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September 13, 2013

George P. Shultz
Thomas W. and Susan B. Ford Distinguished Fellow
Hoover Institution
Stanford University
Stanford, CA 94305-6010

Dear Secretary Shultz:

Thank you for sharing the draft framework for transforming California's electricity system, "California's Electricity Policy Future." PG&E appreciates and commends you and your Hoover Institution team for correctly identifying and exploring the strategic challenges facing the electricity sector beyond 2020.

Hoover's 2012 Energy Policy Essay and other energy policy analyses already have provided support for a major California energy policy initiative nearing success this year – the enactment of AB 327 (Perea) by the California Legislature. AB 327 will return authority to the California Public Utilities Commission to reform electricity rates and mitigate the unfairness and inequities in California's current multi-tiered, punitive residential electric rate design rate structure.

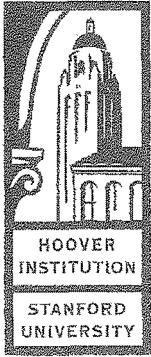
PG&E agrees with the draft of "California's Electricity Policy Future" that there is a lack of consistent and integrated energy policy-making and regulatory policies across different California public agencies. We also agree that there is a need for better linkage of public policy goals with the availability of private investment capital to fund the infrastructure necessary to achieve those goals.

PG&E strongly supports better cooperation and coordination among the various California energy and environmental agencies and regulators. However, under California's Constitution, the regulation of the rates and services of electric utilities already is placed directly in the hands of single entities intended to ensure safe and reliable electric service at reasonable cost. For the investor-owned electric utilities, this entity is the California Public Utilities Commission which is charged with balancing "just and reasonable" rates to consumers with the needs of utilities for recovery of their reasonable costs of providing service and an opportunity to earn a reasonable return for their investors. For the local publicly-owned utilities and irrigation districts, the entity is the elected governing board of the respective governmental entity that provides the utility services. In light of this constitutionally-ordained approach to public governance of public utilities in California, PG&E believes a proposal for a consolidated "coordinating council" on electricity policy and regulation should be subject to careful discussion regarding feasibility and potential effectiveness.

I look forward to discussing these comments and issues in more detail with you and other members of the Task Force on Energy Policy in the near future. Thank you again for including PG&E in this very important public policy endeavor.

Sincerely,

A handwritten signature in cursive script that reads "Chris Johns".



VIA E-MAIL

August 20, 2013

GEORGE P. SHULTZ
THOMAS W. AND SUSAN B. FORD
DISTINGUISHED FELLOW

Dear Chris,

Since our workshop at Stanford in February, we have been thinking about how to equip California's policy makers to most effectively address whatever issues may arise as we transform our electricity system between now and 2030 or even 2050.

Basically, we suggest a framework for strategic electricity planning that is defined by reliability, affordability, and environmental sustainability.

Second, we propose integrating the state's climate and transportation goals with the state's electricity plans.

Finally, we identify some of the tools needed to implement California's electricity future. These include a California economy-wide electricity planning model, an integrated 2030 vision and action plan, and some suggestions for new approaches to regulation that could streamline agency decision making.

Enclosed is a draft for your review. We welcome your additions, subtractions, and other comments. Once we have had a chance to discuss, I would like to invite your participation in a follow-up session later this fall to put these ideas to the test.

Thank you for your ongoing efforts. I look forward to hearing from you.

Sincerely yours,

A handwritten signature in cursive script that reads "George".

George P. Shultz

Christopher Johns, President
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