

Q&A on Changes to AB 1054

1. How much is PG&E expected to pay out (total), and how does that differ from ratepayers?

PG&E will be required to make significant safety investments and will be expected to pay the most. To participate in the Insurance Fund, the Company will be required to contribute to the fund and to exit bankruptcy with a plan that is ratepayer neutral and pays victims in full from the 2017 and 2018 wildfires in the manner and amount required by the Court.

Any payment from the Fund, after a catastrophic event, will be dispersed with shareholder dollars first – ratepayer contributions second (see below for additional information). PG&E is expected to pay out between \$23.5 billion and \$44.4 billion. Of this amount, \$20.7 billion to \$41.2 billion will come from equity and other sources, not from ratepayers. In addition, PG&E will forego \$1.6 billion in profits that could have been derived from rate increases, from required safety investments. PG&E will have to satisfy all other claims in its bankruptcy through a plan that is rate neutral – these other claims could increase the total cost PG&E has to pay to exit bankruptcy.

In total, utilities will pay out between \$30 and \$50 billion, of which all but \$5 billion will come from equity and other sources, not from ratepayers. Additionally, utilities will forego \$2.5 billion in profits from required safety investments.

Utilities will be required to make additional payments into the fund (up to \$33.5 billion) if they cause a wildfire and were not prudent.

If the fund administrator concludes the utility's actions or inactions constituted conscious or willful disregard of the rights or safety of others or if the utilities fail to maintain a valid safety certification, they will face even greater liability. If either of these circumstances happen, utility shareholders will have to reimburse the fund for 100 percent of claims paid and bear all the costs of any remaining claims.

Ratepayers will contribute \$10.5 billion generated by a 10 year extension of existing charges – **there are not any new rate increases.**

2. How did the administration arrive at the above numbers?

The Administration worked to secure the highest contributions possible from utilities to stabilize reliable, affordable energy for Californians.

3. Insurance fund (major positive change): How is the shareholder money being used first over ratepayer funds?

Shareholder money has to be pledged and provided before the prudent manager standard and ratepayer dollars become available to a utility.

The fund administrator will be required to manage the fund to prioritize the use of contributions from utility shareholders before the use of contributions from ratepayers.

Why can't you change the fund cap?

The deductible or fund cap is a critical element of securing \$30 to \$83.5 billion in funds from utilities of which only \$5 billion can be recovered from ratepayers.

The deductible or fund cap will not be available if the fund administrator concludes the utility's actions or inactions constituted conscious or willful disregard of the rights or safety of others or if the utilities fail to maintain a valid safety certification.

4. Executive pay (major positive changes): How has this provision changed since the bill's introduction?

The executive compensation provision has changed in important ways to ensure compensation, particularly bonuses, are linked to safety. Specifically, the measure provides that new or amended contracts for executive officers be based on the following:

- a. Strict limits on cash compensation with pay linked to performance metrics and no guaranteed bonuses.
- b. A significant portion of compensation tied to long-term performance and value.
- c. Tying incentive compensation to safety including tying 100 percent of incentive compensation to safety performance and denying all incentive compensation if a utility causes a catastrophic wildfire that results in 1 or more fatalities.

5. Burden of proof standard: How did the burden of proof standard swap from benefitting the utility to benefitting the public?

The burden of proof has been significantly amended from what was first included in AB 1054. It ensures utilities have ultimate burden to show that they were prudent if serious doubts are raised about their conduct.

The revised burden of proof standard parallels the FERC standard with two important distinctions. It is only available if a utility has a valid safety certification and it benefits from California's robust ratepayer advocate network.

A clearer regulatory standard benefits ratepayers as is an essential element for ratepayers to be able to benefit from tens of billions in shareholder spending to support safe, reliable energy, fair compensation for fire victims and increased investments in safety.

6. Safety certification: What are the advantages of taking the safety oversight responsibilities out of the PUC and placing them in the Natural Resources Department?

A stand-alone department that is solely focused on the safety of our electricity infrastructure will best protect California in two important ways: (1) It will provide oversight for both investor owned utilities and publicly owned utilities; and (2) it will have a clear mission and focus which is key given this is an emerging and rapidly changing area. It will be more nimble and better able to respond to a rapidly changing environment.