

Memorandum

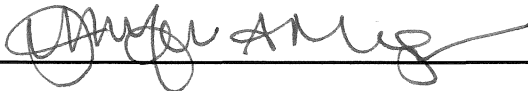
TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

**SUBJECT: SAN JOSE CLEAN ENERGY
UPDATE**

DATE: February 27, 2019

Approved



Date

3-1-19

INFORMATION

BACKGROUND

On November 7, 2017, the City Council approved an ordinance to add Title 26 to the San José Municipal Code to provide procedures for the operation and management of San José Clean Energy ("SJCE"). In accordance with Section 26.50.040, the Director of the Community Energy Department is to submit quarterly reports to the City Council summarizing the number of Short Term Transactions and the total cost of those transactions during the previous quarter. Because San José Clean Energy launched service in September 2018, this memorandum includes the second of these quarterly reports.

The November 6, 2018 joint memo between the Community Energy Department and the Budget Office, states that staff will provide City Council with a summary of power supply contracts executed for Phase II (February 2019 - December 2019) and will provide an update on the first four months of operating Phase I (September 2018 - December 2018) of the San José Clean Energy program.

ANALYSIS

Power Supply Contracts

Title 26 requires that SJCE submit quarterly reports to City Council that summarize all short-term transactions and the total cost of these contracts. SJCE entered into 31 agreements during the fourth quarter of 2018 worth a total of \$43,802,482. Attachment 1 to this memorandum is a detailed summary of these agreements. This is the second quarterly report that SJCE has submitted. SJCE will submit the next quarterly report by the end of April 2019.

In November 2018 SJCE stated that they will provide City Council with a summary of all the power supply contracts executed for Phase II (residential and commercial customers). SJCE has entered into 39 agreements for Phase II customers worth a total of \$83,758,487. Attachment 2 to this memorandum is a detailed summary of these agreements. SJCE is continuing to execute

contracts to support Phase II and will report these additional transactions in future quarterly reports.

Initial Operating Report for Phase I (City Accounts)

SJCE served 38,552 MWh of retail load in the first 4 months of operating Phase I from September 2018-December 2018. This is approximately 2.3% lower than our forecast of 39,522 MWh. It is normal for SJCE's load to fluctuate over time due to a variety of factors, including: weather, changes in operations, and use patterns.

Attachment 3 contains a map showing where customers have opted up to the 100%. Currently, 315 customers have enrolled in TotalGreen. SJCE will continue to market this program throughout 2019 to increase participation. Attachment 4 contains a map showing where customers have opted out of SJCE service. Currently 2,324 customers have opted out of service which represents about 0.77% of SJCE's customers. SJCE's target is no more than a 3% opt-out rate or approximately 9,000 customers.

SJCE coordinated with the City Attorney's Office and other Community Choice Aggregators to submit comments on the CPUC's Order Instituting Investigation to determine whether PG&E's organizational culture and governance prioritize safety. Attachment 5 includes the comments submitted on behalf of the City of San José and the comments submitted on behalf of the joint Community Choice Aggregators.

/s/
LORI MITCHELL
Director, Community Energy Department

For questions, please contact Lori Mitchell, Director, at (408) 535-4880.

Attachment 1: SJCE Q4 2018 (Q2 FY 2018 - 2019) Power Procurement Summary
Attachment 2: SJCE Phase II 2019 (February - December 2019) Power Procurement Summary
Attachment 3: TotalGreen (100% renewable product) Enrollments Map
Attachment 4: Opt-Out Map
Attachment 5: CPUC Safety Proceeding - Submitted Comments

San José Clean Energy Q4 2018 (Q2 FY 2018-2019) Power Procurement Summary			
Counterparty	Energy Type	Power Delivery Period	Agreement Date
Pacific Gas and Electric Company	Resource Adequacy	March - December 2019	10/10/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	February 2019	10/20/2018
Public Service Company of Colorado	Renewables	January - December 2019	10/23/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - October 2019	10/26/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - October 2019	10/26/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - November 2019	10/26/2018
Calpine Energy Services L.P.	Resource Adequacy	January - February 2019	10/26/2018
Merced Irrigation District	Resource Adequacy	January - December 2019	10/26/2018
Alameda Municipal Power	Resource Adequacy	January - December 2019	10/30/2018
ConocoPhillips Company	Resource Adequacy	December 2019	10/30/2018
Pacific Gas and Electric Company	Resource Adequacy	January - August 2019	10/30/2018
Peninsula Clean Energy Authority, a California joint powers authority	Resource Adequacy	January - June 2019	10/30/2018
City of Santa Clara, a chartered California municipal corporation, dba Silicon Valley Power	Resource Adequacy	June - July 2019	10/30/2018
AltaGas Ripon Energy Inc.	Resource Adequacy	October 2019	10/31/2018
Pioneer Community Energy, a California joint powers authority	Resource Adequacy	January 2019	11/14/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	February 2019	11/27/2018
AltaGas Ripon Energy Inc.	Resource Adequacy	February 2019	12/7/2018
Shell Energy North America (US), L.P.	Conventional Power	February - March 2019	12/11/2018
Shell Energy North America (US), L.P.	Conventional Power	February - March 2019	12/11/2018
Public Service Company of Colorado	Conventional Power	March 2019	12/11/2018
3 Phases Renewables Inc.	Resource Adequacy	February 2019	12/12/2018
TransAlta Energy Marketing (U.S.) Inc.	Conventional Power	February - March 2019	12/12/2018
Pacific Gas and Electric Company	Resource Adequacy	February 2019	12/13/2018
Morgan Stanley Capital Group Inc.	Conventional Power	March 2019	12/13/2018
Clean Power Alliance of Southern California, a California joint powers authority	Resource Adequacy	February 2019	12/17/2018
Clean Power Alliance of Southern California, a California joint powers authority	Resource Adequacy	February 2019	12/17/2018
Clean Power Alliance of Southern California, a California joint powers authority	Resource Adequacy	February 2019	12/17/2018
Morgan Stanley Capital Group Inc.	Carbon-free Power	July - December 2019	12/20/2018
TransAlta Energy Marketing (U.S.) Inc.	Resource Adequacy	July - September 2019	12/20/2018
Morgan Stanley Capital Group Inc.	Conventional Power	February 2019	12/26/2018
Morgan Stanley Capital Group Inc.	Conventional Power	February 2019	12/26/2018

Total Contracted in Q4 2018: \$43,802,482

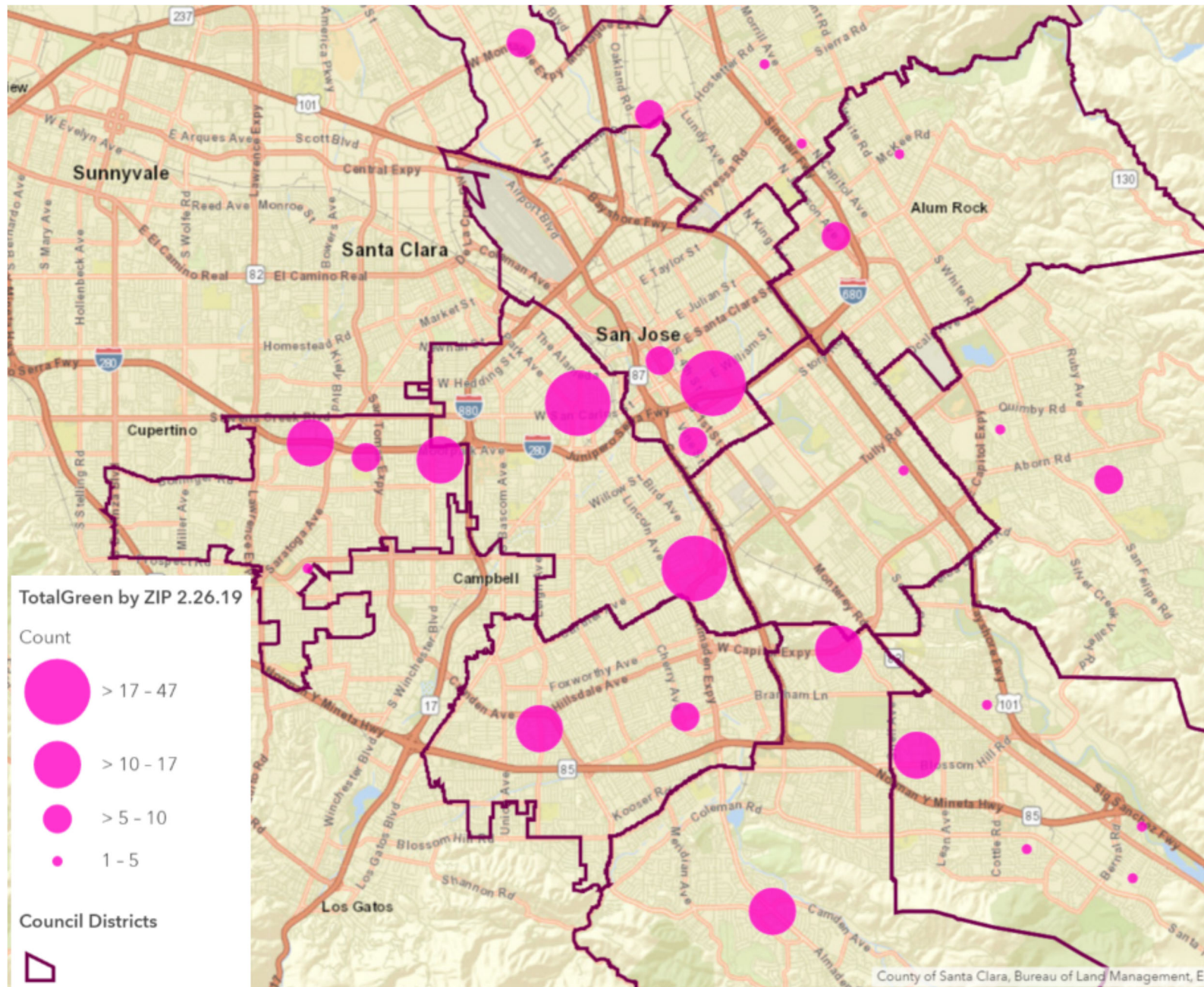
San José Clean Energy Phase II 2019 (February 2019- December 2019) Power Procurement Summary			
Counterparty	Product	Phase 2 Delivery Period	Agreement Date
3 Phases Renewables Inc.	Resource Adequacy	February 2019	12/12/2018
3 Phases Renewables Inc.	Renewables	2019	1/15/2019
Alameda Municipal Power	Resource Adequacy	February - December 2019	10/30/2018
AltaGas Ripon Energy Inc.	Resource Adequacy	October 2019	10/31/2018
AltaGas Ripon Energy Inc.	Resource Adequacy	February 2019	12/7/2018
Calpine Energy Services L.P.	Resource Adequacy	March - December 2019	9/17/2018
Calpine Energy Services L.P.	Resource Adequacy	February 2019	10/26/2018
Clean Power Alliance of Southern California, a California joint powers authority	Resource Adequacy	February 2019	12/17/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	February 2019	11/27/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - October 2019	10/26/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - October 2019	10/26/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	July - November 2019	10/26/2018
City and County of San Francisco, acting by and through its Public Utilities Commission, CleanPowerSF	Resource Adequacy	February 2019	11/27/2018
ConocoPhillips Company	Resource Adequacy	December 2019	10/30/2018
DTE Energy Trading, Inc.	Renewables	2019	1/25/2019
DTE Energy Trading, Inc.	Conventional Power	March - December 2019	1/28/2019
Merced Irrigation District	Resource Adequacy	February - December 2019	10/26/2018
Morgan Stanley Capital Group Inc.	Conventional Power	March 2019	12/13/2018
Morgan Stanley Capital Group Inc.	Carbon Free	July - December 2019	12/20/2018
Morgan Stanley Capital Group Inc.	Conventional Power	February 2019	12/26/2018
Morgan Stanley Capital Group Inc.	Conventional Power	February 2019	12/26/2018
Nextera Energy Marketing, LLC	Conventional Power	March - December 2019	1/16/2019
Nextera Energy Marketing, LLC	Conventional Power	March 2019	1/28/2019
Peninsula Clean Energy	Resource Adequacy	January - June 2019	10/30/2018
Pacific Gas and Electric Company	Renewables	2019	9/14/2018
Pacific Gas and Electric Company	Resource Adequacy	March - December 2019	10/10/2018
Pacific Gas and Electric Company	Resource Adequacy	March - August 2019	10/30/2018
Pacific Gas and Electric Company	Resource Adequacy	February 2019	12/13/2018
Powerex Corp.	Carbon-free Power	2019	1/11/2019
Public Service Company of Colorado	Renewables	2019	10/23/2018
Public Service Company of Colorado	Conventional Power	March 2019	12/11/2018
Shell Energy North America (US), L.P.	Conventional Power	February - March 2019	12/11/2018
Shell Energy North America (US), L.P.	Conventional Power	February - March 2019	12/11/2018
Shell Energy North America (US), L.P.	Conventional Power	March - December 2019	1/9/2019
Shell Energy North America (US), L.P.	Carbon-free Power	2019	1/16/2019
City of Santa Clara, a chartered California municipal corporation, dba Silicon Valley Power	Resource Adequacy	June - July 2019	10/30/2018
TransAlta Energy Marketing (U.S.) Inc.	Conventional Power	February - March 2019	12/17/2018
TransAlta Energy Marketing (U.S.) Inc.	Carbon-free Power	2019	1/10/2019
TransAlta Energy Marketing (U.S.) Inc.	Resource Adequacy	July - September 2019	12/20/2018

Total Contracted for Phase II 2019:

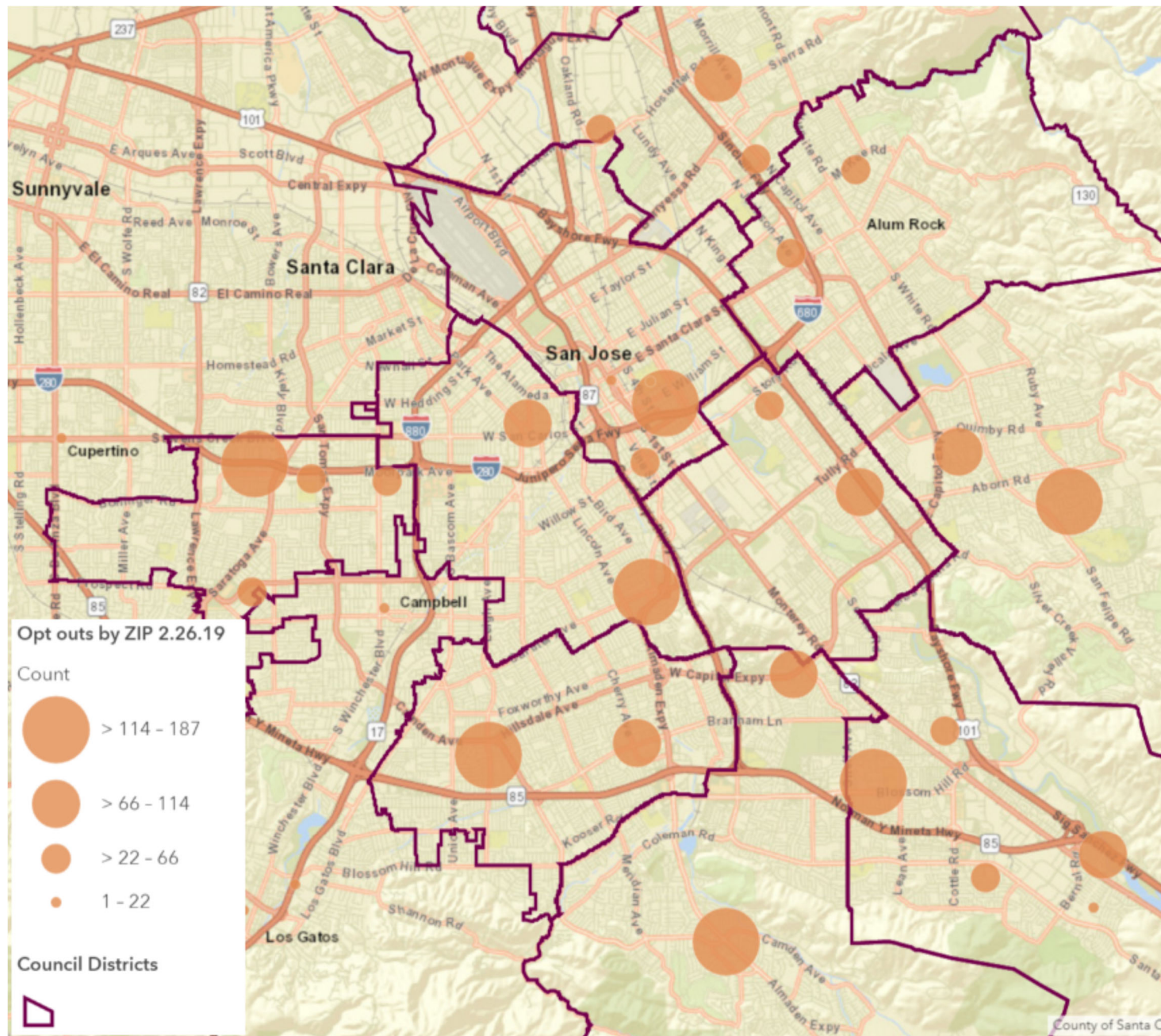
\$83,758,487

Attachment 3: TotalGreen (100% renewable product) Enrollments Map

TotalGreen Enrollments - 315



Customer Opt-Outs - 2,324



**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
(Filed August 27, 2015)

OPENING COMMENTS OF THE CITY OF SAN JOSÉ

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February 13, 2019

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OPENING COMMENTS OF THE CITY OF SAN JOSÉ

Pursuant to the Assigned Commissioner’s Scoping Memo and Ruling dated December 21, 2018 and amended January 22, 2019¹ (the “Ruling”), the City of San José (“San José” or “the City”) respectfully submits the following comments.² San José appreciates the opportunity to provide comments on the Ruling and strongly supports any efforts from the California Public Utilities Commission (“Commission”) to ensure continuous, safe, and reliable gas and electricity services to all residents in Northern California and, specifically, San José.

San José has joined East Bay Community Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy Alliance (the “Joint CCAs”) to provide comments, responses to the Ruling’s questions, and proposals for Commission consideration. San José is submitting these additional comments to address some issues in the Ruling that are particularly relevant for San José and its

¹ On January 22, 2019, the presiding officer for this proceeding, ALJ Peter V. Allen, issued an E-Mail Ruling Granting Extension of Time, which extends the comment and reply deadlines. These comments are timely filed.

² San José’s Motion for Party Status was granted by E-Mail Ruling Granting Motions for Party Status, dated February 8, 2019.

residents. To the extent that a question or recommendation is not addressed herein, San José reserves its right to comment at a future date.

I. INTRODUCTION

San José is the largest city in Northern California with an estimated population of more than one million inhabitants.³ San José's residents receive electric and gas services from Pacific Gas & Electric ("PG&E"). Further, San José has established its own Community Choice Aggregator ("CCA") program that launched its service to all customers on February 1, 2019 under the name of San José Clean Energy ("SJCE"). San José has ambitious urban sustainability goals that are aligned with the state's de-carbonization and climate change response goals.⁴ Those goals are articulated in San José's Climate Smart Plan and include, among others, the following:

1. Transitioning to renewable electricity;
2. Electrifying natural gas uses in buildings;
3. Electrifying transportation; and
4. Reducing demand for energy across all sectors.

San José supports any Commission action in this proceeding that will further the following City goals: increase clean energy options for San José's residents; expand San José's local control and local benefits; and improve energy affordability, safety, transparency, reliability, and resilience in the operation of electric and gas services for San José's residents.

³ According to the American FactFinder, San José's population was estimated to be 1,035,317 inhabitants by 2017. Unites States Census Bureau, American FactFinder, San José city, California, https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml (last visited Feb. 2, 2019).

⁴ See City of San José, *Climate Smart San José, A People-Centered Plan For A Low-Carbon City* (Feb. 2018), available at: <http://www.sanJoseca.gov/DocumentCenter/View/75035>.

In its Ruling, the Commission states that it will review alternatives to the current management and operational structures of electric and gas service in California.⁵ The Ruling also describes several proposals and asks parties to provide recommendations. Many of those proposals will directly or indirectly impact the service that San José's residents receive from PG&E and present challenges and opportunities for the operation of SJCE.

II. PUBLICLY OWNED UTILITY, COOPERATIVE, COMMUNITY CHOICE AGGREGATION OR OTHER MODELS

- **Question: “Should some or all of PG&E be reconstituted as a publicly owned utility or utilities?”**

San José respectfully requests that the Commission explore the full range of options and work collaboratively to support local governments that decide to exercise their right to form CCAs, municipal utilities, co-ops, or any other locally controlled and governed entity formation and expansion.

- **Question: “Should PG&E be a ‘wires-only company’ that only provides electric distribution and transmission services with other entities providing generation services?”**

San José encourages the Commission to identify and evaluate all possible options that would increase clean energy options; expand local benefits; and improve energy affordability, safety, transparency, reliability, and resiliency in the operation of electric and gas services for San José's residents. San José would support the Commission's efforts to assess the benefits of a wires-only company as well as exploring municipalization options to the extent that those options further San José's objectives.

⁵ Ruling, p. 2.

- **Question: “If so, what entities should provide generation services?”**

San José strongly supports the Joint CCAs’ request that the Commission eliminate barriers for communities that desire to pursue full municipalization. In particular, the Commission should adopt a standard valuation method to provide to local governments pursuing municipalization or other public acquisition of the subject infrastructure a thorough, reasonable, and unredacted fair method to value PG&E’s power infrastructure. This will eliminate the need for multiple costly studies and uncertainty around how the infrastructure may be valued. San José also supports the data accessibility proposals set forth in the Joint CCAs’ comments to the extent that those proposals further the City goals described above.

In addition to the proposals included in the Joint CCAs’ comments, the Commission should order PG&E to sell any excess resource adequacy subject to a standardized contract. This action would ensure that market stability and that there is not an artificial shortage. The Commission should also address cost-shifting to CCA customers for resource adequacy obligations that require new CCAs to procure excess resource adequacy for load they are not yet serving. For instance, these new requirements have cost SJCE approximately \$1.3 million dollars in additional resource adequacy for the month of January 2019. Finally, the Commission should work collaboratively to support a new CCA’s ability to launch in the Spring or at other times that allow the launch of the CCA to be most successful.

The Commission should also strictly prohibit investor-owned utilities from using ratepayer or stockholder funds to lobby or influence public opinion, or otherwise disseminate information against local governments that are exploring municipalization or other public ownership of electric services.

III. SAN JOSÉ AGREES THAT THE PROPOSALS PRESENTED BY THE JOINT CCAs AND SAN JOSÉ ARE NECESSARY TO ACHIEVE THE RULING’S OBJECTIVES

San José agrees that the proposals set forth in the Joint CCAs’ comments and the additional proposals presented herein are the best means to accomplish the following objectives outlined in the Ruling:

- **“The safety and reliability of utility service”**

As stated above, San José agrees with the Joint CCAs’ proposals to evaluate all options and foster the development of CCAs and municipal utilities in the retail electric service.

- **“The operational integrity and technical unity of components within PG&E’s gas and electric transmission and distribution systems”**

San José agrees with the Joint CCAs’ comment that no negative impacts on the operational integrity and technical unity of components within PG&E’s gas and electric transmission and distribution systems will result if PG&E becomes a “wires-only” company.

- **“The stability and adequacy of the utility workforce”**

San José agrees with the Joint CCAs’ comment that increasing local control over electric and natural gas services will lead to the creation of new local government jobs in connection with those services. San José encourages the Commission to adopt proposals that will promote local job creation and maintain stability to the workforce. San José also has experience working collaboratively with local unions and supports engagement with the unions to ensure utility workforce stability.

- **“The utility’s relationships with and role in local communities”**

San José agrees with the Joint CCAs’ comment that CCAs and municipal utilities foster close relationships between local communities and their retail electric service providers. San

José also agrees with the Joint CCAs' comment that because CCAs and municipal utilities follow democratic mandates and are accountable to the public they have pursued renewable and carbon-free energy goals at a faster rate than privately owned providers. San José strongly supports the Joint CCAs' request that the Commission create a pathway for communities to pursue full local control of retail generation services and urges the Commission to work with local governments to eliminate barriers for the establishment and/or expansion of CCAs and publicly owned utilities in PG&E's service territory.

- **“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”**

San José agrees with the Joint CCAs' comment that CCAs play an important role in achieving the ambitious state goals for a decarbonized economy through voluntary actions set forth in Assembly Bill (“AB”) 32 and Senate Bills (“SB”) 100 and the renewable energy and reduction mandates of SB 350. San José echoes the Joint CCAs' comments that, if PG&E becomes a “wires-only” company, CCAs are the obvious leaders to continue the process of decarbonizing the state's electric supply based on (1) their historical record driving significant GHG reductions in California, and (2) their efforts to achieve de-carbonization beyond purchases of utility-scale renewable energy, which include innovative net energy metering, transportation electrification, energy efficiency, and community outreach programs, among others.

- **“The ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires” and “[t]he utility’s ability to raise capital and purchase gas, electricity, equipment and services”**

San José supports all options that improve energy affordability, safety, transparency, reliability, and resilience. San José is particularly concerned about affordability issues related to PG&E’s ability to raise cost-effective capital to improve the safety and the reliability of the distribution system due to its financial challenges, which have been exacerbated by the company’s bankruptcy filing.

San José is also concerned about reliability and an increase in de-energization of the electric grid. De-energization events could have serious consequences to the many residents and businesses that operate in San José as well as critical services that benefit residents of San José and the larger Bay Area. Those services include operating the Norman Y. Mineta San José International Airport and the San José-Santa Clara Regional Wastewater Facility. Other critical City services that may also be impacted include the police and fire department. De-energization can also set back San José’s and the state’s renewable de-carbonization goals by requiring greater reliance on diesel back-up power to provide essential services to its habitants, which is inconsistent with the goals stated in AB 32 and SB 100 and the mandates of SB 350.

Importantly, San José is located at the heart of the Silicon Valley, and its booming technology industry depends on the operation of the grid in a reliable and safe fashion. Disruptions to the electric service have serious implications for the local economy. San José must ensure that all the services, including electricity, that are provided to its residents and businesses remain reliable. San José is ready to work with the Commission to explore all options that will improve grid reliability and resiliency.

- **“The cost of utility service”**

San José strongly agrees with the Joint CCAs’ comments that publicly owned utility costs are significantly lower than the average privately owned utility. CCAs and public agencies have several structural advantages, including access to lower cost financing and lower operating costs as they do not pay taxes, shareholder returns, or high executive salaries. San José also agrees with the Joint CCAs in that CCAs such as SJCE and municipal utilities use their resources effectively because they are public agencies that must operate with transparency and are accountable to the communities they serve. For instance, SJCE offers affordable rates to its customers, which are currently 1% below PG&E’s rates for its basic product,⁶ while providing San José’s residents with increased renewable energy content at 45%.⁷ In addition, SJCE is currently evaluating the implementation of several local programs that will provide several benefits to San José’s residents in the areas of transportation electrification, rate discounts for local manufacturing focused on job creation, and customer engagement through innovative data analytics.

IV. CONCLUSION

San José appreciates this opportunity to work with the Commission, the Joint CCAs, and the remaining parties in this proceeding to identify solutions that will ensure continuous, safe, and reliable gas and electricity, while increasing clean energy options; expanding local control and local benefits; and improving energy affordability, safety, transparency, reliability, and

⁶ See City of San José, Res. No. 78864 (authorizing SJCE to set rates for the GreenSource produce to be 1% below PG&E’s generation rates).

⁷ See SCJE, *The Choice Is Yours*, <https://www.sanjosecleanenergy.org/your-choices> (last visited Feb. 13, 2019) (providing a breakdown of the GreenSource product, which includes 45% renewable energy).

resiliency in the operation of the electric and gas services for residents of San José and elsewhere in Northern California.

Respectfully submitted by:

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/s/ Luisa F. Elkins

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CLEAN ENERGY AUTHORITY, PIONEER COMMUNITY ENERGY, SILICON
VALLEY CLEAN ENERGY, SONOMA CLEAN POWER, VALLEY CLEAN ENERGY
ALLIANCE, AND CITY OF SAN JOSE**

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For Silicon Valley Clean Energy

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CLEAN ENERGY AUTHORITY, PIONEER COMMUNITY ENERGY, SILICON
VALLEY CLEAN ENERGY, SONOMA CLEAN POWER, VALLEY CLEAN ENERGY
ALLIANCE, AND CITY OF SAN JOSE**

Pursuant to the Assigned Commissioner's Scoping Memo and Ruling dated December 21, 2018 and amended January 22, 2019¹ (the "ACR"), East Bay Community Energy, Peninsula Clean Energy Authority, Pioneer Community Energy, the City of San José on behalf of San José Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy Alliance (collectively, the "Joint CCAs") respectfully submit the following comments.² The Joint CCAs appreciate the opportunity to provide input into the questions the ACR raises about Pacific Gas & Electric's ("PG&E") future. This is a key proceeding among many proceedings (and venues) where PG&E's future will be decided.

The Joint CCAs are Community Choice Aggregators ("CCAs") based in Northern California and serving PG&E's customers. The Joint CCAs consist of not-for profit public agencies operating either as joint power authorities or, in the case of San José Clean Energy, as

¹ On January 22, 2019, the presiding officer, ALJ Peter V. Allen, issued an E-MAIL Ruling Granting Extension of Time, which extends the comment and reply deadlines. These comments are timely filed.

² Motions for party status were granted for East Bay Clean Energy on January 15, 2019 and for Silicon Valley Clean Energy, Pioneer Community Energy, Peninsula Clean Energy Authority, Sonoma Clean Power, City of San José, and Valley Clean Energy Alliance on February 8, 2019.

part of the municipal government.³ CCAs currently serve 46% of the retail electric customer load in PG&E's current service area.⁴ As public agencies that are governed by local, elected officials, CCAs are a powerful vehicle for driving State energy and climate policies forward in ways aligned with local needs and preferences. One of the core motivators for local elected officials in forming each of the Joint CCAs was to drive deep carbon reductions at a generally faster pace than is mandated by the State, while also offering localized energy programs to foster affordability, reliability, social equity, decarbonization, and drive innovation in the electricity, transportation and building sectors. Furthermore, the communities that CCAs serve are extremely vulnerable to climate change. Recent devastating natural events, such as massive wildfires, statewide drought, and flooding have affected many of these communities, and CCAs have a strong interest in identifying solutions that could mitigate those catastrophic impacts. The Joint CCAs recognize that the vision put forward in these comments will, in some instances, require coordinated and supportive action across all levels of local and state government. We put these proposals forward to assist the Commission in its efforts to increase safety within PG&E's operations and to identify actions that the Commission can take at this point in time.

³ San José Clean Energy is the City of San Jose's CCA program, which is administered by the San Jose Community Energy Department.

⁴ PG&E 2019 ERRRA Forecast. CCAs will serve 32,929 GWh vs. 38,391 GWh of load for bundled customers. Available online at: <https://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=543405>.

I. SUMMARY OF JOINT CCA PROPOSALS

The ACR's recital of PG&E's dismal safety record over the past 20 years sets the stage for this phase of the OII, even as it understates the full extent of the loss of lives and property damage for which PG&E is responsible.⁵ Clearly, the *status quo* for providing electric utility service in Northern California is no longer tenable in light of PG&E's deplorable safety record. As PG&E moves into yet another bankruptcy, the Joint CCAs strongly endorse movement towards more alternatives for safe, reliable, and cost-effective electric power supply to Californians through locally controlled public agencies. With these comments, the Joint CCAs offer recommendations on how to achieve this outcome.

In Section II, the Joint CCAs respond to questions that appear on page 12 of the ACR under the headings: (A) Publicly Owned Utility, Cooperative, Community Choice Aggregation or Other Models, and (B) Other Proposals.⁶ Our recommendations encourage the Commission to:

- Improve PG&E's electric infrastructure safety outcomes by removing PG&E from the retail generation business and concentrating PG&E's attention and investments on its electric transmission and distribution businesses.
- Put financial stewardship, responsibility and control over programs such as demand response, energy efficiency and transportation electrification under local control.
- Provide communities the opportunity and authority to take affordable clean energy action by ensuring communities have the unhindered ability to proactively pursue full

⁵ The partial list of PG&E safety incidents presented in the ACR amply demonstrates the need for a dramatic change in how electric power is supplied to Northern Californians. United States District Court Judge William Alsup, who oversees a criminal case resulting from PG&E's natural gas explosion in San Mateo that killed 8 people in 2010, recently stated: "There is one very clear-cut pattern here, and that's that PG&E is starting these fires," which prompted Judge Alsup to ask, "Can't we have electricity that's delivered safely in this state?" K. Blunt and R. Gold, Wall Street Journal, "PG&E Violated Probation, Federal Judge Says in Heated Hearing", January 30, 2019.

⁶ Although the Joint CCAs provide no comment at this time on questions listed under the headings Corporate Governance, Corporate Management, Corporate Structure, and Return on Equity, the Joint CCAs reserve the right to do so in reply.

community control of retail generation services through a variety of local governance models. The Commission should work collaboratively with local governments to remove barriers to pursuing full municipalization of the electric system in communities where there is interest.

- Transform California’s regulatory and legislative framework to concentrate on safety while utilizing existing locally governed, state, or non-profit platforms whenever possible, or new state or non-profit entities, if necessary, to enhance transparency, accountability and reliability.

In Section III, the Joint CCAs explain how these proposals represent the most desirable path forward in light of the considerations on ACR, pages 2 and 13.

II. JOINT CCA RESPONSES TO ACR QUESTIONS

CCAs recognize the impacts resulting from the current regulated investor-owned utility environment and know the local needs and priorities for reliable, affordable energy and the need for decarbonization of the electric system. California’s investor-owned utilities (“IOUs”) are increasingly consumed with the serious and troubling consequences resulting from wildfires, safety breaches, and challenges to financial solvency. For some time now, local communities have initiated bold and ambitious actions to reduce carbon emissions in transportation, buildings, existing public utilities they manage (e.g., water, wastewater), and the electric sector through CCAs and publicly owned utilities. These realities motivate the following proposals.

A. PUBLICLY OWNED UTILITY, COOPERATIVE, COMMUNITY CHOICE AGGREGATION OR OTHER MODELS

1. Question: “Should some or all of PG&E be reconstituted as a publicly owned utility or utilities?”

Possibly, pending further analysis and local interest. As we describe below in Question 2, the Joint CCAs propose that PG&E should be removed entirely from the retail generation side of the business. Regarding the “wires” side of the business, the Joint CCAs encourage the Commission to facilitate a transition to a safe, reliable, cost-effective, and climate-resilient future for Northern Californians by working with local governments to actively facilitate CCA,

municipal utility, and co-op and other locally controlled and governed entity formation and expansion, while simultaneously focusing PG&E's attention on improving the safety of PG&E's transmission and distribution systems.

2. *Question: "Should PG&E be a 'wires-only company' that only provides electric distribution and transmission services with other entities providing generation services?"*

Yes. The Commission should focus the entirety of PG&E's attention and resources on planning, operating and improving its electric transmission and distribution systems through investments that serve the mission to deliver electricity safely and reliably to Northern California. Despite California's laudable efforts at decarbonizing its electric supply, climate change is already causing devastating impacts throughout California, and transmission and distribution infrastructure is disproportionately responsible for the deaths and property damage caused by utility-owned equipment. The electricity sector's first solution to adapting to California's changing environmental baseline and the vulnerabilities it creates in our system must be to focus the attention and investments of PG&E, or any successor, on improving the safety, reliability, and resilience of its transmission and distribution systems. This is not just a PG&E management problem, but a state-wide structural problem as well. Although these comments are focused on PG&E, there is ample evidence that California's other vertically integrated IOUs – Southern California Edison ("SCE") and San Diego Gas & Electric ("SDG&E") – face similar safety problems notwithstanding that they have completely different management. Recent fires in SCE's and SDG&E's service territories suggest that they are confronting fire disasters and safety challenges of their own, and no IOU seems to have

identified a solution for avoiding further unnecessary deaths and property damage.⁷ These circumstances highlight the urgent need for a greater focus on improved safety of IOU transmission and distribution systems.

To facilitate a focusing of PG&E's attention and investments on its transmission and distribution systems, the Commission should support efforts to take PG&E out of the retail electricity business. There are ample other reasons for taking this step – notably removing billions in debt equivalence from PG&E's balance sheet. But fundamentally the goal would be to remove any distractions as PG&E or its successor on the “wires” side of the business works to make its facilities safer.

3. Question: “If so, what entities should provide generation services?”

The Commission should provide opportunities and authority to communities to take action by: (i) ensuring communities have the unhindered ability to proactively pursue full community control of retail generation services, and (ii) support communities that want to pursue municipalization.

For communities currently served by CCAs, the principal retail provider, subject only to current direct access rules, should be the extant CCA (or the municipal utility if the community decides to pursue this option). The Commission should support legislative amendments that give local CCA governing boards the ability to be the only provider of retail electric service to all customers in the community currently served by either the CCA or PG&E. Under this framework, when PG&E leaves retail service, PG&E's bundled customers would migrate to an existing or to be formed, CCA or municipal utility serving their community. Current direct

⁷ The first fires classified as “Super Fires” were the San Diego area Witch-Guejito-Poomacha Complex Fire in 2007, which the Commission ruled was a result of SDG&E not reasonably operating and managing its facilities.

access customers would not be impacted by this transition and would still be able to retain their service from an energy service provider. However, if a direct access customer wants to exit direct access or, if a direct access provider is unable to comply with state regulations, the direct access customer would migrate to the CCA serving their community.

This outcome would simply be an extension of current trends. CCAs already provide an ever-growing share of retail sales in California. Collectively, CCAs serve 46% of the retail electric customer load in PG&E's current service area.⁸ And there is mounting legislative discussion about IOUs exiting the generation procurement and retail electricity business altogether.⁹ Establishing CCAs as principal retail electric service provider increases stability of load and enables the CCA to pass along procurement cost savings to a customer. This also allows the IOUs to focus on the safety of their distribution and transmission systems. Transitioning to a market structure that allows a CCA to become the principal retail electric service provider will not require significant operational change, as CCAs already serve nearly all of customers in the communities where they operate. CCAs have already demonstrated they are fully capable of making energy choices and setting priorities that reflect community goals. These changes proposed by CCAs will allow PG&E and the Commission to concentrate their attention on the safety of the utility grid and will improve the safety, affordability and sustainability of the electric market in Northern California.

Communities not currently served by a CCA should be supported to form a new CCA or join an existing CCA, if they are interested. For example, the Commission should reform its

⁸ PG&E 2019 ERRR Forecast. CCAs will serve 32,929 GWh vs. 38,391 GWh of load for bundled customers. Available online at:

<https://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=543405>.

⁹ See, e.g., SDG&E's November 14, 2018 letter to Sen. Ben Hueso, <https://www.voiceofsandiego.org/wp-content/uploads/2018/11/Delegation-Glidepath-Memorandum.pdf>.

current process to remove impediments and delays to forming or joining a CCA. Specifically, the Joint CCAs encourage the Commission to reduce the time between when a community files a new or amended implementation plan with the Commission and launch of the CCA from current 12 months to 6 months and to restore the 90-day implementation period, pursuant to PUC 366.2(c)(7). We encourage the Commission to facilitate a further discussion to explore options for communities that are not currently served by a CCA or municipal utility.

The Joint CCAs also encourage the Commission to provide a clear path for communities to pursue full municipalization of electric utility service, including both the provision of retail electric power supply and associated electric distribution and transmission services. To remove barriers to municipalization, the Commission should provide local governments (either a city, county, Joint Powers Authority, a Municipal Utility District, or any combination thereof) the right of first refusal to purchase physical electric infrastructure for the purpose of forming a municipal utility if an IOU sells physical assets through a bankruptcy proceeding, or for any other reason. The Commission should also adopt standard book-value as the valuation method to provide to local governments pursuing municipalization or other public acquisition of the subject infrastructure a fair and reasonable method to value PG&E's power infrastructure. This will eliminate the need for multiple costly studies and uncertainty around how the infrastructure may be valued.

For communities that choose not to provide retail generation service through a CCA or municipal utility, the Commission should recommend to the California Energy Commission ("CEC") that it initiate a process to outline steps toward forming or expanding a publicly owned and governed successor to PG&E for the provision of retail electric services. The ACR states that "[t]he 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.” Accordingly, the Joint CCAs propose that the Commission recommend to the CEC that it undertake this consideration. Ultimately, it may also make sense to consider whether this public entity, or perhaps a different public entity, should serve as buyer for any residual resource adequacy requirements not procured by a load serving entity. One priority through this process should be for a public entity successor, if any, to have an explicit mission to support communities in the future formation of CCAs or municipal utilities and an explicit directive and criterion for phasing out as locally based, public-power entities are established, and to not become a central agent.

B. OTHER PROPOSALS

1. Question: “What other measures should be taken to ensure PG&E satisfies its obligations to provide safe service?”

The Commission should take steps towards transforming California’s regulatory framework to ensure safety is a primary responsibility, of both the Commission and PG&E, while utilizing state or non-profit platforms to enhance transparency and accountability. Given the urgent need to improve the safety of utility transmission and distribution systems, the Commission should focus its own attention and efforts onto the safety of the IOU transmission and distribution systems. Specifically, the Commission should focus its oversight on IOU electric and gas infrastructure safety and costs, as well as removing barriers to integrating clean energy resources. CCA governing boards currently provide oversight for specific procurement decisions, similar to oversight provided for publicly owned utilities. CCA boards provide direct democratic corporate governance and are best positioned to make choices that reflect local community goals and priorities, while still complying with statutory requirements. Minimal regulatory oversight makes sense when (1) there is a statutory compliance framework that clearly

establishes standards that must be met (*i.e.*, reliability or decarbonization) and (2) there is a directly democratic corporate governance structure in place at a local level. CCAs check both boxes, making duplicative state regulation costly, burdensome, inefficient, and unnecessary.

The Commission should also ensure all information and data related to supply, distribution, and safety within PG&E's transmission and distribution service territory are publicly accessible. Confidentiality constraints should only be considered when needed to maintain reliability, safety, security, or to prevent major market distortion. The need for transparency in transmission and distribution system planning, deployment, and safety is supported by State law requiring the development of distribution resource plans and IDER. These programs were required by SB 350 to provide opportunities for distributed energy resources to displace proposed distribution system upgrades and to save transmission and distribution customers money while also supporting the deployment of distributed energy resources. The Joint CCAs encourage the Commission to exercise vigilance in ensuring these programs meet state goals. For example, the Commission should reject IOU attempts to keep distribution system data confidential in a recent Petition for Modification of Decision No. 10-12-048 filed by the IOUs in Rulemaking No. 08-08-009.

III. THE JOINT CCA PROPOSALS ARE THE BEST MEANS TO ACHIEVE THE ACR GOALS

The Joint CCA proposals offered in these comments are the best means to ensure clean, reliable, and affordable electric generation service for all of Northern California in the face of a changing climate and PG&E's second bankruptcy in fourteen years and current insolvency. Below, the Joint CCAs explain how these proposals represent the most desirable path forward in light of the considerations on ACR, pages 2 and 13.

- **“The safety and reliability of utility service”**

CCAs are subject to the same statutory requirements as IOUs for procuring renewable energy, resource adequacy, and energy storage. Since CCAs are subject to the same statutory requirements as IOUs for maintaining reliability, facilitating a further transition towards CCAs and municipal utilities will not diminish the reliability of electric utility service in Northern California. Although California has experienced some shortfalls in resource adequacy procurement by all load serving entities – IOUs, Electric Service Providers and CCAs – during the last few years, those shortfalls have not impacted grid reliability. Most importantly, the shortfalls are a result of market structures and regulations being designed for the prior IOU-centric era rather than the emerging era of more decentralized procurement. The CCAs have engaged with all stakeholders at the Commission, CEC and CAISO to reform California’s resource adequacy framework to maintain grid reliability in the face of the continued evolution of the market. As the Commission recognized in the Integrated Resource Planning docket, CCAs stand ready to procure over 10 GW of new renewable resources, and over 1 GW of storage to support grid reliability and decarbonization.¹⁰

As noted above, the Joint CCAs encourage the Commission to foster an outcome that removes the generation procurement and retail electric service responsibility from PG&E and supports CCAs and municipal utilities in providing retail electric service. These outcomes will allow PG&E to focus its efforts where they are needed most: on planning, operating and investing in its electric transmission and distribution systems. Allowing CCAs to establish themselves as the principal providers of energy services for their respective service areas will

¹⁰ See Administrative Law Judge’s Ruling Seeking Comment on Proposed Preferred System Portfolio and Transmission Planning Process Recommendations, filed January 11, 2019, at p. 8.

also aid in this transition and help clear a path for the Commission and PG&E to focus on delivering electricity safely and reliably to Northern California.

- **“The operational integrity and technical unity of components within PG&E’s gas and electric transmission and distribution systems”**

Removing PG&E from the retail generation business and focusing PG&E’s attention and investments on its electric transmission and distribution businesses will have no negative impact on 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”**

Focusing PG&E’s attention and investments on its electric transmission and distribution businesses will enable PG&E’s highly trained and skilled workforce to focus its full attention on improving the safety of its transmission and distribution businesses. A transition out of retail generation will not impact PG&E’s unionized workforce working in operations, maintenance, customer service and other areas, as there will always be a need for employees to continue to service the electric transmission and distribution system. On the generation side, new primary wage earner employment opportunities, and other jobs with living wages and benefits will be created by the formation of new CCAs.

- **“The utility’s relationships with and role in local communities”**

CCAs and municipal utilities are a natural choice for improving the relationship between local communities and their retail electric service. To understand the role of CCAs, it is critical to recognize that the fundamental driver of the CCA movement is “community”. Community choice aggregation is about communities choosing the ability to set their own energy priorities and then delivering energy solutions that align with those priorities. For many communities, the start of that engagement is focusing on delivering cleaner energy than the current *status quo*.

Looking across the growing CCA landscape, the vast majority of CCAs have adopted policies to procure more renewable and more carbon-free energy than would otherwise be the case. This is what *community* choice is about: The ability of citizens to act through local government to directly set energy priorities and then to be in a position to ensure that those priorities are delivered. By itself, this is a strong reason for the Commission to create clear pathways for communities to proactively pursue full community control of retail generation services, including through CCAs or municipalization. The superior performance of existing publicly owned utilities, in comparison to PG&E, is stark, and the establishment and/or expansion of CCAs and municipal utilities in PG&E service territory should be facilitated and actively supported by all levels of the State government.

- **“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”**

CCAs are an increasingly important component of meeting AB 32 and SB 100 goals for a decarbonized economy through voluntary actions that are complementary and additive to State efforts, and CCAs are currently meeting, and in many cases exceeding, SB 350 mandatory requirements.¹¹ As such, CCAs are well positioned to take the lead on decarbonizing the state’s electric supply while the Commission concentrates PG&E’s efforts on improving the safety, reliability, and resilience of its transmission and distribution systems.

In fact, CCAs are already having significant impacts. By offering decarbonized energy at highly competitive prices, CCAs are driving significant GHG reductions in California compared to what would otherwise be the case. For instance, CCAs had a weighted average of 52%

¹¹ This outcome should not be surprising, given that recent Scoping Plans issued by the Air Resources Board have consistently identified local government and community action as an essential component of meeting AB 32 goals.

renewable energy in their 2017 portfolio, exceeding the renewable energy portfolios of PG&E (33%), SCE (32%), and SDG&E (44%),¹² keeping in mind that migrating load from CCAs has also served to increase the IOU's renewable energy portfolio percentages. CCAs have worked to satisfy these requirements by entering into contracts for over 2,000 megawatts of new renewable energy projects.¹³

CCAs are also undertaking efforts to achieve significant decarbonization beyond buying utility-scale renewables. Many CCAs proactively encourage rooftop solar by maintaining net metering programs that incentivize customer self-generation at a rate generally higher than that offered by IOUs, and by providing new alternatives to financing rooftop solar. Many CCAs are aggressively instituting programs to reduce GHG emissions in the transportation space and building electrification, two areas that are significant sources of GHG emissions. In the transportation space, CCAs have launched aggressive transportation electrification programs that are designed to build off State efforts and complement them. For example, Peninsula Clean Energy is providing technical assistance to owners of multi-unit dwellings to help them navigate charging infrastructure investment and installation; holding multiple community-based and large employer ride-and-drive programs to allow community members to experience driving an electric car; offering point-of-sale incentives for new electric vehicles in partnership with local car dealerships; and assisting lenders in providing innovative loan programs for plug-in hybrids to help low-income residents own cleaner and more efficient cars.

CCAs are also innovating in the built environment. Some CCAs are focused on fuel switching from natural gas and diesel to electricity. Sonoma Clean Power is working in

¹² Luskin Center for Innovation, *The Growth in Community Choice Aggregation* (pp. 18 and 22), July 2018; SDG&E 2017 Power Content Label.

¹³ See, <https://cal-cca.org/wp-content/uploads/2018/11/CalCCA-Renewable-Energy-Map-Web.pdf>.

conjunction with PG&E and the Bay Area Air Quality Management District to help homeowners with dwelling units that were destroyed by the October 2017 wildfires to rebuild energy-efficient, sustainable, all-electric homes. Redwood Coast Energy Authority, the CCA serving Humboldt County, is developing a microgrid that is intended to improve resilience while reducing reliance on diesel-fired, back-up generation. East Bay Community Energy and Peninsula Clean Energy are partnering on a project to develop and scale combined solar and storage systems at critical infrastructure to displace diesel generators. Pioneer Community Energy has provided financing for over \$100 million in energy efficiency building improvements and rooftop solar for both residential and commercial installations that would not have otherwise been installed. Silicon Valley Clean Energy is launching a program to not only retrofit gas water heaters to electric heat-pump water heaters but is also offering a rebate to upgrade electric panels to “future-fit” homes to allow for complete electrification. These actions demonstrate the natural interest of CCAs in developing programs that satisfy local needs while also being highly aligned with achieving State policy goals.

- **“The ability of the utility to meet financial challenges posed by large catastrophic events such as earthquakes and wildfires”**

A changing climate will necessitate different solutions that can continue momentum towards decarbonizing the State’s electric energy supply while also making the State’s electric transmission and distribution systems more resilient and safe in the face of a changing climate. Focusing PG&E’s attention and investments on its electric transmission and distribution businesses will enhance PG&E’s ability to concentrate its financial resources, if it emerges from bankruptcy, on preparing its transmission and distribution systems to be resilient in responding to catastrophic events, such as earthquakes and wildfires.

- **“The utility’s ability to raise capital and purchase gas, electricity, equipment and services”**

Focusing PG&E’s attention and investments on its electric transmission and distribution businesses will alleviate the need for PG&E to raise capital to purchase electricity or make further investments into generation equipment and services. It could also eliminate several billion dollars of “debt equivalency” imputed to PG&E’s capital structure from its generation-related purchase power agreements. This will allow PG&E to concentrate on raising capital specific to improving the safety of its transmission and distribution systems.

- **“The cost of utility service”**

Removing PG&E from the generation business places retail generation service in the hands of institutions whose incentives are better aligned to protect affordability. Based on a comparison of utility rates, the Joint CCAs have found that average publicly-owned utility costs for a residential customer have ranged from 20% to 40% *lower* over the past decade when compared with the average IOU electricity costs. California’s CCAs have also demonstrated the ability to offer affordable rates through the programs and services CCAs offer to help customers manage utility bills and control costs, even while pursuing aggressive decarbonization goals. Overall, locally governed public-power entities such as CCAs and municipal utilities are better positioned and more motivated than IOUs to pass through cost savings to customers and make long-term investments in the State’s electric infrastructure. CCA’s and public agencies have several structural advantages in that they generally have access to lower-cost financing and have lower operating costs as they do not pay taxes, shareholder returns, or high executive salaries. Where IOUs must generate revenue necessary to pay income taxes and provide shareholder returns, CCAs direct net revenues to programs that directly benefit the local communities they

serve. As public agencies, the governing boards of CCAs are directly accountable only to their customers, who are the “shareholders” of our organizations.

IV. CONCLUSION

For the reasons explained above, the Joint CCAs encourage the Commission to:

- Improve PG&E’s electric infrastructure safety outcomes by removing PG&E from the retail generation business and concentrating PG&E’s attention and investments on its electric transmission and distribution businesses.
- Put financial stewardship, responsibility and control over programs such as demand response, energy efficiency and transportation electrification under local control.
- Provide communities the opportunity and authority to take affordable clean energy action by ensuring communities have the unhindered ability to proactively pursue full community control of retail generation services through a variety of local governance models. The Commission should work collaboratively with local governments to remove barriers to pursuing full municipalization of the electric system in communities where there is interest.
- Transform California’s regulatory and legislative framework to concentrate on safety while utilizing existing locally governed, state, or non-profit platforms whenever possible, or new state or non-profit entities, if necessary, to enhance transparency, accountability and reliability.

The Joint CCAs look forward to working with the Commission and parties in this proceeding to identify the best path forward for providing Northern California with safe and reliable electric and gas service at just and reasonable rates, in light of PG&E’s safety failures and recent bankruptcy filing.

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CPUC Safety Proceeding - Other Commenting Parties

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California Farm Bureau

Center for Energy Efficiency and Renewable Technologies (CEERT)

Center for Climate Protection (CPP)

City and County of San Francisco

California Municipal Utilities Association (CMUA)

Coalition of California Utility Employees (CUE)

EMF Safety Network

Engineers and Scientists of California (ESC)

Mussey Grade Road Alliance (MGRA)

NextEra

Office of Safety Advocate (OSA)

PG&E

Public Advocate's Office (PAO)

Shell Energy North America

Silicon Valley Clean Energy

South San Joaquin Irrigation District

TURN