Key Elements of Energy Proposal

1. Utilities will not be able to make a profit on the next $5 billion in safety investments. Translates into $2.5 billion in foregone revenue for utilities and savings for ratepayers.

2. New, significant safety requirements on utilities:
   a. Continues SB 901's wildfire mitigation plan process and compliance review, and adds requirement for 3-year planning.
   b. Annual certification of safety, which includes regular progress reports, verified through field audits.
   c. WMP compliance and safety certification will be overseen initially by a new division within the PUC that will be advised by a Board of national and international experts in wildfire safety and utility infrastructure. The Board will be appointed by the Governor, the Senate and the Assembly. Within 2 years, the safety functions will transfer to a stand-alone department within the Resources Agency that will be exclusively focused on the safety of our electricity sector.

3. New corporate accountability measures including Board subcommittees focused on safety, Board-level reporting on safety to PUC, and tying executive compensation to safety record and long term performance.

4. Clearer rules for recovery of utility caused wildfires. Adopts a standard similar to the well-established FERC standard to determine whether utilities can recover costs when there is a utility caused wildfire. Under this standard, in the event of a wildfire, a utility with a safety certificate is presumed to have acted prudently unless serious doubt is presented that the utility did not act prudently. If serious doubt is raised, the utility must prove prudency to the PUC. This standard is only available to utilities that choose to participate in the Insurance Fund and have a safety certification.

5. To provide necessary time for state, local and utility investments in reducing the size and frequency of utility caused wildfires, it provides for the creation of one of two funds:

   a. Liquidity fund: line of credit to cover claims reimbursed by the utility using ratepayer funds or its own funds depending on whether it was prudent.

   b. Insurance Fund: utility and ratepayer capitalized fund that provides about $40 billion in claims-paying resources for utility caused wildfires.

i. $10.5 billion from utilities. Utility contributions cannot be recovered from ratepayers.
ii. $10.5 billion from ratepayers through continuation of an existing charge on ratepayer bills.
iii. Additional contributions from utilities based on their behavior.

1. If the utility is found to have acted prudently and is entitled to recover costs from ratepayers, the fund pays the full cost of the fire with 0 deductible—so ratepayers fully protected against rate increases. If the utility is found not to have acted prudently, utility shareholders have a deductible of up to $1billion to $3.8 billion per year before the insurance fund is available. The utility contributions based on this deductible are estimated to be up to $33.5 over 10 years.

2. 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, the utilities will have to reimburse the fund 100 percent of claims paid out of their own resources.

6. Requires that for PG&E to have access to the Insurance Fund and new prudency standard for utility caused wildfires, it must emerge from bankruptcy by June 30, 2020 with a plan, approved by the Court and the PUC, that is ratepayer neutral, provides for payment in full to victims as determined by the Court, and provides for compliance with RPS and other state laws.

Critical Improvements made in response to issues raised by the Senate Democratic Caucus:

1. Stronger safety requirements
   a. Field audits
   b. Progress reports
   c. Annual reviews
   d. New safety department

2. Stronger provisions relating to executive compensation
   e. No guaranteed incentives

   f. Compensation tied to safety, including 100 percent of bonus tied to safety and no bonus if utility caused a catastrophic wildfire that resulted in one or more fatalities

3. Prudent manager standard that more closely ties to FERC – makes it easier for ratepayers and others to raise issues that in turn lead to the PUC requiring utilities to prove prudency

4. Requirement that in approving PG&E's plan of reorganization PUC consider ratepayer contributions and how ratepayers can benefit from those contributions including through value sharing.

5. Making the clearer standard for cost recovery only available to utilities that choose to participate in the Insurance Fund.