

Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Mayor Sam Liccardo

SUBJECT: SEE BELOW

DATE: November 26, 2019

Approved

Date



11/26/19

SUBJECT: RESOLUTION IN SUPPORT OF TRANSFORMING PG&E INTO A
CUSTOMER-OWNED UTILITY

RECOMMENDATION

Adopt a resolution that supports transforming Pacific Gas & Electric into a private, customer-owned utility, maintaining the utility's current service area.

BACKGROUND

Californians have experienced a dystopia of alternating wildfires and blackouts that have displaced hundreds of thousands of residents, and disrupted the daily lives and livelihoods of millions more. Pacific Gas & Electric (PG&E) has chronically underinvested in basic maintenance and safety while distributing billions to shareholders, tens of millions to executives, and millions more to lobbying efforts. Residents and businesses need a utility company focused on providing reliable, safe, and affordable power, and placing customers' interests above the interests of shareholders.

More than two dozen mayors and several dozen other local leaders across Northern and Central California—collectively representing more than 6 million residents—have publicly urged the California Public Utilities Commission (CPUC) to consider the exploration of a customer-owned utility. A customer-owned utility would benefit from dramatically lower capital costs than PG&E does today, due in part to its lack of obligation to pay dividends to shareholders and federal taxes. By saving billions in interest payments, a customer-owned utility could devote more of its resources to improving the company's maintenance, infrastructure, and service.

It remains important to distinguish this proposal from those suggestions that the State of California should take over the utility, or that the City should municipalize it. A customer-owned utility remains a private company, just as other customer-owned companies, such as mutual insurance companies and credit unions, remained free of government ownership. Any State takeover of the utility would likely run afoul of the California Constitution, would likely result in a downgrade of the State's bond ratings, and would cost taxpayers far more than PG&E's assets are worth.

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Rather, we urge that ratepaying customers supplant shareholders as owners of equity in the company. This model is not a new one to the utility industry, as several hundred customer-owned utilities exist in the United States, and several generate billions of dollars in revenues.

The future structure of PG&E currently lies in the hands of a bankruptcy court, with competing plans for PG&E's emergence from Chapter 11 bankruptcy. Governor Gavin Newsom has threatened that if the competing hedge funds cannot come up with satisfactory plans to put the company on stable footing, the State will intervene. The CPUC already has responsibility under federal law for approving any Plan of Reorganization for PG&E that emerges from bankruptcy court, particularly where that Plan requires rate increases or access to the Wildfire Fund. Accordingly, we have multiple points of influence to push for a more sustainable corporate structure for the company.

To ensure safer, more reliable power for our community, we must communicate our support to the CPUC and the U.S. Bankruptcy Court for their consideration of a proposal to transform PG&E into a customer-owned utility.