



DATE: December 17, 2019

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Adopt a Resolution Supporting the Proposal to Transform the Pacific Gas and Electric Company into a Customer-Owned Utility

RECOMMENDATION

That Council adopts a resolution (Attachment II) supporting the proposal to transform the Pacific Gas and Electric Company into a customer-owned utility.

SUMMARY

This resolution supports the proposal, initially brought forward by San Jose Mayor Sam Liccardo, which seeks to transform Pacific Gas and Electric (PG&E) to a customer-owned utility.

BACKGROUND

PG&E's January 2019 bankruptcy filing presents an opportunity to consider new solutions to ensure a fiscally and socially responsible energy entity serving Hayward and other northern California residents. However, the two proposals currently before the bankruptcy court – one from PG&E and the other from a group of its creditors - do little to resolve this crisis. As an investor-owned utility, PG&E currently operates primarily for the benefit of its shareholders, which with its shareholder-first financial focus has prompted a series of decisions that have severely undermined the safety and reliability of its service, to the detriment of its 16 million customers. A broad coalition of mayors and other local leaders, representing millions of PG&E customers, has proposed a totally new approach: converting PG&E into a customer-owned utility.

On November 4, 2019, a letter¹ signed by 22 Mayors, including Mayor Halliday, and six representatives of county boards of supervisors was sent to the California Public Utilities Commission (CPUC) requesting that PG&E be converted to a customer-owned utility. The letter is included as Attachment III.

DISCUSSION

Proponents present two primary reasons to support a customer-owned utility as the best path forward: 1) it would provide access to capital at the lowest cost to pay creditor claims to exit bankruptcy, rebuild the company, and operate the utility; and 2) it would re-align PG&E's financial interests with the public's interest. Proponents have provided two documents in support of the proposal – a briefing paper titled *The Basics: Converting PG&E to a Customer-Owned Utility* (Attachment IV) and a document titled *Customer Owned-Utility Operating Principles* (Attachment V).

ECONOMIC IMPACT

A customer-owned utility is expected to have a moderating effect on future rate increases due to its access to lower cost capital and the absence of shareholders.

FISCAL IMPACT

This proposal is not expected to have a fiscal impact to the City.

STRATEGIC INITIATIVES

This agenda item does not directly relate to one of Council's three Strategic Initiatives.

SUSTAINABILITY FEATURES

A customer-owned utility would be subject to all State requirements for clean energy procurement, and energy efficiency initiatives, etc. as they relate currently to the investor-owned utilities. A customer owned utility would support local efforts to administer and implement public purpose programs such as energy efficiency and renewable energy programs funded through the public goods charge, which is a fee applied to a utility bill to fund public-interest programs related to that utility service.

PUBLIC CONTACT

There has been no public outreach regarding this item.

¹ https://www.kqed.org/news/11784972/22-mayors-want-pge-to-become-a-customer-owned-co-op?utm_medium=Email&utm_source=ExactTarget&utm_campaign=20191104News_News%2520Daily_Newsletter&mc_key=003i00000UMoG0AAL

NEXT STEPS

If Council adopts the attached resolution, staff would share the signed resolution with the CPUC and interested parties. As the proposal moves forward, staff will keep the Council informed as to next steps and potential impacts on Hayward residents and businesses.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager