness reveals
- Work with stakeholders, including:
 - MCE
 - Other Marin County Jurisdictions
 - Regional partners through BayREN
 - Building Community
 - Environmental Groups



QUESTIONS?

Alice Zanmiller, Planner
azanmiller@marincounty.org
(415) 473-2797



Update On MCE Transportation Electrification Program

Agenda

1. 2018 Market Review
2. Progress to Date
3. 2019 Market Primer
4. Opportunities beyond FY18/19

The Rationale



By taking a leadership role in the electrification of transportation, MCE will support its mission to reduce GHG emissions while maintaining the financial strength of the organization.

National Growth of EVs

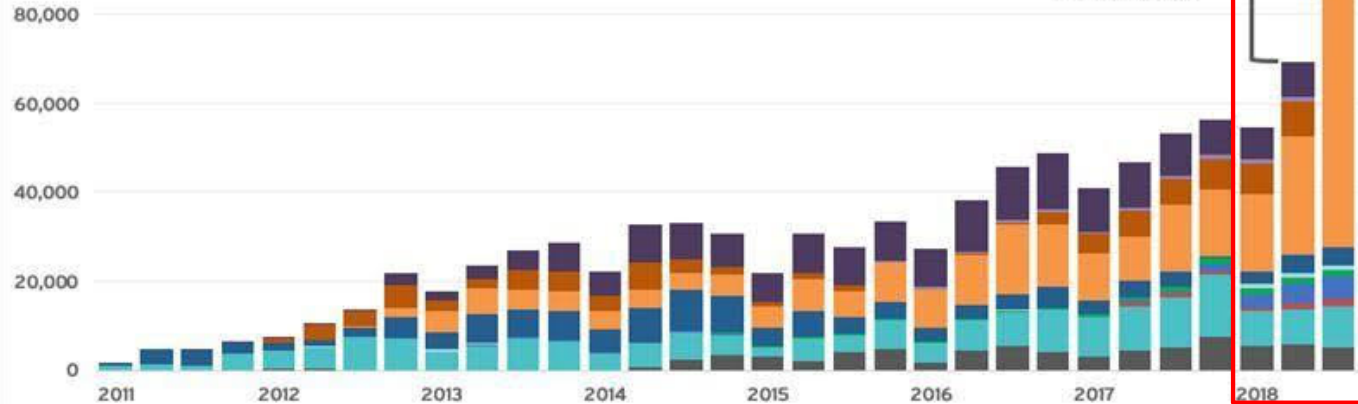
Q3 2018 U.S. EV Sales Smash All Records



120,000 Vehicles Sold

■ BMW ■ Chevrolet ■ Chrysler ■ Honda ■ Kia ■ Mitsubishi
■ Nissan ■ Tesla ■ Toyota ■ Volvo ■ Other

U.S. sales grew 59%
over Q2 2018 to
110,000 vehicles



Source: SAFE analysis based on data from InsideEVs and Hybridcars.com.

2018 was a Banner Year, but...

ELECTRIC VEHICLES

US Electric Vehicle Sales Increased by 81% in 2018

Tesla had a banner year. But it's not all good news for the U.S. EV market.

JULIA PYPER | JANUARY 07, 2019

The New York Times

*Electric Vehicles Are in the Spotlight
at Detroit's 2019 Auto Show*

...52% of those sales came from Tesla

2018 Monthly Sales Chart

2018 U.S. EV SALES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Tesla Model 3* 	1875	2485	3820	3750	6000	5902	14250	17800	22250	17750	18650	25250	139,782
Toyota Prius Prime	1496	2050	2922	2626	2924	2237	1984	2071	2213	2001	2312	2759	27,595
Tesla Model X* 	700	975	2825	1025	1450	2550	1325	2750	3975	1225	3200	4100	26,100
Tesla Model S* 	800	1125	3375	1250	1520	2750	1200	2625	3750	1350	2750	3250	25,745
Honda Clarity PHEV*	604	911	1131	1129	1639	1495	1542	1462	1997	2025	1897	2770	18,602
Chevrolet Volt*	713	983	1782	1325	1675	1336	1475	1825	2129	1475	2530	1058	18,306
Chevrolet Bolt EV* 	1177	1424	1774	1275	1125	1083	1175	1225	1549	1975	2825	1412	18,019
Nissan LEAF 	150	895	1500	1171	1576	1367	1149	1315	1563	1234	1128	1667	14,715
BMW 530e*	224	413	689	518	729	942	536	749	756	733	1012	1363	8,664
Ford Fusion Energi	640	794	782	742	740	604	522	396	480	453	1131	790	8,074

Source: Inside EVs

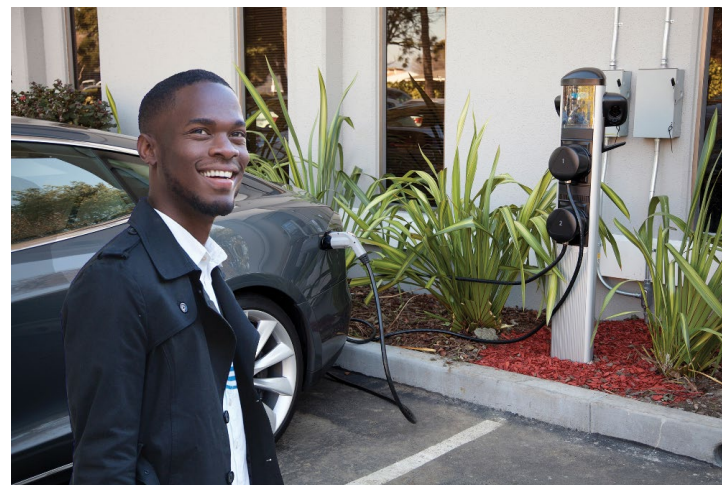
Barriers to EV Adoption still exist

- 1. Too Expensive – 51%**
- 2. Unable to charge away from home – 48%**
- 3. Unable to charge at home – 30%**
4. Technology is not dependable – 28%
5. Not available in vehicle segment – 24%
6. Poor performance – 24%
7. Other – 17%

MCE's EV and Charging Programs

Goal: 540 ports (workplaces & MUDs) + 100 low-income EVs

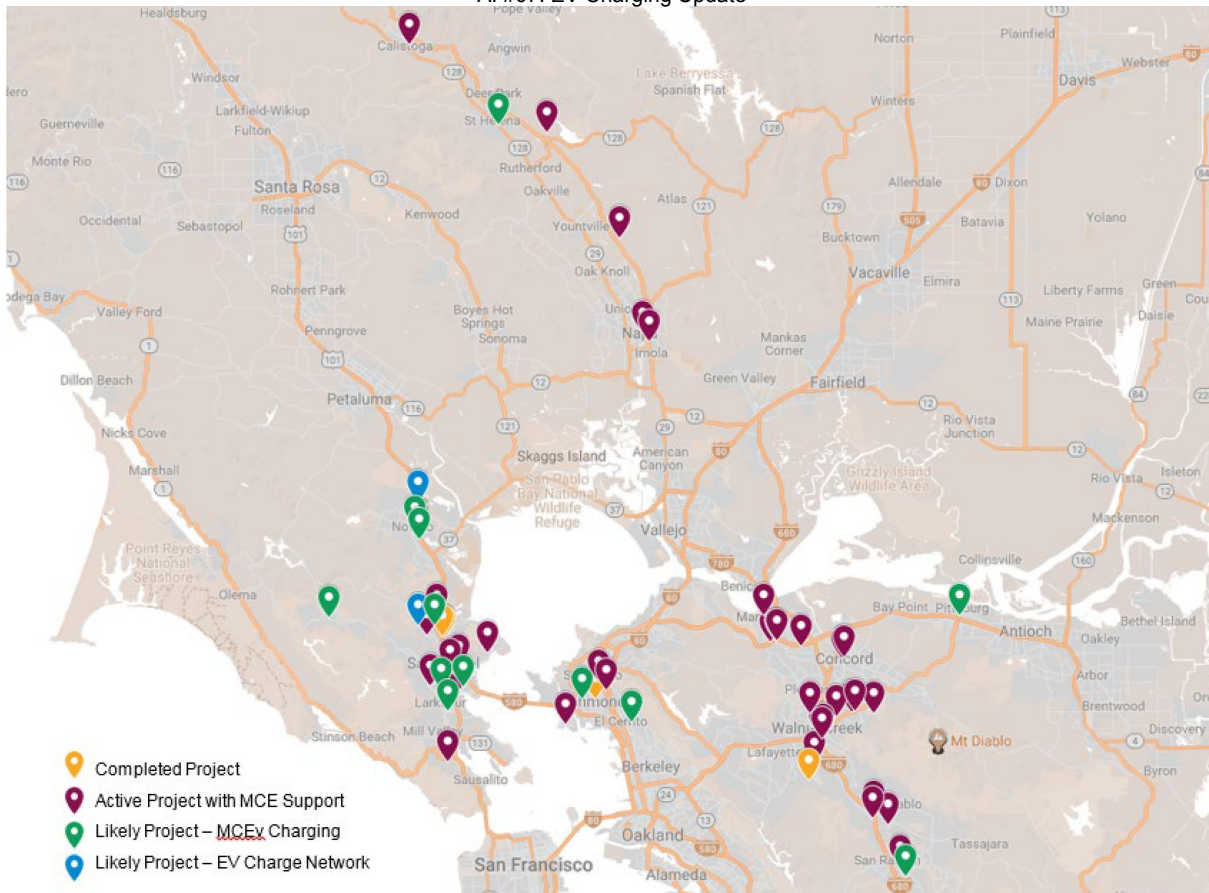
1. Supplemental Rebate on PG&E's EV Charge Network Program
2. MCEv rebate + Technical Assistance for 2-20 port projects
3. Rebate for new or used EVs to expand access to low-income customers



Progress to Date: EV Charging Infrastructure

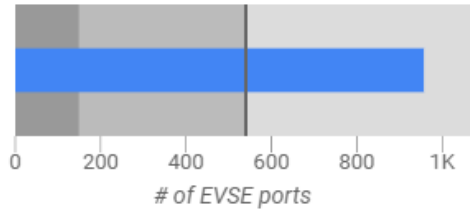
- ✓ Launched in late July
- ✓ 300+ customers engaged (and many more informed)
- ✓ 600 committed ports (goal: 540)
- ✓ Excitement + hesitation

AI #07: EV Charging Update

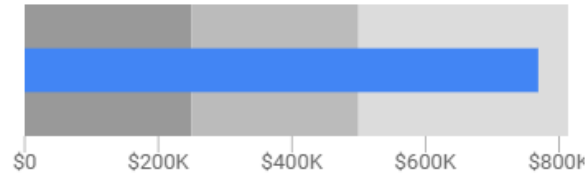




EVSE Pipeline



Rebate Tracker



Key Stats:

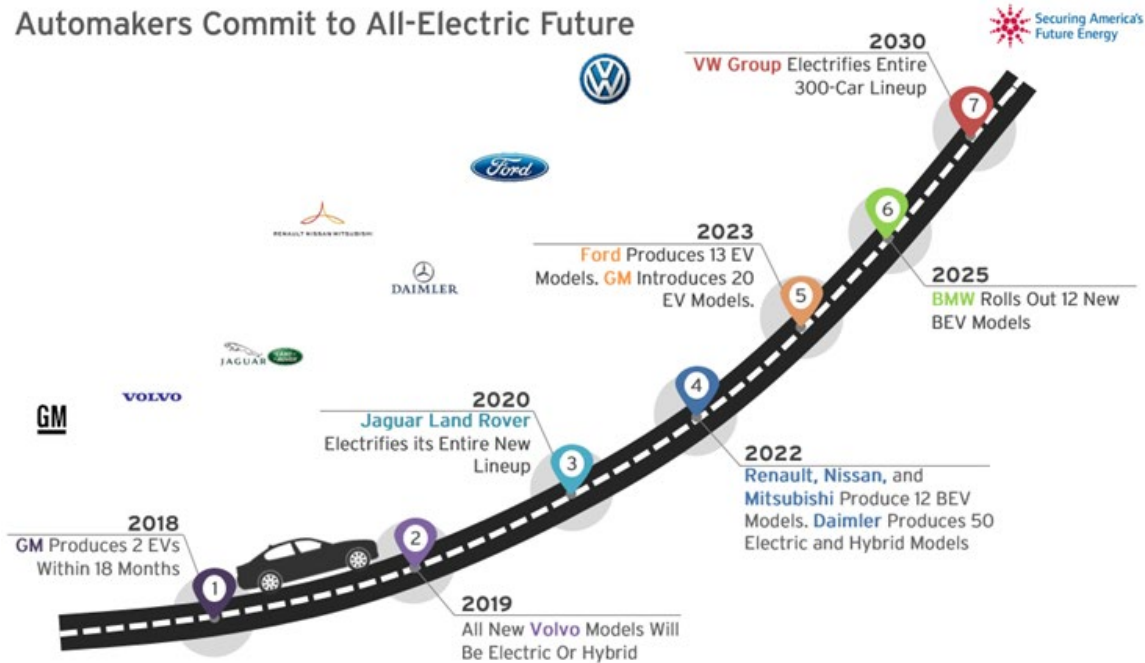
- (still) 3x more interest in MCEv
- 5th most popular webpage since launch
- Fairly even geographic spread across service area, although participation weighs more toward local govt & large biz

2019 Market Primer

- Charging – single family
- Charging – workplace and MUD
- Charging – medium & heavy duty
- EVs
- EVs – income qualified
- Fleets
- Electric Buses

Market Potential

Automakers Commit to All-Electric Future



Post FY18/19 Program Opportunities

- Evaluate & Refine Existing Offerings
- Low Carbon Fuel Standard (LCFS)
- Customer Navigation & Tool for EV market
- Marketing & Group EV Purchase
- EV Car Sharing
- Regional Planning & Permitting
- Drive Deep Green
- Electric Buses

Thank You

Brett Wiley, Customer Programs Manager





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12/21/18
03:51 PM

MP6/eg3 12/21/2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E Corporation's Organizational Culture and Governance Prioritize Safety.

Investigation 15-08-019

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

Summary

This Scoping Memo and Ruling (Ruling) sets forth the scope to be addressed and the schedule for the next phase of this proceeding, consistent with the Order Instituting Investigation and the prior Scoping Memo in this proceeding. This Ruling builds on this Commission's Decision (D.) 18-11-050 adopting the recommendations of the NorthStar Report and directing Pacific Gas and Electric Company (PG&E) to implement the recommendations as adopted in the decision.

1. Principles

Continuous, safe, and reliable gas and electric service at just and reasonable rates must be provided to Northern California in order to protect human life and sustain prosperity. The Commission's examination of PG&E's

I.15-08-019 COM/MP6/eg3

safety culture accordingly continues in this proceeding. The Commission will examine PG&E's and PG&E Corporation's (PG&E Corp.) current corporate governance, structure, and operations to determine if the utility is positioned to provide safe electrical and gas service, and will review alternatives to the current management and operational structures of providing electric and gas service in Northern California.

As the Commission evaluates proposed alternatives, it will consider a range of factors, including:

- the safety and reliability of utility service;
- the operational integrity and technical unity of components within PG&E's gas and electric transmission and distribution systems;
- the stability and adequacy of the utility workforce;
- the utility's relationships with and role in local communities;
- the ability of the state to implement its energy policies, including the need to reduce greenhouse gas (GHG) emissions and local criteria pollutants in both the utility sector and the economy as a whole;
- the ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires;
- the utility's ability to raise capital and purchase gas, electricity, equipment and services; and
- the cost of utility service.

Careful consideration is also necessary to determine whether there is a viable transition process from the status quo to any preferred alternative. If there is not a clear path forward to implement an alternative (including consideration

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of legal, financial, and technical grid issues), then the alternative will not be considered a viable option in this proceeding.

The future of PG&E may also be impacted by other actors beyond the Commission. The Legislature, the court appointed Federal Monitor, the various courts considering claims against PG&E, the Federal Energy Regulatory Commission, and the communities served by PG&E all have a role in determining PG&E's future. As a publicly traded company, PG&E must also respond to the financial markets, and to the requirements of the vendors and other parties with which it conducts business.

The Commission has not drawn any conclusions about the outcome of this proceeding and recognizes these other actors may be the origin of proposals for consideration. The Commission undertakes this next phase of this proceeding in a thoughtful and deliberate manner, consistent with the importance of the issues being addressed.

2. Background

PG&E has had serious safety problems with both its gas and electric operations for many years. The following examples illustrate both the types of safety incidents PG&E has experienced and the remedial consequences imposed by this Commission and several courts.

On September 9, 2010, a PG&E natural gas transmission pipeline ruptured in San Bruno. The event is well detailed in a Commission decision:

At 6:11 p.m. on September 9, 2010, Segment 180 of Line 132, a 30-inch diameter natural gas transmission pipeline owned and operated by PG&E, ruptured in the Crestmoor neighborhood of San Bruno, California. Gas escaping from the rupture

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ignited. There was an explosion of such tremendous force that a crater approximately 72 feet long by 26 feet wide was created. A 28-foot long section of pipe weighing about 3,000 pounds was blown approximately 100 feet from the crater. The conflagration continued for over an hour and a half, releasing 47.6 million cubic feet of flammable natural gas before the flow was stopped. It required the response of 600 firefighting (including emergency medical service) personnel and 325 law enforcement personnel.

The resulting deaths, injuries, and damage to property were especially severe [...].

The Crestmoor neighborhood was effectively wiped off the map. An entire community was displaced.¹

PG&E faced historically significant administrative penalties and fines and criminal punishment as a result of the San Bruno explosion. This Commission imposed a fine and other penalties on PG&E totaling \$1.6 billion.² PG&E was also found guilty by a federal jury of federal criminal conduct, specifically multiple willful violations of the Natural Gas Pipeline Safety Act of 1968 and of obstructing an agency proceeding.³ As part of PG&E's sentence in the federal criminal proceeding, it was required to submit to a federal monitor for compliance and ethics.⁴ In November 2018, Judge William Alsup, who was

¹ D.15-04-023 at 3-4.

² D.15-04-024 at 2.

³ Case No. CR-14-00175-THE; *see also* Press Release, Department of Justice, U.S. Attorney's Office, Northern District of California, dated August 9, 2016, available at: <https://www.justice.gov/usao-ndca/pr/pge-found-guilty-obstruction-agency-proceeding-and-multiple-violations-natural-gas>.

⁴ Case No. CR-14-00175-THE, Order dated January 26, 2017. In February 2017, Mark Filip was selected as the Compliance and Ethics Monitor of PG&E for a period of five years.

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assigned the PG&E federal criminal manner, directed PG&E to respond by December 31, 2018, to questions regarding the Camp Fire, which occurred in November 2018.

On June 19, 2012, a PG&E subcontractor was killed during demolition of PG&E's decommissioned Kern Power Plant. As part of a settlement of the subsequent Commission Order Instituting Investigation (OII), PG&E was required to implement, on a company-wide basis, a Corrective Action Plan that included a Contractor Safety Program and an Enterprise Causal Evaluation Standard, and pay penalties totaling \$5,569,313.⁵

On August 18, 2016, the Commission imposed penalties on PG&E of \$25,626,000 in response to six incidents from 2010 through 2014 that called into question the safety of PG&E's natural gas distribution system.⁶ In response to the Commission's OII in that proceeding, "PG&E also set forth its efforts to enhance gas distribution system recordkeeping accuracy, accessibility, and controls, as well as operational safety improvements."⁷

On August 27, 2015, the instant OII was opened by the Commission, to examine PG&E's and PG&E Corp.'s safety culture. This Commission was, and remains, concerned that the safety problems being experienced by PG&E were not just one-off situations or bad luck, but indicated a deeper and more systemic

⁵ These penalties consist of \$3,269,313 in ratemaking offsets that benefit customers and \$2,300,000 in fines payable to the state's General Fund. (D.15-07-014 at 2.)

⁶ D.16-08-020 at 2-4. An additional penalty of \$10.8 million was imposed for the Carmel incident. (*Id.* at 10, 51.)

⁷ *Id.* at 4.

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problem. The fact that imposing penalties on PG&E (the Commission's standard tool for addressing safety problems) did not seem to change the situation reinforced this concern.

As the Commission stated: "[t]his investigation will...determine whether PG&E's organizational culture and governance are related to PG&E's safety incidents and performance record, and if so, to what extent; and if so, how can or should the Commission order or encourage PG&E to develop, implement, and update as necessary a safety culture of the highest order."⁸ In D.18-11-050, the Commission adopted the findings of the consultant to the Safety and Enforcement Division, the Northstar Consulting Group. The report concluded that "[w]hile PG&E is committed to safety and efforts have been made to reduce incidents and increase the organizational focus on safety, these efforts have been somewhat reactionary – driven by immediate needs and an understandable sense of urgency, rather than a comprehensive enterprise-wide approach to addressing safety."⁹ The failure of PG&E to develop a comprehensive enterprise -wide approach to address safety, eight years after the 2010 San Bruno pipeline explosion, is of vital concern to this Commission.

The Butte Fire, which began on September 9, 2015, burned approximately 70,000 acres of land and destroyed 921 structures, and left two civilians dead.¹⁰

⁸ Investigation 15-08-019, OII at 15.

⁹ Northstar Report at I-1.

¹⁰ Cal Fire Report, last modified October 15, 2015, available at http://cdfdata.fire.ca.gov/incidents/incidents_details_info?incident_id=1221.

Footnote continued on next page

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The Commission's Safety and Enforcement Division (SED) issued PG&E a citation for \$8 million for violation of the CPUC's General Order 95, Rule 31.1, for failing to maintain its 12 kilovolt (kV) overhead conductors safely and properly.¹¹ SED also cited PG&E \$300,000 for failure to timely report to the CPUC that PG&E's facilities may have been linked to the ignition of the Butte Fire and for failing to maintain the minimum required clearance between a 12 kV conductor and a tree.¹²

In the fall of both 2017 and 2018, historically large wildfires burned in PG&E's service territory. The scale of these fires set new records on almost every metric which exists to measure wildfires. Because the Commission's investigations into these fires are ongoing, the specific causes of the fires, potential enforcement actions, and PG&E's prudence related to the fires will not be addressed in this proceeding. However, the Commission will consider the fact that PG&E's service territory includes fire prone land according to the Commission's fire threat maps,¹³ which is a critical safety challenge for PG&E.

On December 14, 2018, the Commission opened an OII proceeding to consider penalties and ordered immediate action against PG&E for what

¹¹ Citation Issued Pursuant to D.16-09-055. Available here: http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/E1704001E2015091601Citation20170425.pdf.

¹² Citation Issued Pursuant to D.16-09-055. Available here: http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/E1704002E20150916_01Citation20170425.pdf.

¹³ D.17-01-009, revised by D.17-06-024.

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Commission staff says are systemic violations of rules to prevent damage to natural gas pipelines during excavation activities.¹⁴ The Commission directed PG&E to take immediate corrective measures and to attest under penalty of perjury that it is conducting natural gas pipeline locate and mark efforts and programs in a safe manner consistent with all applicable laws. The Commission has not prejudged the outcome of that proceeding; however, the fact that these allegations have been made are noted to provide context for the type of challenges we expect PG&E to address by adopting and maintaining a safety culture.

This Commission is tasked with regulating PG&E's safe operation of its natural gas pipeline and electricity infrastructure. Given PG&E's record and the dangers inherent in PG&E's service territory, the Commission must evaluate whether there is a better way to serve Northern California with safe and reliable electric and gas service at just and reasonable rates. This ruling identifies the scope of issues considered in the next phase of this proceeding.

3. Scope of Issues

The safe operation of PG&E's gas and electric systems and the threat of personal harm to PG&E employees and members of the public are of critical concern to the Commission and California. To address that concern and mitigate future risk, the next phase of this proceeding will consider a broad range of alternatives to current management and operational structures for providing electric and natural gas in Northern California. Accordingly, the following list of

¹⁴ I.18-12-007.

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proposals is illustrative rather than exclusive and is intended to show the range of possible alternatives under consideration. This list does not limit the Commission's potential actions or directives. The outcome of this investigation may include recommendations to other entities that have a role in ensuring safe electrical and gas service in Northern California, if a desired outcome requires action by someone other than this Commission. Parties may present other options than the ones listed below. The Commission may revise the scope of alternatives to be considered after receiving comments from parties.

This is not a punitive exercise. Indeed, the keystone question is, compared to PG&E and PG&E Corp. as presently constituted, would any of the following proposals provide Northern Californians safer gas and electric service at just and reasonable rates?

Corporate Governance – Board of Directors

- Should PG&E and PG&E Corp. be subject to a utility-specific business judgment rule (BJR) to require the Board of Directors to account for safety beyond the current fiduciary duties?¹⁵ If so, should such a utility-specific business judgment rule apply to corporate officers as well?
- Should the PG&E Board of Directors regularly file with the Commission a report of how the Board met its duties under the BJR to account for safety? Should this include a summary of the oversight exercised by the Board including information reviewed, when deliberations occurred, and the depth of the review? Should the report include the Board review of the corporate officers' leadership as it pertains to safety? Should compensation to the Board

¹⁵ See, e.g. California Corporations Code § 309 and *Gaillard v. Natomas Co.*, 208 Cal. App. 3d 1250 (1989).

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- Members be dependent on a Commission finding that the Board members discharged their safety duties appropriately?
- Should PG&E form an independent nominating committee to identify and select candidates for the Board of Directors?
 - Should PG&E identify specific criteria for potential Board of Directors members? For example, should PG&E have one or more Board of Directors members be experts in organizational safety, gas safety, and/or electrical safety? If so, should the appointment of safety experts be made subject to Commission or Governor approval?
 - Should PG&E form an audit committee constituted of independent directors possessing financial and safety competence, as defined by the Commission, to evaluate the Board of Directors' discharge of their duties and make recommendations for qualifications of future members of PG&E's Board of Directors?
 - The Securities and Exchange Commission requires publicly traded companies to file an 8-K Form when a material event occurs. Generally, an event is material if there is a substantial likelihood that a reasonable investor would consider the information important in making an investment decision. Should PG&E file an analogous safety report with the Commission when PG&E makes a significant decision regarding capital expenditures pertaining to safety, a change in management as it pertains to safety, or any other decision that may impact safety?
 - Should PG&E file a public annual report of all Directors and Officers insurance policies obtained by PG&E and identify the risk PG&E identified to obtain the insurance? If PG&E amends its Directors and Officers insurance, should it notify the Commission of the risk identified and the terms of the amended policy?

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- Should part or all of the existing Board of Directors resign and be replaced by directors with a stronger background and focus on safety?

Corporate Management – Officers and Senior Leadership

- Should PG&E retain new corporate management in all or in part?
- Should the questions posed above for Corporate Governance be similarly considered for corporate management?
- Should compensation for non-officer executives be modified? Does the current incentive structure properly incent PG&E decision-makers?¹⁶

Corporate Structure

- Should PG&E's gas and electric distribution and transmission divisions be separated into separate companies? If so, should the separate companies be controlled by a holding company? Should the holding company be a regulated utility?
- Should PG&E's corporate structure be reorganized with regional subsidiaries based on regional distinctions? For example, PG&E could be divided into multiple smaller utilities operating under a single parent company. If so, should such a reorganization apply to both gas and electric services? Do the physical characteristics of the gas and electric systems lend themselves to the same regional structure, or do the physical characteristics of the respective systems lend themselves to different regional structures?

¹⁶ Senate Bill 901 (Dodd) prohibits an electrical or gas corporation from recovering any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of the corporation, from ratepayers.

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- Should the Commission revoke holding company authorization, so PG&E is exclusively a regulated utility? Should all affiliates and subsidiaries be spun off or incorporated into the regulated utility?
- Should the Commission form a standing working group with the union leadership of PG&E to identify the safety concerns of PG&E staff?

Publicly Owned Utility, Cooperative, Community Choice Aggregation or other Models

- Should some or all of PG&E be reconstituted as a publicly owned utility or utilities?
- Should PG&E be a “wires-only company” that only provides electric distribution and transmission services with other entities providing generation services? If so, what entities should provide generation services?

Return On Equity

- Should the Commission condition PG&E’s return on equity on safety performance?
- What are the safety considerations for the utility if its financial status is downgraded by the investment community?

Other Proposals

- What other measures should be taken to ensure PG&E satisfies its obligation to provide safe service?

4. Comments

Parties should make preliminary comments on the desirability of these alternatives with discussion of how each proposal impacts the following considerations:

- the safety and reliability of utility service;

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- the operational integrity and technical unity of components within PG&E's gas and electric transmission and distribution systems;
- the stability and adequacy of the utility workforce;
- the utility's relationships with and role in local communities;
- the ability of the state to implement its energy policies, including the need to reduce GHG emissions and local criteria pollutants in both the utility sector and the economy as a whole;
- the ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires;
- the utility's ability to raise capital and purchase gas, electricity, equipment and services; and
- the cost of utility service.

In addition, the parties shall make initial observations on the legal, technical, and financial feasibility of these proposals and include observations on the feasibility of transitioning from the current utility structure to proposed alternatives.

Parties may also offer additional proposals with consideration given to the same factors and feasibility concerns. Parties may also comment on scope and process recommendations.

For ease of reference, parties' comments shall follow the same format provided in this ruling. Specifically, parties shall comment on proposals in the following sequence: Corporate Governance, Corporate Management, Corporate Structure, Public Utility or Cooperative, Return on Equity, and Other Proposals. Opening comments are limited to 40 pages. Reply comments are limited to 20 pages.

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To better inform this proceeding, on or before January 16, 2019, PG&E is also directed to file a summary of:

- PG&E's and PG&E Corp.'s corporate structures, including organizational charts for the respective Board of Directors, executives, and other senior leadership as of September 1, 2010, and as of December 31, 2018. The summary should also explain the different lines of business of PG&E and PG&E Corp.
- The senior positions in PG&E and PG&E Corp. responsible for management of safety, and how the different roles interact.

After review of comments filed by parties, the Commission will identify the best process to consider proposals and identify concerns that require additional filings from parties.

5. Schedule

The next step for this Commission is to obtain input on the various possible approaches to address the underlying issue of PG&E's safety culture. The Commission needs to have more information and analysis from a range of perspectives before it can consider implementation of any particular approach, or even select any approach to consider in more detail. Accordingly, the schedule set forth below is limited to the filing and service of party comments on the issues identified above.

The following schedule is adopted:

PG&E and PG&E Corp. Background Filing	January 16, 2019
Concurrent Opening Comments filed and served	January 30, 2019
Concurrent Reply Comments filed and served	February 13, 2019

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This schedule may be modified by the assigned Commissioner or Administrative Law Judge (ALJ) as necessary. Once comments are received, the assigned Commissioner and ALJ will determine the next procedural steps to take.

6. Presiding Officer

In the interest of judicial efficiency, ALJ Peter V. Allen is designated as the Presiding Officer in this phase of the proceeding.

7. Public Category of Proceeding/*Ex Parte* Restrictions

As stated in the original scoping memo issued on May 8, 2017, this proceeding is categorized as ratesetting. With the change in presiding officer, the voluntary *ex parte* prohibition previously imposed by the assigned Commissioner is lifted, and will not apply to this phase of the proceeding. The Commission's rules regarding *ex parte* communications in ratesetting proceedings remain in place. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

8. Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

IT IS RULED that:

1. The scope of this proceeding is described above.

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2. The schedule of this proceeding is as set forth above.
3. Administrative Law Judge Peter V. Allen is designated as the presiding officer for this phase of the proceeding.
4. Page limitations for opening and reply comments are as set forth above.

Dated December 21, 2018, at San Francisco, California.

/s/ MICHAEL PICKER

Michael Picker
Assigned Commissioner