

STAFF REPORT

DATE: December 17, 2019
TO: City Council
FROM: Mike Webb, City Manager
SUBJECT: Resolution in Support of Transforming Pacific Gas and Electric (PG&E) into a Customer-owned Utility

Recommendation

Approve Resolution (Attachment 1) in Support of Transforming Pacific Gas and Electric into a Customer-Owned Utility.

Fiscal Impact

There is no direct fiscal impact to the City to approve the resolution.

Council Goal(s)

This action does not relate to a specific task, however, it does fall into the category to pursue environmental sustainability and ensure a safe, healthy, equitable community.

Background and Analysis

The City Council has long expressed support of customer-owned utilities, most recently by founding Valley Clean Energy, a joint powers authority that provides electricity from clean sources to Davis, Woodland and Yolo County residents. Councilmembers Frerichs and Carson serve on the VCE Board on behalf of the City of Davis.

This fall, a coalition of local government leaders has been working to support transformation of PG&E into a customer-owned utility. Mayor Brett Lee joined over twenty other mayors in November in signing a letter to the California Public Utilities Commission (CPUC) and Governor Newsom to replace PG&E with a customer-owned utility. The coalition was formed after PG&E, which declared bankruptcy in January, was linked with multiple destructive wildfires in northern California over the past few years. Part of bankruptcy proceedings necessitate that the company put forward an option that is both feasible and financially stable; supporters of a customer-owned utility believe a customer-owned scenario is better able to meet these requirements than an investor-owned utility and are urging the CPUC to consider the customer option.

The attached resolution formalizes the City's position in support of transforming PG&E into a customer-owned utility.

Attachments

1. Resolution

RESOLUTION 2019, SERIES 19-XXX

**RESOLUTION IN SUPPORT
OF TRANSFORMING PACIFIC GAS AND ELECTRIC
INTO A CUSTOMER-OWNED UTILITY**

WHEREAS, 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; and

WHEREAS, devastating blazes such as the Kincade Fire and the Camp Fire appear to have resulted from failed Pacific Gas & Electric (PG&E) infrastructure, following a decade in which the company distributed \$7 billion to shareholders, but chronically underinvested in basic maintenance and safety; and

WHEREAS, rate payers, including businesses and residents, critically need a utility company focused on placing the provision of reliable, safe, and affordable power above the interests of its shareholders; and

WHEREAS, any solution to this crisis will require access to tens of billions of dollars in capital markets to invest in maintenance, capital upgrades, and grid hardening; and

WHEREAS, 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 nor federal taxes; and

WHEREAS, 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; and

WHEREAS, the federal bankruptcy code and state law vest the California Public Utilities Commission (CPUC) with the responsibility 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; and

WHEREAS, the bankruptcy court is considering two plans before it developed in the Chapter 11 proceeding by two sets of hedge funds with competing Reorganization Plans that reflect their proponents' interests in extracting investor value, through short-term financial gain, that will leave the company underinvesting in critical maintenance, safety, and infrastructure improvements; and

WHEREAS, Mayors and other local leaders across Northern and Central California, collectively representing more than 6 million residents, have publicly urged the CPUC to consider the exploration of a customer-owned utility; and

WHEREAS, hundreds of utility cooperatives, several with billions in revenues, currently serve more than 40 million customers in the U.S., at much lower costs of capital than investor-owned utilities; and

WHEREAS, while investor-owned utilities can offer a successful model in many contexts, the growing crisis of wildfires and increasing frequency of large, multi-billion-dollar losses demands a more sustainable ownership model for the company's operations;

NOW, THEREFORE, BE IT RESOLVED that the Davis City Council, on behalf of the citizens of Davis calls for the California Public Utilities Commission and the U.S. Bankruptcy Court to fully consider a proposal to transform Pacific Gas & Electric into a customer-owned utility.

AYES:

NOES:

ABSENT:

Brett Lee
Mayor

ATTEST:

Zoe Mirabile, CMC
City Clerk