[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.
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.

September 10, 2019 Board of Supervisors - ADOPTED

Ayes: 10 - Brown, Fewer, Haney, Mandelman, Mar, Ronen, Safai, Stefani, Walton and Yee
Absent: 1 - Peskin

I hereby certify that the foregoing Resolution was ADOPTED on 9/10/2019 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board