



ENERGY LEGISLATION, REGULATIONS AND ISSUES

PG&E Bankruptcy

On January 29, 2019, PG&E Corporation filed for Chapter 11 bankruptcy reorganization. California's largest utility is facing up to \$30 billion in liabilities related to wildfires and other liabilities from the San Bruno natural gas explosion. Legislation has been introduced to consider the structure of PG&E, the liability of utilities to wildfire events, as well as other measures. Amid this background, it is important for Silicon Valley Power (SVP) to be active and informed by its own agreements with PG&E Corporation and its subsidiaries, the extended impact to all other energy market participants and the independent system operator, the impact to SVP partners in power generation and distribution, the implication for how risk is assigned to an electric utility, and the framework for establishing liability and risk. To mitigate the impact from PG&E restructuring, SVP will continue to monitor the PG&E bankruptcy proceeding and associated legislation.

Wildfire Mitigation Plans

Wildfires continue to adversely impact our public health and safety, air quality, and the economy, undermining significant investments in emissions reduction. In addition, wildfires have damaged infrastructure that delivers clean energy through the grid. SVP is committed to safe and reliable operations of the grid and is implementing the Wildfire Mitigation Plan (WMP) adopted by City Council.

The increasing use of Public Safety Power Shut-offs (PSPS) as a mitigation measure in investor-owned utilities (IOUs) WMPs underscores the need for improved, and pre-planned, coordination between the IOUs and local governments. This will help ensure that transmission level PSPS events do not unnecessarily burden local communities that are dependent on IOU transmission infrastructure.

Wildfire Liability

Past interpretations of state law have asserted that electric utilities are liable for damages linked to wildfires if their equipment is involved in the fire, even if the utility was not at fault or negligent in its practices. Claims from wildfire damage has strained the insurance markets making it difficult for electric utilities to access affordable and effective insurance coverage. A utility's potential financial exposure can reach far beyond the ability of its customers to shoulder the financial burden. The City support efforts to align wildfire-related liability with fault, safeguarding public utility customers against exorbitant rate increases when their utility acts prudently.

Energy De-regulation

Since 1998 when deregulation of the utility companies began, California's energy market has been evolving. New energy related products (i.e. Transmission, Renewable Energy Credits, Carbon Credits, Resource Adequacy Capacity, Low Carbon Fuel Standard

Credits, Cap and Trade, etc.) and regulations on their use are constantly evolving at various local, state, regional and federal agencies. Staff continues to monitor regulations and participate in the development of new energy related products to mitigate ratepayer impacts.