FILE NO. 190911 RESOLUTION NO.

[Opposing California Assembly Bill No. 235 (Mayes) - Electrical Corporations: Recovery of Catastrophic Wildfire Costs and Expenses]

Resolution opposing California State Assembly Bill No. 235, authored by Assembly Member Chad Mayes, which would make PG&E customers and ratepayers act as guarantors if shareholders default on their payments due to continued wildfire safety negligence or poor management decisions.

WHEREAS, In January 2019, the state legislature introduced Assembly Bill No. 235 (AB 235), which seeks to authorize the California Public Utilities Commission (CPUC), when determining recovery by an electrical corporation (IOU) for costs and expenses arising from a catastrophic wildfire, to consider the IOU's financial status in order to determine the maximum amount the IOU can pay; and

WHEREAS, This bill allows PG&E and other for-profit utilities to use tax-exempt bonds to reduce wildfire related financing costs; and

WHEREAS, The purpose of tax-exempt financing is to support the public good and not subsidize for-profit companies that do not prioritize public safety in their utility operations; and

WHEREAS, With the recent passage of Assembly Bill No. 1054, which was intended to address the financial health of investor-owned utilities, the aim of this bill is duplicative and raises significant concerns about the burden it would place on electricity ratepayers and on state revenues; and

WHEREAS, While this bill requires a net income adjustment from PG&E equal to the wildfire recovery charges passed on to ratepayers, it does not explicitly require that amount to be “returned” to ratepayers, and therefore begs the question of how ratepayers would be made whole should PG&E declare bankruptcy or otherwise become insolvent over the lifetime of the bonds; and

WHEREAS, The bill does not limit, cap, or reduce shareholder profits, all while PG&E is actively seeking substantial increases in its rate of return at the California Public Utilities Commission, which would offset this bill's potential reduction in shareholder profits; and

WHEREAS, The additional strain placed on ratepayers taking on financial liability from IOU shareholders would reduce the ability to leverage customer revenues for future financial emergencies; and

WHEREAS, Giving these bonds tax-exempt status would reduce critical tax revenues needed for California public services and it is unclear how these tax savings would flow through to ratepayers;

WHEREAS, In addition to providing a public subsidy to a for-profit corporation, a tax-exempt financing transaction of this size would potentially crowd-out the marketplace to critical public agency funding needs; and

WHEREAS, It is not clear how AB 235 would help victims of the 2017 and 2018 wildfires beyond PG&E's current ability, but instead, it would put California ratepayers and taxpayers on the hook for mismanagement decisions made by PG&E and its shareholders; and

WHEREAS, Despite concerns around PG&E's financial health and the need to make victims whole, it is not appropriate for California ratepayers and taxpayers to subsidize an investor-owned company's debt related to past wildfires, especially given that the company in question was found criminally at fault for past safety issues; now, therefore, be it

RESOLVED, That the Board of Supervisors of the City and County of San Francisco opposes Assembly Bill No. 235; and, be it

FURTHER RESOLVED, That the Clerk of the Board of Supervisors notify San Francisco's State Legislative Delegation and the Office of the Governor of the State of California accordingly.