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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Approval of Regionalization
Proposal.

(U39M)

Application No. 20-06-011

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39M)
UPDATED REGIONALIZATION PROPOSAL**

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Pacific Gas and Electric Company (“PG&E” or the “Company”) respectfully submits this update to its Regionalization Proposal in compliance with the *Assigned Commissioner’s Scoping Memo and Ruling* dated October 2, 2020 (“Scoping Memo”).¹ As discussed below, PG&E’s Updated Regionalization Proposal, provided as Attachment A, has evolved since the filing of the Application and reflects input from parties to this proceeding, customers, other stakeholders, and PG&E’s new executive leadership.

I. INTRODUCTION

PG&E filed its initial Regionalization Proposal on June 30, 2020, following the Commission’s directions in Decision (“D.”) 20-05-053 in the Plan of Reorganization Order Instituting Investigation (“POR Decision”).² As PG&E acknowledged in its Regionalization Proposal, PG&E will make significant changes to the way we work to improve the safety and reliability of operations and improve customer service.

PG&E needs both a stronger local presence *and* stronger functional operating capabilities to achieve these goals. PG&E will pursue improvements in local and functional operations in a coordinated fashion. Regionalization is one important initiative by PG&E that, together with the

¹ The *Assigned Commissioner’s Scoping Memo and Ruling* dated October 2, 2020 (Scoping Memo) required the updated proposal to be filed January 14, 2021. PG&E received an extension of this date to allow PG&E to file this update by February 26, 2021 in an e-mail ruling of Assigned Administrative Law Judge (“ALJ”) Brian Stevens on December 23, 2020.

² D.20-05-053, p. 52 (“POR Decision”).

implementation of the Lean Operating System and the functional reorganization, will help PG&E deliver on these goals.

PG&E is focused on the implementation of the following four parallel improvements:

- **Realigning regional boundaries** to adhere with county boundaries, group customers and communities with similar characteristics, operational, risk, and safety considerations, and establish equitable regional sizes to improve overall operations;
- **Establishing regional leadership**, with each region led by a Regional Vice President, to better understand the needs of communities, problem solve challenging local issues, and implement improved ways of working;
- **Enhancing functional specialization** by realigning the Utility organization to increase technical expertise, standards definition and improve accountability; and
- **Implementing a Lean Operating System** to improve visibility into performance, rapidly respond and solve problems, and standardize operations on a regional and functional level, leading to better outcomes for customers and communities.

PG&E will appoint five Regional Vice Presidents and five Regional Safety Directors who will gain deep knowledge of the needs of their regions and be empowered and accountable to deliver high quality performance, as outlined in Section V of PG&E's Updated Regionalization Proposal. The new regional leaders will facilitate cross-functional collaboration and have a shared set of key performance metrics that will align the functional leaders and the regional teams around a shared purpose of providing strong service to customers and communities. This model will facilitate the tactical resolution of problems by local operations teams. It will also address more strategic local challenges that require additional influence and resources to affect broader change, such as challenges that span multiple functions or a large geographic footprint. These challenges often require operational visibility, influential authority, and awareness of community needs to proactively address. Regional Safety Directors will support the Regional Vice Presidents and their regional teams by monitoring and improving safety performance across the assigned regions and partnering with the functional leaders to ensure consistency across the Company.

PG&E is focused and motivated to improve its safety, reliability and customer service. To achieve these goals, PG&E has restructured its organization along functions and is in the process of implementing the Lean Operating System (described below) throughout the organization. These complimentary efforts are being implemented in parallel with regionalization to further improve safety, operational reliability and customer service.

II. BACKGROUND

PG&E's June 30, 2020 Application followed PG&E's commitment in the Plan of Reorganization Order Instituting Rulemaking ("I.") 19-09-016 ("POR OII")³ to reorganize its operations into new regions to improve safety and reliability and be more responsive to the needs of its customers. It also follows the Commission's directions in that proceeding regarding the content of PG&E's proposal.⁴

Fourteen parties responded or protested PG&E's application. The Commission's Energy Division hosted a workshop on November 20, 2020, where PG&E provided an overview of its Regionalization Proposal. Eleven parties filed comments on December 16, 2020 regarding PG&E's Regionalization Proposal and workshop presentation.

In 2021, PG&E welcomed new executive leadership. An entirely new Board, new Chief Executive Officer ("CEO") of PG&E Corporation and other new leaders are driving a cultural change toward a customer first approach to running the Utility. In addition, PG&E has initiated a realignment of its organization to elevate the role of customer service and focus on prioritizing customers at the center of every enterprise function, including operations, and emphasize functional specialization. The new model creates a flatter executive structure by replacing the President of the Utility with three officers of equal level, each with their own specialization, and

³ See *Order Instituting Investigation on the Commission's Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19-30088, I.19-09-016* (Sept. 26, 2019).

⁴ D.20-05-053, p. 52 ("POR Decision").

having all lines of business report to the CEO. The new equivalent roles replacing the President of the Utility include an Executive Vice President and Chief Customer Officer, an Executive Vice President and Chief Operating Officer, and an Executive Vice President of Engineering and Strategy. The role of the former Utility President will now be held by three Executive Vice Presidents. The Chief Operating Officer, the Chief Customer Officer and the Chief Engineer and Strategy Officer collectively will serve in a functional equivalent role to that of the Utility President.

III. SUMMARY OF PG&E'S UPDATES TO ITS REGIONALIZATION PROPOSAL

A. Proposed Regions

PG&E's service area will include five regions: North Coast, North Valley/Sierra, Bay Area, South Bay/Central Coast, and Central Valley.⁵ The regional boundaries will align with county boundaries, to enable the Company to better coordinate with local governments and other agencies, particularly in emergency response. The Company revised its regional design in response to stakeholder feedback and additional internal input with the changes highlighted in bold font in Table 1 below. The changes were primarily to better align customers with similar profiles, overcome geographical limitations and combine areas to alleviate operational constraints. In addition, the "Central Coast" and "Sierra" regions in the original proposal were renamed as "South Bay & Central Coast" and "North Valley & Sierra," respectively, to reflect the inclusion and identity of Santa Clara and the North Valley counties in those regions.

⁵ Updated Regionalization Proposal, Section IV addresses the requirement in the POR Decision to describe the proposed regions (D.20-05-053, pp. 50-51) and Scoping Memo p. 5, issue 2 ("Whether PG&E's proposed five regional boundaries are reasonable.").

Table 1 -- Updates to Proposed Regional Boundaries

Regions	Counties Included	Updates
Region 1 (North Coast)	Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, Trinity, and Yolo	Humboldt, Lake, <u>Marin</u> , Mendocino, Napa, <u>Siskiyou</u> , Sonoma, and Trinity
Region 2 (North Valley & Sierra)	Alpine, Amador, Butte, El Dorado, Lassen, Nevada, Placer, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, and Yuba	Butte, <u>Colusa</u> , El Dorado, <u>Glenn</u> , Lassen, Nevada, Placer, Plumas, <u>Sacramento</u> , Shasta, Sierra, <u>Solano</u> , Sutter, Tehama, <u>Yolo</u> , and Yuba
Region 3 (Bay Area)	Alameda, Contra Costa, Marin, San Francisco, and San Mateo	Alameda, Contra Costa, San Francisco, and San Mateo
Region 4 (South Bay & Central Coast)	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Clara, and Santa Cruz	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Clara, and Santa Cruz
Region 5 (Central Valley)	Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Bernardino, San Joaquin, Stanislaus, Tulare, and Tuolumne	<u>Alpine</u> , <u>Amador</u> , Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Bernardino, San Joaquin, Stanislaus, Tulare, and Tuolumne

The regions will additionally be divided into smaller geographic areas to promote efficient work, resource allocation, and coordination. PG&E proposes to leverage existing divisions as smaller sub-units to organize operations internally within each region. By keeping existing divisions, PG&E will minimize disruption to operations and preserve continuity with historical performance metrics to show trends in regional performance going forward. A small number of division boundaries will be modified to align to county boundaries to the extent they cross proposed regional boundaries; divisions will be wholly contained within a region. While several divisions will expect minor adjustments to align to county boundaries, the biggest division boundary impacts are in Kern, North Bay, and North Valley divisions.

B. Regional Leadership

The Commission's POR Decision requires PG&E to engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021, one year from the date of the decision.⁶ PG&E's Updated Regionalization Proposal details the job responsibilities for each of these positions, and the steps PG&E will take to select the best suited candidates for each region.⁷ These leaders will each be embedded in the regions for which they are responsible. Regional leaders will help to identify local issues and lead cross-functional efforts to address those issues and improve performance in each region. They will be able to expedite the typical resolution process and ensure appropriate Company resources and focus is provided to each region to address core operational and customer service issues.

i. Regional Vice Presidents

The Regional Vice Presidents will be positioned to identify, prioritize, and address local concerns, working collaboratively with peer leadership teams across other functions, including local safety, operations, planning, engineering, and customer leaders.

The POR Decision requires the Regional Vice Presidents to report to the Utility's CEO and President.⁸ Since the role and function of the President has been replaced by three executive officers, the Regional Vice Presidents will report directly to the Executive Vice President and Chief Customer Officer (who, in combination with the Executive Vice President and Chief Operating Officer and the Executive Vice President of Engineering and Strategy, will serve as a functional equivalent in place of the Utility President). This reporting relationship will ensure that the needs of the customer are understood and addressed. By putting the needs of the customer first, Regional Vice Presidents will not only improve customer and community service and engagement but will also work across functions to achieve improved operational reliability and safety.

⁶ D.20-05-053, pp. 52, 104.

⁷ Updated Regionalization Proposal, Section V.C.1.

⁸ D.20-05-053, p. 52.

Given this customer centric focus, the position of the Regional Vice Presidents is best aligned to report to the Chief Customer Officer and work with all other functions. The Chief Customer Officer's oversight will ensure that the customer focus remains part of the ethos of the team.

The Regional Vice Presidents will be accountable for making measurable and sustainable improvements in the following areas:

- Mobilizing PG&E resources to address the root cause of complex local issues to improve the safety, reliability, and service delivery of regional operations;
- Improving safety by understanding utility field operations, being able to work through others to ensure strong operational performance, and contributing to the development of a safety excellence culture;
- Reducing risk by monitoring inspection, construction and preparation work to mitigate risks throughout their assigned region; and
- Strengthening and deepening collaborative relationships with customers, business organizations, local governments, and other community groups, to better understand and address local needs and issues.

ii. Regional Safety Directors

The Regional Safety Directors will report to the Chief Safety Officer ("CSO") consistent with the Commission direction,² and will also support and coordinate with the Regional Vice Presidents on regional safety issues. These reporting relationships will connect regional leadership to senior decision makers at the company who can assist in escalating and mobilizing responses to complex, cross-functional issues.

The Regional Safety Directors will be responsible for monitoring and improving employee, contractor, and public safety, including:

- Monitoring and reporting on key performance metrics around Safety & Health, auditing the implementation of Safety & Health policies and programs, and tracking compliance with external regulations and internal standards;

² D.20-05-053, p. 52.

- Supporting the implementation of company-wide health and safety strategy and programs in the region and providing independent oversight of workforce safety practices at a regional level;
- Collaborating with the other Regional Safety Directors, functional safety professionals, and grass roots safety teams in their regions to monitor performance, train others, share best practices, and ensure consistency in safety programs across regions; and
- Providing each region a clear path to escalate issues, request and receive assistance, and obtain hands-on, day-to-day support, guidance, and help in improving safety performance.

C. Lean Operating System

PG&E is in the process of implementing a Lean Operating System to drive more effective, responsive and cost-effective decision-making throughout the organization. The Lean Operating System will serve as the heartbeat of PG&E's functional and regional teams, to empower employees at each level to quickly and effectively address issues where they arise. The implementation of the system will facilitate flow of information and communication from bottom-up, top-down and across functions throughout the Company to better inform decision making with up-to-date and organization-wide data and information. The system will also enable all employees to alert leaders, including regional leadership, to rapidly escalate more challenging issues to the appropriate level of expertise and receive necessary resources to adequately address such issues. The four critical elements of a Lean Operating System consist of: Visual Management, Operational Reviews, Problem Solving, and Standard Work. Visual Management will further safety and operational outcomes by providing clear visibility into the Company's most important metrics across safety, customer, delivery and quality. Operating Reviews will create daily huddles throughout the organization, including among regional leaders, for dialog on performance reviews and to identify and address local issues. Problem Solving and Standard Work will reinforce a consistent problem-solving discipline to rapidly address issues where they arise and continuously improve operations through standardize work.

D. Regional Teams and Responsibilities

With the benefits of the Lean Operating System and the reorganization of the utility along functions, the regional leaders will drive visibility into local, cross-functional performance and help to identify and escalate challenging local safety, customer, and operational issues that require coordination to resolve. PG&E originally proposed that Customer Field Operations, Local Electric and Gas Maintenance and Construction would report up to the Regional Vice Presidents. After further deliberation, PG&E concluded that having all operational groups report to functional organizations will drive better outcomes as it will allow them to retain the benefits of specialization and standardization. These operational groups will continue to resolve local customer issues that are clearly within their operational scope.¹⁰

Regional leaders will support and elevate the tactical resolution typically done by local operations teams, while also addressing more strategic local challenges that require additional influence and authority to affect change over time, including those that span multiple functions or a large geographic footprint. They will engage proactively on issues that require operational visibility, influential authority, and awareness of community needs to avoid being reactive. The Regional Vice Presidents will share direct accountability for their region's customer experience, safety, and reliability of operations with the Company's core functional organizations. In addition, the Regional Vice President will identify more strategic and systemic local issues for change to be incorporated into work plans over time. The Regional Safety Directors will be responsible for evaluating and improving safety performance across the assigned region, as well as serving as partners for the functional leaders to improve consistency across the Company.

Regional Vice Presidents will be supported by a team of Regional Program Managers who will provide logistical support to enable cross-functional collaboration, assist in planning Operating Reviews with local functional leaders, and coordinate with functional analytics teams

¹⁰ Updated Regionalization Proposal Section V address the POR Decision requirement to describe regional roles, responsibilities and resource allocation. D.20-05-053, p. 51 and Scoping Memo, p. 2, issue 3 ("Whether PG&E's proposals for regional leadership and a regional organizational structure are consistent with the Commission's direction.").

to prepare dashboards and scorecards for use by regional leaders. The team will assist the Regional Vice President in problem-solving efforts, such as preparing research, analysis, or community perspectives on complex issues.

E. Community and Customer Engagement

Regional teams and Regional Vice Presidents' presence and work in the regions will strengthen existing collaborative relationships with local communities and customers in the regions.¹¹ The Regional Vice Presidents will live in the regions they serve, which will open a more direct channel of communications with the local communities. Regional teams will focus on local customer engagement including communications, community engagement, local customer service and public safety. The regional teams will provide a dedicated focus on local customer and community needs, tailor activities based on the unique needs of the region, and foster integration with the operations teams executing the work. Regional teams will work with local operations teams to be troubleshooters with local governments and agencies on issues they are facing. The Regional Vice Presidents and the Community and Customer Engagement Team will work with the functionally-managed Regulatory and External Affairs and Customer Care teams to benefit from centralized practices, messaging, and expertise to drive consistency and improvement across PG&E's service area that will result in improved customer engagement and responsiveness across regions.

IV. METRICS AND EVALUATION

Regionalization, together with the implementation of the Lean Operating System and functionally-aligned reorganization, will contribute to PG&E's improvement in safety, operational reliability and customer service. The Company currently tracks a large number of safety, operational, and customer service metrics which serve as performance indicators, identify

¹¹ Updated Regionalization Proposal Section VIII.A address the POR Decision requirement to describe the customer impacts of regionalization, including on hard-to-reach, low income and disadvantaged communities and those communities that have been subjected to PSPS outages. (D.20-05-053, p. 51.) Section VIII.C addresses the potential impacts on environmental and social justice communities as required in the Scoping Memo. (Scoping Memo, p. 6.)

gaps and guide overall work plans. PG&E also tracks and maintains metrics for the achievement of its stated goals. PG&E proposed Safety and Operational Metrics on January 15, 2021 in response to the Assigned Commissioner’s Ruling in R.20-07-013, *Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities* (SMAP II).¹² PG&E included metrics relating to wildfire mitigation in its Wildfire Mitigation Plan, filed with the Commission on February 5, 2021 in Rulemaking 18-10-007.¹³ In combination, the metrics approved in these proceedings will provide a holistic perspective of the Company’s performance and will be used to evaluate the impact of regionalization.

PG&E will use a subset of the enterprise-wide metrics that are tracked and maintained to establish a process to measure and track these metrics at a regional level and use them in the performance evaluation of the effectiveness of regionalization to achieve the goals of safety, reliability and customer service. These same metrics will be used to evaluate the performance of the Regional Vice Presidents and other regional leaders and their compensation. As such, PG&E will not create new metrics specific for regions that have the potential for inconsistent results.¹⁴

Finally, in order to gain additional feedback on the effectiveness of regionalization, PG&E plans to conduct a series of surveys to local city and county community leaders to receive ongoing feedback on the effectiveness of the implementation of regionalization.

V. PUBLIC ENGAGEMENT AND REGULATORY PROCESS

PG&E used industry information to develop its original and updated regionalization proposals. PG&E considered the following: (1) party feedback in the Safety Culture OII and the POR OII; (2) preliminary feedback of certain stakeholders PG&E contacted before the

¹² *Response Of Pacific Gas And Electric Company to Assigned Commissioner’s Ruling Regarding Development Of Safety And Operational Metrics*, R. 20-07-013 (Jan. 15, 2021).

¹³ *Order Instituting Rulemaking to Implement Electric Utility Wildfire Mitigation Plans Pursuant to Senate Bill 901*, R. 18-10-007 (Oct. 25, 2018).

¹⁴ Updated Regionalization Proposal Section VII address the POR Decision requirement to describe “how PG&E will evaluate the effectiveness of the plan.” (D.20-05-053, p. 51). As noted in the Scoping Memo, however, “the development of regionalization-specific metrics is not in the current scope of this proceeding” because they are being considered in the SMAP II proceeding. (Scoping Memo, p. 4.)

Application was filed; and (3) employee feedback derived from an all-employee survey and more than 74 leadership and employee consultations.¹⁵ PG&E also considered party comments served in this proceeding in December 2020 and made changes to its regional boundaries based on these comments.

VI. PHASED APPROACH TO IMPLEMENTATION

PG&E's regionalization will continue to be implemented in three phases.¹⁶ The three phase implementation process strikes an appropriate balance between PG&E's motivation to move quickly to implement this important improvement initiative, the Commission's direction to move expeditiously with regionalization and the thoughtful, deliberative and thorough process PG&E has undertaken to ensure the success of the plan. In addition, the Company is committed to not lose any ground as it continues to accelerate its progress on wildfire risk mitigation and improved public and workforce safety profile. The phased implementation will also ensure that regional leaders and their teams move into the regions once the appropriate processes, systems, governance, and people are in place for them to be successful. In addition to the initial work completed to date, and any necessary and appropriate calibrations as the phases are implemented, the Company expects its implementation to be based on the phased approach described below.¹⁷

A. Phase 1: Detail Design and Transition Plan

This phase started with the submission of the Application and will lead into phase 2 in June 2021. PG&E has incorporated various feedback in its updated regionalization design which will be supported and complimented by the implementation of the Lean Operating System and the reorganization of the Company along functions. In this phase PG&E will: (1) refine regional boundaries based on internal and external stakeholder feedback; (2) establish the roles and

¹⁵ Updated Regionalization Proposal, Section III.B.4.

¹⁶ Updated Regionalization Proposal Section VI address the rollout of PG&E's Updated Regionalization Plan and addresses, Scoping Memo issue 4 ("Whether PG&E's proposed implementation timeline for regionalization is reasonable") and issue 7 ("the process and timeline for regionalization"). (Scoping Memo, p. 5.)

¹⁷ Updated Regionalization Proposal, Section VI.

governance for Regional Vice Presidents and Regional Safety Directors and their cross-functional work expectations with peer leaders of functional groups; and (3) recruit and hire Regional Vice Presidents and Regional Safety Directors with the necessary experience, qualification and skills to be effective in their regional leadership roles.

B. Phase 2: Regional Organization and Boundaries; Adopt Lean Operating System

In the second half of 2021 through 2022, the Company expects to establish and implement the regional boundaries and embed the necessary resources and personnel to stand up the Regional Vice Presidents, Safety Directors and regional support teams in each region. The Lean Operating System's visual management, operating review, problem solving and standardization of work will be integrated into regional operations. Regional Vice Presidents will be installed in their respective regions, will assess local systems and processes and establish goals for improvement and better effectiveness of the systems and processes. Regional Vice Presidents will form relationship and regular operating reviews with peer leaders across different functions and with Regional Vice Presidents across other regions. Regional Vice Presidents, Regional Safety Directors and regional teams will continue to reassess, refine and work with other functional groups to improve efficiencies, safety, reliability and customer service.¹⁸

C. Phase 3: Refine Regional Model and Sustain Lean Operating System

After phase 2 in 2023 and beyond, the Company, through its regional teams, will continue to reassess, refine and collaborate with other functional groups to improve efficiencies, safety, reliability and customer service. The Company will use all metrics Company wide, regional and functional, to implement a culture of continued improvement in regions. Regions will benefit from the full implementation of the Lean Operating System throughout the organization.

¹⁸ Updated Regionalization Proposal, Section VI.B (describing Phase 2).

VII. REGIONALIZATION COSTS

PG&E's Application sought authorization to establish a Regional Plan Memorandum Account ("RPMA") effective as of the filing date to record incremental costs in connection with development and implementation of regionalization as discussed above.¹⁹ The RPMA was approved in the Scoping Memo, which states that "Pacific Gas and Electric Company is authorized to establish a memorandum account to track the costs of regionalization, effective June 30, 2020."²⁰ PG&E filed Advice Letter 4835-G/6901-E with the preliminary statement for the gas and electric RPMAs on February 19, 2021.

PG&E's updated cost estimates for regionalization are included in Appendix C to the Updated Regionalization Proposal.²¹ While PG&E's costs of regionalization are in the scope of the proceeding, the Commission will not approve costs of regionalization in this proceeding. Recorded costs will be sought by separate application. The costs for operations in the regions will continue to be forecasted and authorized in PG&E's General Rate Cases. PG&E's 2023 General Rate Case, which will cover 2023 to 2026, will be filed by June 30, 2021.

VIII. COMPLIANCE WITH COMMISSION REQUIREMENTS AND NEXT STEPS

The Commission, in the POR Decision, identified issues to be addressed in PG&E's Regionalization Proposal.²² Commissioner Batjer identified additional issues in the Scoping Memo as within the scope of the proceeding.²³ PG&E addresses each of these issues in its Updated Regionalization Proposal as discussed above and summarized in greater detail in Section VIII of the Updated Regionalization Proposal.

¹⁹ Updated Regionalization Proposal, Section VIII.F.

²⁰ Scoping Memo, p. 10, Ruling 2.

²¹ Updated Regionalization Proposal Section VIII.F addresses cost recovery and the corresponding ratemaking treatment to address Scoping Memo issue 7 ("the costs of regionalization") and issue 8 ("Issues relating to potential cost recovery and the corresponding ratemaking treatment.") (Scoping Memo, p. 5).

²² D.20-05-053, pp. 50-51.

²³ Scoping Memo, pp. 5-6.

As extended in the December 23, 2020 e-mail ruling of ALJ Stevens, PG&E will present the Updated Regionalization Proposal at the March 3, 2021 workshop. Following the workshop, parties will file opening and reply comments on April 2 and 9, 2021, respectively. PG&E looks forward to receiving the parties' feedback on the Updated Regionalization Proposal. The Scoping Memo notes that some, but not all, parties requested evidentiary hearings and that the need for evidentiary hearings would be revisited following workshops.²⁴

The feedback and discussion at the workshops, together with the comments on PG&E's original Regionalization Proposal and comments that will be submitted in response to PG&E's Updated Regionalization Proposal, collectively provide ample opportunity for the parties to provide feedback and impact PG&E's proposals in this proceeding.²⁵ This thorough process which include the filing of the original Application, this Updated Regionalization Proposal and multiple sets of comments, provide a sufficient record for the Commission to issue a decision in this proceeding.

The Commission should allow PG&E to execute on its Updated Regionalization Proposal, and report to the Commission on its progress as measured by the metrics that will be approved in SMAP II.

²⁴ Scoping Memo, p. 6.

²⁵ PG&E summarized party feedback and indicated where the feedback is addressed in the Updated Regionalization Proposal in Appendix D.

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT A
PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
UPDATED REGIONALIZATION PROPOSAL

Updated Regionalization Proposal



*Pacific Gas and
Electric Company*[®]

Dated: February 26, 2021

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I. INTRODUCTION

Following its plan of reorganization, Pacific Gas and Electric Company (“PG&E” or the “Company”) committed to profound organizational changes to improve its delivery of safe, reliable, and affordable service to its customers. To fulfill this commitment, PG&E will establish both a stronger local presence *and* stronger central operating capability.

PG&E will regionalize its operations to strengthen PG&E’s local presence. PG&E will deploy an accountable, capable, and empowered regional leadership team that will understand and act quickly on the needs and priorities of local communities. Each community will experience PG&E differently—not as a distant corporation in San Francisco—but as its hometown utility. PG&E starts this shift in June with the launch of Regionalization. Regionalization, however, cannot accomplish this vision as a stand-alone initiative. The regional team must leverage the larger Company to achieve its objectives.

PG&E will implement regionalization while also transitioning to a fully functional structure¹ and instituting a new operating paradigm—the Lean Operating System²—for the central organization. The functional structure and Lean Operating System, once implemented, will create a stronger central operating capability by putting customers, who are currently the responsibility of PG&E’s Customer Care organization, at the center of the organization (*See* Figure 1). These changes will standardize processes, foster a culture of continuous improvement and learning, and empower employees closest to the work to proactively solve problems. In short, the Lean Operating System will drive better results and better service.

Regionalization combined with reforms to the functional organizations will result in better resolving day-to-day issues. The Lean Operating System inverts the typical organization pyramid, with the Chief Executive Officer (“CEO”) on top and workers on the bottom. Leaders focus on empowering frontline employees to solve issues and pull in leaders for support as needed. Second, as regional teams respond to issues that cannot be

¹ A “Functional Organization Structure” is a common type of organizational structure in which the organization is aligned along functional areas, such as operations, engineering, IT, power generation, finance, or marketing.

² The Lean Operating System is an internationally recognized management approach that standardizes a rapid cycle of issue identification and resolution through frequent review meetings at all levels of an organization and across functional areas.

solved by frontline employees, they will leverage a more nimble and responsive organization to meet community needs and honor PG&E's local promises.

PG&E's regionalization is complemented by two parallel improvements: a transition to a functional organization and implementation of the Lean Operating System, both of which support regionalization initiatives. The combined parallel improvements are:

- **Realigning regional boundaries** to coincide with county boundaries, group customers and communities with similar characteristics, operational, risk, and safety considerations, and establish equitable regional sizes to improve overall operations;
- **Establishing regional leadership**, with each region led by a Regional Vice President, to better understand and act quickly on the needs of communities, problem solve challenging local issues, and improve the way PG&E works;
- **Enhancing functional specialization** by realigning the Utility organization along functions to increase technical expertise and improve accountability; and
- **Implementing a Lean Operating System** to improve visibility into performance, rapidly respond and solve problems, and standardize operations on a regional and functional level, leading to better outcomes for customers and communities.

Finally, this Updated Regionalization Proposal is a beginning, not an end. PG&E will proceed with a phased implementation, moving deliberately to ensure business continuity and minimal disruption.

II. EXECUTIVE SUMMARY

A. Realigning regional boundaries

PG&E will establish five regions, as outlined in Section IV: along the North Coast, in the North Valley/Sierra, in the Bay Area, along the South Bay/Central Coast, and in the Central Valley. The following objectives are achieved with these regional boundaries:

- Align PG&E's regional boundaries with county boundaries. Incorporation of county boundaries will clarify the points of contact between PG&E employees

and local officials in each county, and thereby improve the Company’s coordination with local governments and local emergency, public safety and other first responders.

- Bring together adjacent counties with similar customer, geographic, weather, and operational characteristics. Creating regions with distinct customer needs, operational challenges, assets, and priorities contributes to specialization and standardization in the work PG&E’s employees do. This leads to greater expertise, accumulated experience, and improved performance.
- Assemble regions with travel corridors that facilitate the movement of resources and manageable geographic coverage areas. This will allow for fast deployment and re-positioning of resources within the region and allow regional teams to easily reach all constituents in their regions.

PG&E further modified the regional boundaries proposed in June, primarily to better address customers with similar needs and to simplify operations by reducing drive times and other operational challenges. Stakeholder feedback was an important factor in the modification of boundaries, in conjunction with internal input. In addition, the “Central Coast” and “Sierra” regions in the original Application were renamed as “South Bay & Central Coast” and “North Valley & Sierra”, respectively, to reflect the inclusion and identity of Santa Clara and the North Valley counties in those regions.

B. Establishing regional leaderships

In PG&E’s past regional models, operational teams reported to regional leaders. The regions operated with considerable autonomy and did not benefit from the scale of the full company or the specialization and expertise that comes with a functional organization. This led to a lack of standardization and misalignment of priorities, as decisions were often optimized for a region rather than the full company.

PG&E is proposing a different approach where empowered regional leaders drive visibility into local, cross-functional performance and help to identify and escalate challenging safety, customer, and operational issues that require coordination to resolve. The operational groups will report to functional organizations to retain the benefits of specialization and standardization. They will also continue to resolve local customer issues that are clearly within their operational scope. The regional leaders will help drive and share accountability for key operational and customer outcomes through an on-going feedback loop with the functionally organized operations. This model will support and

enhance the tactical resolution typically done by local operations teams, while also addressing more strategic local challenges that require operational visibility, influential authority, and awareness of community needs to proactively address.

In the first half of 2021, the Company will hire 10 leaders — five Regional Vice Presidents and five Regional Safety Directors – each embedded in the regions for which they are responsible. The Regional Vice Presidents will share direct accountability for their region’s customer experience, safety, and operational performance with the Company’s core functional organizations. These Regional Leaders will develop a deep knowledge of the priorities within their region and lead cross-functional efforts to improve performance. The Regional Vice Presidents will lead daily huddles with regional leadership and representatives from other function groups to quickly identify and resolve local issues. They will also expedite resolution of more strategic problems and ensure the appropriate resources are allocated to the regions to address these problems, including core operational and customer service issues. The Regional Vice Presidents will resolve ambiguity over accountability for local issues, which can arise when challenges span multiple functions or a large geographic footprint and play a leadership role among the numerous cross-functional teams involved. They will be positioned to identify, prioritize, and address local concerns, working collaboratively with a peer team of local safety, operations, planning, engineering, and customer leaders. Regional Safety Directors will support the Regional Vice Presidents by evaluating and improving safety performance across the assigned region, as well as serving as a partner for the functional leaders to ensure consistency across the Company.

The Regional Vice Presidents will report directly to the Executive Vice President and Chief Customer Officer. The Regional Safety Directors will report directly to the Chief Safety Officer (“CSO”) and will also support the Regional Vice Presidents on regional safety issues. These reporting relationships will connect regional leadership to senior decision makers at the company who can assist in escalating and mobilizing responses to complex, cross-functional issues.

The Regional Vice Presidents will be accountable for making measurable and sustainable improvements in the following areas:

- Responding to customer and community feedback promptly, with appropriate escalation to other functional groups where necessary
- Mobilizing PG&E resources to address complex local opportunities to improve the safety, reliability, and service delivery of regional operations;

- Improving safety by understanding utility field operations, being able to work through others to ensure strong operational performance, and contributing to the development of a safety excellence culture;
- Reducing risk by monitoring inspection, construction, and preparation work to mitigate risks throughout their assigned region; and
- Strengthening and deepening collaborative relationships with customers, business organizations, local governments, and other community groups to better understand and address local needs and issues

The Regional Safety Directors will be responsible for monitoring and improving employee, contractor, and public safety, including:

- Monitoring and reporting on key performance metrics around Safety & Health, auditing the implementation of Safety & Health policies and programs, and tracking compliance with external regulations and internal standards;
- Supporting the implementation of company-wide health and safety strategy and programs in the region and providing independent oversight of workforce safety practices at a regional level;
- Collaborating with the other Regional Safety Directors, functional safety professionals, and grass roots safety teams in their regions to monitor performance, train others, share best practices, and ensure consistency in safety programs across regions; and
- Providing each region a clear path to escalate issues, request and receive assistance, and obtain hands-on, day-to-day support, guidance, and help in improving safety performance.

The Chief Customer Officer will monitor the outcomes of regional teams and report out on their progress daily at the officer-level. Their involvement and oversight will drive accountability for improving performance based on metrics and provide a vehicle for escalating issues when necessary. The Regional Vice Presidents will report to the Chief Customer Officer because their primary objective is to understand customer needs and translate them into actionable plans. The Company will further give voice to the customer by increasing the velocity of customer feedback and asking about customer

satisfaction after every interaction to identify improvement areas. The role of the Regional Vice President will be centered on addressing customer pain points with cross-functional problem solving, which will lead to improved operations. This includes gathering customer insights and translating customer frustrations to the local working groups that can instigate change, such as a local grid resiliency engineer or technical program manager. The Chief Customer Officer's oversight will ensure that customer needs remain a critical component of the ethos of the regional team.

Each Regional Vice President will manage a team of approximately 3-5 Regional Program Managers who will provide logistical support to enable cross-functional collaboration. The team will assist in coordinating daily touch points with local functional leaders, as well as with other functional representatives when necessary. In addition, this role will coordinate with functional analytics teams to assist in preparing the dashboards and scorecards utilized by regional leaders. Regional Program Managers will build strong relationships with internal, locally-based functional leads who are connected to the community, such as Local Public Affairs, to remain aware of community concerns and support the Regional Vice President in community engagement. The team will assist the Regional Vice President in problem solving efforts, such as preparing research, analysis, or community perspectives on complex issues.

C. Implementing a Lean Operating System

PG&E must fix its overall processes to improve coordination and accountability, as well as standardize a culture of continuous improvement across the enterprise and at the local level. The Lean Operating System will ensure regionalization provides the intended benefits in a sustainable way by driving meaningful improvements in underlying business process. This new management approach will improve safety and operational outcomes by providing clear visibility into performance as measured by the Company's most important metrics, creating a daily dialog about results, and reinforcing a consistent problem-solving approach to rapidly address issues and continuously improve operations. The structure and cadence of the Lean Operating System will serve as the heartbeat of PG&E's functional and regional teams, allowing for rapid identification of problems and driving structural improvements to support lasting change. A Lean Operating System will emphasize four critical elements to ensure cross-functional collaboration:

- Visual Management – Dashboards and visual indicators that provide visibility into performance based on critical metrics across safety, customer, delivery, and quality

- Operating Reviews – Daily huddles between the regional leadership and representatives from function groups to maintain consistent dialogue about performance and identify local issues for resolution
- Problem Solving – A standard, disciplined approach to problem solving at each level of the organization that targets the root cause of issues
- Standard Work – An emphasis on establishing consistent ways of working across the Company, both geographically and across commodities, with the goal of implementing sustained change

The Lean Operating System standardizes across the entire Company the best practices used within some business units, such as in Gas Operations. Functions will be more accountable for performance against customer metrics. Functions will also use dashboards on safety, quality, customer service, and delivery broken out at the regional and sub-region level. This additional granularity for performance evaluation will serve to align functional and regional teams, encourage cross-functional collaboration, and reinforce shared accountability while also improving Visual Management and making it consistent across every function.

PG&E's new operating system emphasizes action-oriented huddles to improve planning, execution, and governance. The Regional Vice President will lead Operating Reviews of performance based on metrics and critical concerns to evaluate performance and identify issues for resolution. The Operating Review is a key tenant of the Lean Operating System that actively mitigates organizational and hierarchical silos common in a functional structure by proactively facilitating collaboration and responsiveness between cross-functional work groups. Teams will engage in a standardized rhythm of action-oriented problem solving that leads to more clearly defined priorities, detailed action plans, and more predictable performance and safety outcomes. The Lean Operating System emphasizes rapidly responding to emerging issues by standardizing a framework where employees closest to the work identify problems, propose solutions, and drive change.

This framework also supports management by giving leaders greater visibility, as well as the tools to develop individual ownership and accountability. With the Lean Operating System, PG&E will move from the current norm, where work processes are delegated by leadership with an emphasis on top-down auditing to monitor outcomes, to the Lean approach, where change is driven by empowered employees prioritizing continuous improvement bottom-up, top-down, and cross functionally. Operating

Reviews will serve as the daily heartbeat of regional collaboration, bringing together new business connections, engineering, construction, customer service, communications, local public affairs, and other support functions to break down silos, give visibility to issues across teams, and create cross-functional plans for resolving challenging problems. The operating system will maintain the benefits of scale, standards, and expertise that come with functional management while also establishing an effective framework to address local needs.

D. Enhancing functional specialization

PG&E is transitioning its central organization to a fully functional organization. PG&E will realign the central organization to focus on prioritizing customers at the center of every enterprise function, including operations, and emphasize functional specialization, which will ultimately improve local performance and better support regional leaders.

The new model creates a flatter executive structure by replacing the President of the Utility with three executive officers of equal level, each with their own specialization, and all lines of business reporting directly to the PG&E Corporation CEO. The new equivalent roles replacing the President of the Utility include an Executive Vice President and Chief Customer Officer, an Executive Vice President and Chief Operating Officer, and an Executive Vice President of Engineering and Strategy. Appointing distinct roles for customer, operations, and engineering will enhance the functional expertise of these senior leaders and the teams they lead, enabling an improved focus on the delivery of daily commitments to customers and communities.

The Executive Vice President and Chief Customer Officer will enhance focus on the customer by separating this responsibility from utility operations at the highest officer level and will enhance customer continuity by aligning customer experience with the outward facing marketing messages. This role will oversee the Customer and Communications functional group which comprises the customer contact centers; programs supporting energy efficiency, electric vehicles, rooftop solar, demand response and low-income customers; billing, metering, and account services; Marketing and Communications; and the Regional Vice Presidents. The Chief Customer Officer will provide oversight to the Regional Vice Presidents in order to fully integrate customer concerns and operational needs while ensuring the leaders are accountable to their customer delivery objectives.

The Executive Vice President of Engineering and Strategy will focus on improving upstream planning and asset management to further strengthen PG&E’s overall operational safety and reduce risk. The Executive Vice President of Engineering and Strategy will also lead the Company’s efforts to prepare PG&E infrastructure to meet California’s long-term clean energy transformation and make necessary judgments to accelerate re-design of our delivery systems to make them cleaner and safer.

The Executive Vice President and Chief Operating Officer will focus on downstream operations overseeing the generation, gas, and electric lines of business. This role will give full attention to improving the safety, integrity, and operational efficiency of our assets by executing risk-informed and customer-driven projects identifying and sharing best practices, standardizing the most efficient methods of doing work, and increasing communication and visibility across operating groups.

Figure 1: Functional Realignment



PG&E’s realignment, shown in Figure 1, emphasizes a reinvestment in the Company’s service philosophy, in which the core functions are groups that support the customer, including Customer and Communications and those that enable service excellence through Engineering and Strategy, People and Shared Services, and Operations. People and Shared Services will be specifically responsible for PG&E’s

Human Resources, Shared Services, and Supply Chain, and charged with ensuring the organization has the people, skills, resources, and tools to meet customers' expectations. Together, the dark blue core functions shown in Figure 1 will be supported by the resources needed for that work in lighter blue, including Risk, Safety, Finance, Law and Compliance, Information Technology ("IT"), and Corporate Affairs. PG&E's new operating system will maintain the benefits of scale, standards, and expertise that come with functional management while also establishing an effective framework to address local needs.

The Customer & Communications organization will be managed through a functional organizational structure. Regionalization will place greater accountability and emphasis on local outcomes, engagement, and service through the vocal and active leadership of the Regional Vice Presidents in their daily huddles to voice important customer issues to the customer and operational functions to affect change. The Regional Vice Presidents will become the Orchestra Conductors and leaders of the Company's lean implementation.

The Engineering and Strategy organization will consolidate the existing Asset Management organizations which include the engineering planning functions. These groups will be managed through a functional organizational structure to allow a system-wide view for strategy. As in the Customer organization, the Engineering and Strategy representatives will engage in daily regional and company-wide Operating Reviews to ensure the regional needs are appropriately considered to improve public safety and reliability. This will allow Regional Vice Presidents to prioritize local system issues that may impact strategic planning priorities and align the resources appropriately.

Electric, Gas, and Power Generation will be managed through a functional organizational structure, but heavily engage in regional and company-wide daily Operating Reviews to partner with Regional Vice Presidents and their teams.³ Regional Vice President will utilize daily Operating Reviews to identify the service needs of their region, tactically resolve issues, and improve standardized processes.

Risk Management will be managed through a functional organizational structure to apply consistent risk assessment and mitigation standards across the entire organization to ensure the Company is focusing on the most important risks and investing

³ Regional Vice Presidents will also collaborate with Power Generation functional groups to the extent that they are in the region and have any cross-functional implications on service delivery and safety.

in the most impactful mitigations. PG&E is continuing to identify, assess, mitigate and monitor top risks across the enterprise using methodologies required by the Commission. PG&E's Risk Assessment and Mitigation Phase ("RAMP") Report, which it submitted to the Commission June 30, 2020 and will be submitted quadrennially thereafter, will inform and help prioritize the Company investments on the top enterprise and customer risks. Risk Management will work with the Regional Safety Directors to understand the risks, drivers and consequences of each region. The role of the Chief Risk Officer ("CRO") is being enhanced and will report to the PG&E Corporation CEO and Safety and Nuclear Oversight Committee and Audit Committee of the Board of Directors.

Enterprise Health and Safety ("EHS") will be managed through a functional organizational structure, as well. EHS has overall responsibility for implementing and improving the comprehensiveness, consistency, and integration of PG&E's health and safety programs throughout the enterprise. The CSO role, which reports directly to the PG&E Corporation CEO, has been expanded to include public safety. EHS establishes the overall framework for PG&E's health and safety programs and initiatives; monitors their effectiveness; performs hazard and risk assessments; works to continuously improve programs to reduce risk; and monitors compliance with PG&E's safety policies and applicable federal, state, and local regulatory requirements.

E. Phased Implementation

PG&E will proceed with a phased implementation, moving deliberately to ensure business continuity and minimal disruption. The key leaders and the regional teams will be deployed in the regions by mid-2021. PG&E's proposed implementation plan will span three phases.

Phase 1: Formulate detailed design and transition plan (2020-June 2021)

- Fully design the regional operating model (organization, accountabilities, required processes and systems, etc.) then build an integrated implementation plan that minimizes disruption and ensures business continuity
- Develop the framework for PG&E's Lean Operating System, beginning with a comprehensive assessment that aligns existing metrics with the organizational structure
- Train leadership on the objectives and best practices of the Lean Operating System, as well as behaviors for effective problem solving

- Recruit and hire Regional Vice Presidents and Regional Safety Directors
- Establish the roles and governance for Regional Vice Presidents and Regional Safety Directors and the peer leaders of local functional groups

Phase 2: Establish Regional organizations and boundaries and adopt Lean Operating System (July 2021-June 2022)

- Establish and implement regional boundaries; implement necessary IT changes
- Roll out Lean Operating System throughout organization, including visual management and problem-solving techniques, in conjunction with continued leadership training
- Stand up Regional Vice Presidents and Safety Directors, as well as approximately 3-5 Regional Program Managers per region
- Regional Vice President identifies goals and assesses local effectiveness of systems and processes
- Regional Vice President establishes cadence and attendees of Operating Reviews based on assessment and evaluation of metric performance
- Operating Reviews formally begin between Regional Vice President and local operational teams
- Continue to build discipline and efficiency in core operational processes, and address capabilities in systems, tools and people.

Phase 3: Refine regional organization and operating model and sustain Lean Operating System changes (July 2022-June 2023)

- Review and refine regional organization and operating model
- Fully adopt Lean Operating System Company-wide
- Use metrics and visual management techniques to measure and continuously improve processes and customer delivery

F. Operational Metrics

PG&E will use Operating Reviews to monitor the implementation of regionalization alongside the progress of other major initiatives. PG&E does not propose creating new metrics specifically for regionalization. The Regional Vice President and Safety Director will instead leverage the existing portfolio of metrics PG&E tracks, many of which are both public and approved by the Commission, to assess performance of their respective regions and set priorities.

As discussed in Section XIII, PG&E has identified existing metrics to track performance both at the Company and regional level. These metrics encompass Safety, Operations, and Customer and Community outcomes and provide valuable data for management decisions, incentivizing employees, providing retrospective benchmarks, and orienting the organization towards important behaviors. PG&E will use these metrics in the performance evaluations and compensation of specific regional leaders, including the Regional Vice Presidents.

III. PG&E'S APPROACH TO REGIONALIZATION

This section describes: (1) PG&E's general approach in developing the Regionalization Proposal; (2) the design principles applied when developing the proposal; (3) PG&E's history with various types of operating models; and (4) trends and benchmarking observations from industry peer's operating models.

A. Objectives of PG&E's Regionalization Proposal

PG&E seeks to further improve its operations, safety performance, and customer and community satisfaction, by improving its local presence and its understanding of and ability to act upon the needs and priorities of each community. These changes will be most impactful when they occur in tandem with broader structural changes to the organization that drive functional expertise. PG&E will also implement a Lean Operating System enterprise-wide to drive a culture of coordination, accountability, and continuous improvement. This new management approach improves safety and operational outcomes by providing clear visibility into the Company's most important metrics, creating daily, weekly, and monthly dialogs about results, and reinforcing a consistent problem-solving approach to rapidly address issues and continuously improve operations.

B. Development Approach for the Regionalization Proposal

PG&E used the following approach to develop its regionalization proposal to achieve the objectives above.

- **Design Principles** – Development and refinement of the design philosophy and guiding principles for determining regional boundaries, organization, and support mechanisms.
- **Company History** – An evaluation of the past strengths and weaknesses of PG&E’s regional and functional organizational structures in order to incorporate the strongest elements into the future PG&E.
- **Benchmarks** – A performance review of PG&E’s operational groups benchmarked against a relevant peer set (though, often with notable differences in customer size, service footprint, etc.) to inform which of PG&E’s performance gaps would most benefit from local coordination.
- **External Stakeholder Feedback** – A summary of perspectives from key external stakeholders to inform PG&E’s priorities.
- **Internal Survey of Employees** – A summary of perspectives from an employee survey to inform how PG&E should effectively implement regionalization.

This section provides a detailed description of the methods and subsequent findings for each approach.

1. Design Principles

PG&E established and refined the following design principles to develop the regional structure and implementation plan. These design principles inform and provide logical consistency for PG&E’s decision-making process and to the final design.

The following design principles were applied:

- Ensure that regional changes advance PG&E’s safety and operational goals without misaligning resources or sacrificing functional specialization;
- Ensure that regional resources enable cross-functional collaboration to identify and resolve local issues without creating stalled, bureaucratic processes;

- Ensure that functional organizations benefit from scale, enterprise-wide consistency, and operational expertise while also incorporating local feedback and fostering effective cross-functional collaboration;
- Enable leaders to be successful by defining roles appropriately (e.g., coherent, achievable scope, necessary autonomy and control, reducing layers between headquarters and coworkers in the field, etc.);
- Create the structure and accountabilities that encourage a culture of cooperation and sharing of best practice between regions and discourages regional or functional silos;
- Support integrated, cross-functional planning for customer touchpoints; and
- Design a transition plan that minimizes any potential disruption to business continuity or negative impacts on safety or service.

2. Company History: PG&E's historical experience with regional and functional operating models

PG&E has historically employed several different organizational structures with varying degrees of centralized management. PG&E gathered input on the 'lessons learned' from these different models through interviews with employees who worked in these different operating models and review of historical information. The Company's historical experience with centralized and regional operating models helped to inform the current proposal, which includes elements of both.

PG&E operated a regional model in the 1980s. Regional leaders oversaw both gas and electric operations, including many supporting functions like permitting, estimating, scheduling. Many decisions were made locally about work planning and prioritization. The IT systems at the time allowed for limited visibility into changes to local work plans, unit costs, crew utilization, and other metrics for performance. Local teams had strong knowledge of their communities and assets, close relationships with their local communities and customers, and understood their issues and concerns. This helped to enable responsiveness to local customer issues. However, this structure did not allow for prioritization of the most important work across the system, it did not allow for pooling and sharing of resources to increase productivity or balance system performance, did not emphasize specialization within functional groups to develop expertise and improve performance, and did not promote standardization around best practices across the enterprise.

In the 1990s and early 2000s, with improvements in technology and enterprise resource management systems, PG&E eliminated its regions and evolved to a centrally-managed structure. (It is important to note that while the Company eliminated the regional *management* structure, it did not eliminate the local *operations*.) The Company did this because it viewed a centralized structure as saving costs—by reducing duplication, improving utilization, increasing specialization and functional expertise—and leading to more efficient decision making. As construction and work methods became more complex, it allowed for management specialization, focused on a single commodity (Electric or Gas) to improve leaders’ ability to direct safe operations. This also enabled better system-wide optimization and prioritization of investments.

In summary, in prior regional models, the regions acted more independently and did not benefit from the scale of the full Company or the specialization and expertise that comes with a functional organization. Decisions were often optimized for a region rather than the full service area. When PG&E shifted to a central management organization, the Company benefitted from management’s increased commodity and functional expertise, greater efficiency, and improved system-wide optimization of resources. The regional model proposed here seeks to apply the learnings from prior organizational structures and integrate their positive elements. Below, PG&E describes a model with operational teams that work locally but retains the benefits of expertise, specialization, and efficiency from their functions. Local, cross-functional problem solving will be driven by empowered regional leadership with strengths in multidisciplinary problem solving to increase responsiveness to local issues.

3. Industry Information: Themes and benchmarking

PG&E considered the practices of other utilities as an input to inform the design of the Regionalization Proposal. Specifically, PG&E evaluated the regional organizational structures and operating models of other utilities to understand their practices and determine if those practices could be replicated at PG&E to improve operations and customer service. Structures at peer utilities provided a range of options and practices, which were considered and adapted for PG&E’s unique circumstances.

To create the most relevant, comparable peer set, PG&E considered other dual commodity utilities with overlapping gas and electric service territories (*e.g.*, San Diego Gas & Electric Company, Philadelphia Electric Company, Baltimore Gas and Electric, Public Service Electric and Gas, Con Edison) as well as larger utilities with both gas and electric operations (*e.g.*, Consumers Energy, DTE Energy,

Dominion Energy, Duke Energy, Southern Company, National Grid, Entergy) and large, single commodity California utilities (*e.g.*, Southern California Edison Company and Southern California Gas Company).

These utilities employ a variety of regional structures and operating models. Each utility has meaningful differences from PG&E's service area and needs, such that a simple replication of an organization or operating model from a subset of these peers would not be the right path for PG&E's customers. Notably, other single-state, dual commodity utilities in the United States with overlapping gas and electric service territories tend to be smaller than PG&E (number of customers, size of service area).

Meanwhile, utilities of comparable scale tend to be multi-jurisdictional, with non- contiguous operations spanning many states, often with gas and electric service territories that do not overlap at all, or in a limited way. All the large utilities observed organize regionally to deliver distribution work, and PG&E's proposal is in line with that philosophy.

PG&E evaluated the regional structures observed of industry peers and then, based on PG&E's unique service area and operational priorities, adapted and adopted the organizational elements that will be relevant and beneficial for PG&E. In many instances, PG&E's proposed design is highly aligned with industry practices. However, in some instances PG&E is taking a slightly different approach than its industry peers because the Company believes it will result in better, safer operations. PG&E believes that in these situations the customers will be better served by the proposed approach which tailors the regional organization to the Company's operational priorities, scale and service area. These themes and how PG&E is considering, applying or approaching them to meet its objectives are described in Table 1 below.

Table 1: Themes from Industry Observations

Theme	Industry Observation	Relevance for PG&E’s Proposal
Regionalization as a contributing but non-determinative factor of performance	A range of operating models, from highly centrally managed to more regionally managed were observed. A clear connection between the level of regionalization and operational performance was not evident, likely because regional structure is one of many factors that contribute to operational performance. (Factors like service territory, network design and infrastructure, quality of systems and processes, etc. also contribute).	Regionalization can have some benefits, but it is not the sole solution for PG&E’s operational issues. Thus, PG&E’s approach to change is not solely based on regionalization; rather, standing up influential regional leadership is just one part of the effort to improve PG&E’s operations.
Evolution of regional and functional operations	Many peer utilities were either in the process of making or had recently completed significant organizational changes. Decades ago, utilities typically had regional operations that oversaw a wide range of functions. Over time, they shifted to more central organizations with separate, specialized functional teams. In recent years, a number of utilities have re-established some elements of the integrated regional model to facilitate improved workflow and responsiveness, by moving parts of operations under the control of local leaders, while continuing to manage departments functionally with large benefits of scale and consistency.	PG&E agrees with these industry trends to maintain the advantages of scale and expertise that come with functionally organized groups yet capturing the benefits of regional leaders with the influence to make cross-functional improvements. By standing up targeted Regional Vice Presidents, their teams, and the Safety Directors, PG&E can better address the safety, reliability, and community priorities that are most important to PG&E’s customers.
Structure for dual commodity utilities	At dual commodity utilities, the gas and electric business units were not typically integrated at the regional level, with each commodity reporting up to a Vice President of Gas or Electric Operations. The first point of integration was at the COO or CEO level.	PG&E agrees that the industry trend of maintaining independent gas and electric functional groups supports the expertise in each group and reinforces operational excellence.
Routine Maintenance and Construction	Many utilities are combining maintenance and construction (“M&C”) teams with certain	PG&E will use the Lean Operating System to stand up daily Operating Reviews led by

Theme	Industry Observation	Relevance for PG&E's Proposal
	upstream teams, enabling functions such as estimating, scheduling and dependency management. These more integrated regional teams can reduce hand offs between functions, reduce delays, jointly prioritize work for execution, and increase accountability for work completion.	the Regional Vice President. Operating Reviews will be attended by cross-functional representatives with operational and customer work that affect the regions. This approach will enable communication, prioritization and collaboration between working groups, leading to a more responsive, accountable local team.
Large Construction Projects	A number of utilities have separated the groups responsible for larger project construction, creating a functional organization that specializes in this type of work. The routine inspection, maintenance, and smaller construction work is completed by regional teams. This creates specialization by work type and focus to develop efficient processes and operations, tailored to different types of work.	PG&E will adopt a similar structure to peer utilities by retaining the General Construction ("GC") organization as a functional construction resource, independent from M&C. This will enable the GC group to stay focused and mobilized to manage large construction projects and programs and complete this work more efficiently. The Regional Vice Presidents will have a local GC leader as part of their Operating Reviews to enable close coordination and support from GC for local customer priorities when needed.
Customer-Driven Work	Some utilities have created dedicated operational teams that focus on customer-driven work, such as new service connections, meter operations, and response to routine emergencies. Because they are dedicated to customer-facing work, there are fewer competing priorities that can lead to delays or rescheduling when other work (compliance work, large project work, etc.) takes priority. The selection and training of employees in customer-facing operational roles places additional emphasis on delighting customers.	PG&E will continue to have separate teams for routine emergencies and new service connections given the significant differences in the work performed by these three groups and the benefits of specialized management of each. For example, PG&E's gas leak response times are 1 st quartile among peers, and PG&E does not want to risk degradation of performance in these important work types. PG&E is engaged in a focused effort to improve new service connections as part of the Lean Operating System work that will improve cycle times and

Theme	Industry Observation	Relevance for PG&E's Proposal
		the customer experience for this type of work.
Regional Leaders and Community Relations	Regional leaders are active, visible members of the communities they serve and engage directly with customers and communities to resolve issues and communicate plans. At peer utilities these regional leaders rarely have local community affairs and customer service teams reporting to them directly. Local public affairs, communications, and customer service teams that work locally still report into functions.	Similar to peer utilities, PG&E will appoint Regional Vice Presidents who are active and visible members of their communities. PG&E believes that there are benefits to the Regional Vice Presidents building relationships with local customer and community affairs teams and closely monitoring issues in Operating Reviews. This will better integrate the work of PG&E's functional community affairs employees and PG&E's functional operational teams and will help the Company better understand and address community needs.
Functionally Managed Organizations	All peer utilities maintain large organizations for functions that benefit from scale, perform system-wide prioritization, planning, and to create and oversee company-wide standards and policies. Functions that report outside of regional teams include Transmission Operations, Network Operations, Asset Management, Vegetation Management, Engineering Design and Standards, Training, Fleet, Facilities, Procurement, and Materials Management.	Similar to peers, PG&E will retain these groups as functionally managed departments. By maintaining functional management, the Company will realize the benefits of scale, standardization, and Company-wide decision-making.

4. Stakeholder and Employee Outreach and Feedback

In addition to reviewing industry information, PG&E also considered: (1) party feedback in PG&E's Safety Culture Investigation (Investigation (I.) 15-08-019) and the POR OII (I.19-09-016)⁴; (2) preliminary feedback from certain stakeholders; (3) employee feedback derived from an all-employee survey and more than 74 leadership and employee consultations; and (4) feedback from parties following the first workshop. These comments were thoughtful and helpful in

⁴ *POR OII*, I.19-09-016 (Sept. 26, 2019).

developing and updating PG&E's Regionalization Proposal. Below, PG&E summarizes this feedback and how it was addressed.

PG&E received and incorporated regulatory feedback from the Safety Culture Investigation and the POR OII (I.19-09-016). Table 6 in Appendix D summarizes the feedback from each stakeholder and indicates how this feedback was addressed in the Regionalization Proposal. In Section IX, PG&E also outlines in more detail how the Regionalization Proposal incorporates the Commission's guidance from POR OII ("POR Decision")⁵-based on stakeholder feedback in that proceeding.

PG&E also reached out to certain stakeholders to receive feedback at the early stages of PG&E's regional design. Specifically, the Company reached out to the International Brotherhood of Electrical Workers ("IBEW"), the Engineers and Scientists of California ("ESC"), PG&E's Sustainability Advisory Council, and PG&E's California Community Advisory Group.

From April 28 to May 13, 2020, PG&E issued a survey regarding regionalization to all full-time employees for which it received a 40% response rate (9,071 total respondents), which in the context of other Company-wide surveys over a similar period of time is a typical response rate. PG&E's employees indicated a desire to receive clear and thorough communications on the objectives of and progress towards regionalizing. Employees also expressed concern about PG&E's ability to implement good change management practices. To address this feedback, PG&E is developing a comprehensive change management and communications strategy to inform employees of the plan for regionalization and how it will affect them and their work, which is described in Section VI.C.4. The survey results also highlighted the need to engage employees during the regional model design phase to benefit from their views on improving service. PG&E will continue to facilitate employee consultations and issue another employee survey later this year as the Company enters the next phase of regionalization. PG&E remains committed to continuing communications with employees on regionalization and other ongoing efforts to improve PG&E.

In November 2020, PG&E held a workshop to share elements of a revised proposal and solicit input from a variety of stakeholders, including CPUC staff, rate payer advocates, community choice aggregator ("CCA") representatives, and many other local government and industry associations. This forum allowed for discussion of PG&E's plans and for the Company to respond to questions. The parties provided

⁵ D.20-05-053, p. 52 ("POR Decision").

additional written comments after this workshop. This input, particularly on the regional matrix organization (which has been updated to the Lean Operating System), the regional boundaries, and the future engagement of stakeholders has been incorporated into PG&E's updated proposal.

Several parties explicitly indicated concern that regionalization would interrupt the effective engagement they currently have with their main customer contacts. PG&E took this feedback into consideration when designing the updated proposal and ensured that these critical customer relationships will remain unchanged. With regionalization, customer-facing roles that benefit from scale, customer segmentation, or customer experience will maintain their existing scope managed through a functional organizational structure. While regionalization will not change system-wide customer programs, the functional expertise and focus of the new Chief Customer Officer is designed to improve service to PG&E's low income, hard-to-reach, and disadvantaged customers. Section V.C.1 outlines how regionalization will impact the Customer & Communication functional group.

PG&E's summary of all workshop feedback and an index of where it is addressed in this Updated Regionalization Plan is included as Table 7 in Appendix D.

C. Summary of Conclusions

The Company's approach in developing the Regionalization Proposal was to begin with a set of clear design principles, to incorporate learnings from PG&E's history of regional organizational structures, as well as the practices of peer utilities, and to solicit input and feedback from many internal and external stakeholders. These inputs were instrumental for informing the proposed scope and accountabilities for the regional reporting structure, and the implementation phases for regionalization. PG&E concluded that, to achieve significant and sustained improvement, PG&E needs both stronger functions, with focus and expertise, and stronger local orientation, achieved through PG&E's new regional organization and leadership. With Regionalization, PG&E creates regional areas of responsibility and appoints critical leadership with the accompanying decision-making authority. PG&E has also created the operating system that will enable the regional teams to work effectively with the functional organizations to identify and address local issues that span commodities and work groups, via the Lean Operating System and the senior leadership of empowered Regional Vice Presidents and Safety Directors.

IV. PROPOSED REGIONS

This section describes: an overview of the current divisional and regional structure; the design criteria for modifying the regions; PG&E's proposed new region boundaries; PG&E's responses to stakeholder feedback on regional boundaries; and the impact the regional changes will have on division boundaries for Gas and Electric distribution.

A. Current Division and Regions

PG&E has undertaken several efforts to manage work both functionally and regionally over the last four decades. In 1986, PG&E consolidated 13 regions into 6 regions and sought to move decision-making authority as close to the customer as possible.⁶ This was followed in the mid-1990s, during industry restructuring, by an effort to organize functionally and standardize work to make it as efficient and cost-effective as possible. Since the mid-1990s, PG&E has continued to functionally manage many groups while developing a network of regions and divisions based on work within certain geographic areas. While the move toward functional management had benefits, it also moved PG&E employees and the decision-making process further away from customers.

PG&E currently uses divisions and regions to organize and execute gas and electric work throughout the service area. The existing boundaries essentially consist of three levels. The base is PG&E's entire service area.⁷ The next level divides PG&E's service area into regions/areas and the third level further divides regions/areas into divisions/headquarters. PG&E's current structure is summarized in the Table 2 below and provided graphically in Appendix A.

⁶ Pacific Gas and Electric Company 1986 Annual Report

⁷ Note that while substantially the same, PG&E's service area differs between Electric Transmission, Electric Distribution, Gas Transmission and Gas Distribution due to parts of PG&E's service area not needing PG&E's service for one or more of the commodities.

Table 2: Overview of Current Structure

	Electric Operations			Gas Operations		
	Transmission	Distribution	Substation	Backbone Transmission	Local Gas Transmission	Distribution
Divisions, Headquarters, or Districts	12 Headquarters	19 M&C Divisions	21 M&C Headquarters	12 Districts	19 Divisions	19 Divisions
Regions or Areas	4 Regions	3 Regions	5 M&C Areas	6 Areas		n/a
Service Area	1 Service Area that is largely, but not wholly, aligned between Electric and Gas					

PG&E’s current regions and divisions are not internally aligned. In addition, they do not follow county lines or other boundaries used by external stakeholders. PG&E’s Regionalization Proposal improves upon this organization.

B. Design Criteria and Approach to Modified Regions

PG&E considered various criteria in developing its proposed regions. Table 3 below provides a summary of the information and factors considered in developing the proposed regions, followed by a more detailed description of each of these factors.

Table 3: Factors Considered for Regional Boundaries

Factor	Description of Factor Considered
1. County Boundaries	Current county boundary lines
2. Number of Regions	Appropriate number of regions
3. Customer Commonality	Census Data and Customer Bill Data for characteristics of customers in each region
4. Operational, Risk and Safety Considerations	Operational considerations such as the amount of wildfire risk mitigation work, potential Public Safety Power Shutoff (“PSPS”) events, volume of work requested by customers, and other critical safety-related factors such as high consequence natural gas pipelines
5. Region Size	The size of regions that could be effectively and efficiently managed

Factor	Description of Factor Considered
6. California Department of Forestry and Fire Protection’s (“CAL FIRE”) boundaries	The current CAL FIRE units in PG&E’s service area
7. Additional Considerations	Impact on other communities, groups and entities, resources such as service centers, and feedback from employees
8. Employee Feedback	Feedback from PG&E employees regarding important characteristics for regional design

1. County Boundaries

PG&E proposes that regional boundaries no longer divide counties and instead follow county boundary lines. There are several benefits to this approach, including, most importantly, the ability to work more closely with customers. Having a single regional leadership team coordinate with a city or county during an emergency is critical. For this reason, the California Office of Emergency Services (“Cal OES”) is organized based on county lines.⁸ Similarly, CAL FIRE regions and units are generally divided along county lines.⁹ Regional leadership will be better able to respond to emergency situations and conditions in close coordination with community leaders when the counties are situated in one region.

In addition, some counties and cities have specific work requirements that impact the scheduling and completion of gas and electric projects. For example, recent COVID-19 construction requirements are generally being developed on a county-wide basis. It is important that the regional leadership teams be familiar with and aware of the work requirements for each county in the region to increase efficiencies in the execution of local field-based work and that counties and local governments have a single point of contact and coordination with PG&E.

⁸ See e.g. See e.g., Cal OES, Regions, Region News / Updates, accessed June 25, 2020, at <<https://www.caloes.ca.gov/cal-oes-divisions/fire-rescue/regions>> (Cal OES regions).

⁹ CAL FIRE units largely follow county lines geographically, except for San Joaquin and Stanislaus counties, which fall between two units (and are split between north and south regions). See e.g., CAL FIRE, Map of Administrative Units for the Department of Forestry and Fire Protection in California, modified December 17, 2019, accessed June 25, 2020, at <https://www.fire.ca.gov/media/2135/admin_units_13.pdf>.

2. Number of Regions

PG&E considered the appropriate number of regions for the Company's service area. Having too few regions could result in regions that are potentially too large to manage (including in relation to workforce safety and customer responsiveness) and thus would achieve few of the benefits associated with regionalization. On the other hand, too many regions create challenges for consistency, would increase the incremental costs of regionalization such as the costs of regional offices, and could create challenges to attract the necessary number of qualified individuals for regional leadership roles. PG&E believes that a five- region approach achieves the right balance of these various factors.

3. Customer Commonality

PG&E considered "customer commonality" by analyzing 23 census variables and customer billing data.¹⁰ Although each proposed region will have a variety of residential and commercial customers, PG&E considered how customer groups with similar interests and concerns could be part of a single region so that the regional leadership could be aware of and focus on key issues for these customers to obtain a deeper understanding of all customer requirements and demographics served within their region. Understanding customer commonality was necessary to identify counties that had similar customer attributes and needs. For example, if customers in a region have significantly higher energy usage on average, the regional leadership could focus on reliability and affordability programs such as energy efficiency. Or a region may have more customers who have English as a second language, live in more rural or urban areas, or require additional services.

4. Operational, Risk and Safety Considerations

PG&E reviewed operational considerations such as the amount of wildfire risk mitigation work, potential PSPS events, volume of work requested by customers, and other critical safety-related factors such as high consequence natural gas pipelines.

One option PG&E considered from a risk and safety perspective was whether the Company could evenly distribute, as much as possible, wildfire mitigation work and potential PSPS events. However, designing regions to equally apportion this work is infeasible given the concentration of some risks in certain geographic areas. Each region will have its own unique profile. Understanding this profile will allow regional

¹⁰ Census data included for example population, languages within regions, population age and diversity, household income, persons per household, and poverty rate.

leadership to focus on their specific operational challenges. For example, a region with a substantially higher percentage of overhead lines in High Fire Threat District (“HFTD”) areas will focus even greater attention on the coordination of vegetation management and system hardening efforts.

PG&E also considered keeping the nine-member counties of the Association of Bay Area Governments together as the Bay Area Region. However, this was infeasible because under this design, the Bay Area region would have a customer base that was significantly larger than other regions, raising challenges for a regional leader to effectively manage work scope and establish relationships with their community.

5. Region Size

PG&E evaluated the size of the proposed regions primarily by the ability to travel through the regions by vehicle. Creating regions that could be comfortably and safely traversed by vehicle in a single workday allows for rapid response and more frequent interaction between the communities in a region and the regional leadership and employees. As a practical matter, if a region takes an entire day or more to drive across, leaders are less accessible to their communities.

Thus, PG&E proposes regions where the maximum “drive time”¹¹ assuming no traffic congestion in a region is approximately 5 to 5.5 hours. Drive times within a region will also enable efficient sharing and movement of frontline resources (*e.g.*, square mile coverage and drive times, freeway coverage, office, and service center locations, employee distribution). More importantly, PG&E reviewed the terrain and topography of the regions to consider the safety of traveling within the region. For example, the drive between the two northern most regions initially involved travelling on roadways that can be difficult to navigate. As such, the proposed boundaries of these two regions have been adjusted to reduce potential safety incidents caused by the topography.

6. CAL FIRE Organization

As Cal Advocates suggested,¹² PG&E considered CAL FIRE’s organization when developing its regional boundaries. CAL FIRE units are operational units designed to address fire suppression over a geographic area. To the extent possible, PG&E aligned

¹¹ Freeway coverage and terrain are determinants of drive time.

¹² D.20-05-053, p. 54.

boundaries for the regions to place each CAL FIRE units within a single region.¹³ Under this structure, most CAL FIRE unit leaders will be able to coordinate with a single regional leader at PG&E.

7. Additional Considerations

After PG&E developed proposed regions based on the criteria and approach described above, the Company applied certain additional considerations to validate that the regions were appropriately designed. For example, PG&E looked at workforce safety performance, number of service centers available within each region, number of tribal nations, CCA service boundaries, other political boundaries such as Congressional districts and the Association of Bay Area Governments, and employee work location and distribution among the regions. While these considerations did not result in changes to the proposed regional boundaries, they provided an important additional validation step to make sure that the regions were appropriately designed.

8. Employee Feedback

Finally, PG&E consulted with employees, including frontline managers who had practical experience in moving from one part of the Company's service area to another. For example, PG&E discussed travel time and emergency response times in one of the larger regions and how adjustments in the regions would allow people to most optimally move within the region. PG&E modified the borders of the two northernmost regions (North Coast and North Valley/Sierra) when the Company heard from frontline employees that driving north to south (and vice versa) is much easier than driving east to west (and vice versa) based on road conditions and drive times. Employees also encouraged the Company to examine other data points, such as historical PSPS activations, tribal communities, and the location of existing service centers to confirm the territories are optimally divided. These observations were considered in the development of the proposed regional boundaries.

C. Modifications to Proposed Regions

PG&E received additional stakeholder feedback after proposing its initial boundaries in June 2020 and revised its proposal based on that feedback. PG&E

¹³ There are a few exceptions where the other criteria described above required that a CAL FIRE Unit be split into two regions. For example, there are two counties which contain 2 CAL FIRE Units.

proposes the following adjustments to the initial proposed regions, as explained in more detail in section D below:

1. Moving Sacramento and Solano counties into the Sierra region.
2. Moving Marin County into the North Coast region.
3. Moving Siskiyou county into the North Coast region.
4. Moving Glenn, Colusa, and Yolo counties into the Sierra region.
5. Moving Amador and Alpine counties into the Central Valley region.
6. Renaming Central Coast region as South Bay and Central Coast region.
7. Renaming Sierra region as North Valley and Sierra region.

D. Response to Stakeholder Feedback

Through various internal and external stakeholder meetings, the CPUC Regionalization Workshop, and written comments, PG&E received a variety of inputs and feedback on the placement of certain counties in proposed regions, including:

1. Santa Clara County not included in the Bay Area region – Stakeholder feedback focused on cultural and demographic differences between Santa Clara County and the other counties in the proposed Central Coast region, while others are concerned about the optics of including a county generally considered to be Bay Area as part of the proposed Central Coast region. PG&E considered stakeholder feedback on inclusion of Santa Clara County into the Bay Area region. However, this movement would create significant imbalance in work volume among regions and potential strains to operations in the Bay Area, which is one of the most challenging areas with the highest work volume within PG&E’s service area. By grouping Santa Clara County with the Central Coast, work will be more evenly divided among regions. In addition, PG&E will rename the Central Coast region as the South Bay & Central Coast region to better reflect the inclusion and identity of Santa Clara County as a significant part of the region.
2. Marin County not included in the North Coast region – Stakeholders expressed concerns that Marin County does not share any circuits with the proposed Bay Area region and is powered through Sonoma County, but the two counties are not in the same proposed region. Internal feedback suggested that there are more operational synergies between Marin County and adjacent headquarters and yards in Napa, Sonoma, and Humboldt. PG&E agrees with this suggestion and will move Marin County to the North Coast region. With the inclusion of Marin County in the North Coast region, the maximum drive time increased from 5.5 hours to 6 hours.

However, PG&E believes the operational synergies outweigh the slight increase in maximum drive time.

3. Siskiyou County not included in the North Coast region – Some internal employees expressed that majority of customers in Siskiyou are in the area adjacent to the northeast portion in Humboldt county and are served from Humboldt county from a circuit perspective. The territory on the eastern side of Siskiyou county includes gas transmission assets and very small number of electric customers. PG&E agrees with the feedback and proposes to move Siskiyou county from the North Valley & Sierra region to North Coast region.¹⁴
4. Sacramento County not included in the North Valley & Sierra region – Some Stakeholders suggested that the Sacramento area does not have much in common with the proposed North Coast region but is more akin to the counties in the North Valley & Sierra region in terms of demographics, political views, and community. Furthermore, while there isn't a significant PG&E Electric presence in Sacramento, the Gas system resources are shared frequently with the Sierra division and neighboring Yolo, Solano, and El Dorado counties. PG&E agrees with the recommendation to incorporate Sacramento County into the North Valley & Sierra region. In addition, PG&E proposes keeping Sacramento and Solano counties together in the North Valley & Sierra region, as Solano County receives much operational support from Yolo and that circuit overlaps between Solano and Yolo counties are more significant than those with Napa County. (See also proposed change #4)
5. Glenn, Colusa, and Yolo Counties not included in the North Valley & Sierra region – Based on internal and external feedback, PG&E evaluated moving Glenn, Colusa, and Yolo to the North Valley & Sierra region. This move would create better alignment to major thoroughfares including Interstate 5 (I-5) and Highway 99 corridors, minimizing drive times to navigate and response times. This move also creates one of two regions that will contain most of PG&E's agriculture customers (see proposed change #6). In addition, this move would minimize operational disruption by preserving the existing operational synergies among Sacramento, Sierra and North Valley divisions. Furthermore, moving Glenn County into the North Valley & Sierra region would improve alignment with the Tehama-Glenn CAL FIRE unit. PG&E agrees with the proposal to move Glenn, Colusa, and Yolo to the North Valley & Sierra region.

¹⁴ Despite Siskiyou County being in the North Coast region, the portion of Siskiyou County that is north of Shasta County will be supported by local M&C Crews from the North Valley & Sierra Region to maintain the speed and quality of operations.

6. Separation of Amador, Alpine and Calaveras Counties into different regions – Some employees expressed significant operational concerns around accessibility and travel safety if Alpine and Calaveras are not in the same region. The only portion of Alpine County that PG&E serves is along Highway 4 up to and including Bear Valley. The line that serves Alpine travels up Highway 4 through Calaveras County and into Alpine. Alpine and Amador also receives operational support and are powered through Stockton division. PG&E agrees with the recommendation to move Amador and Alpine counties to the Central Valley region, as it doesn't significantly change customer commonality in either region.
7. Creation of a sixth region to improve agricultural customer's alignment – The California Farm Bureau Federation ("CFBF") proposed to create the Great Valley region, which would cover the majority of the Central Valley. However, the CFBF proposal would create regions that are noncontiguous. For instance, the proposed Great Valley region would divide Sacramento County, which would be part of the proposed Central Sierra region. In addition, CFBF's proposed Central Sierra region which includes Sacramento, Calaveras, Tuolumne, Mariposa, Tulare, and Kern counties will not be geographically contiguous.

PG&E took into consideration CFBF's comments and evaluated agricultural customer statistics in modifying the regional boundaries. Agricultural customers are present throughout PG&E's service area, though under PG&E's revised regions, the majority of PG&E's agricultural customers will be concentrated in the proposed Central Valley and North Valley & Sierra regions. Furthermore, PG&E considered the California Agricultural Statistics Districts ("ASD"),¹⁵ which are groupings of counties by geography, climate, and cropping practices. PG&E's proposed regional boundary adjustments align well with California's ASDs, particularly in the Sacramento Valley and San Joaquin Valley areas. Additionally, PG&E proposes to rename the Sierra region North Valley & Sierra region to better reflect the identity and prominence of agricultural customers in the region.

8. Consolidation of Sierra and Central Valley regions into one single region – Similar to the CFBF, the South San Joaquin Irrigation District ("SSJID") proposed to combine the area that extends from Shasta County in the north to Kings County in the south into one single region, given the area is primarily agricultural. However, this

¹⁵ ERRATA to the California County Agricultural Commissioners' Reports, Crop Year 2017-2018. Accessed on February 11, 2021 at https://www.nass.usda.gov/Statistics_by_State/California/Publications/AgComm/2018/2018cropyearactbErrata.pdf

would create a region that is too large to effectively manage. SSJID also questioned the decision to divide the northern area between the proposed North Coast and North Valley & Sierra regions. PG&E considered accessibility in addition to the customer commonality, operational, CAL FIRE alignment, and other considerations. There is a lack of thoroughfares to connect the eastern and western part of PG&E’s service area, increasing the difficulty to traverse the region. For these reasons, PG&E will continue to divide the northern part of PG&E’s service area into the North Coast and North Valley and Sierra regions.

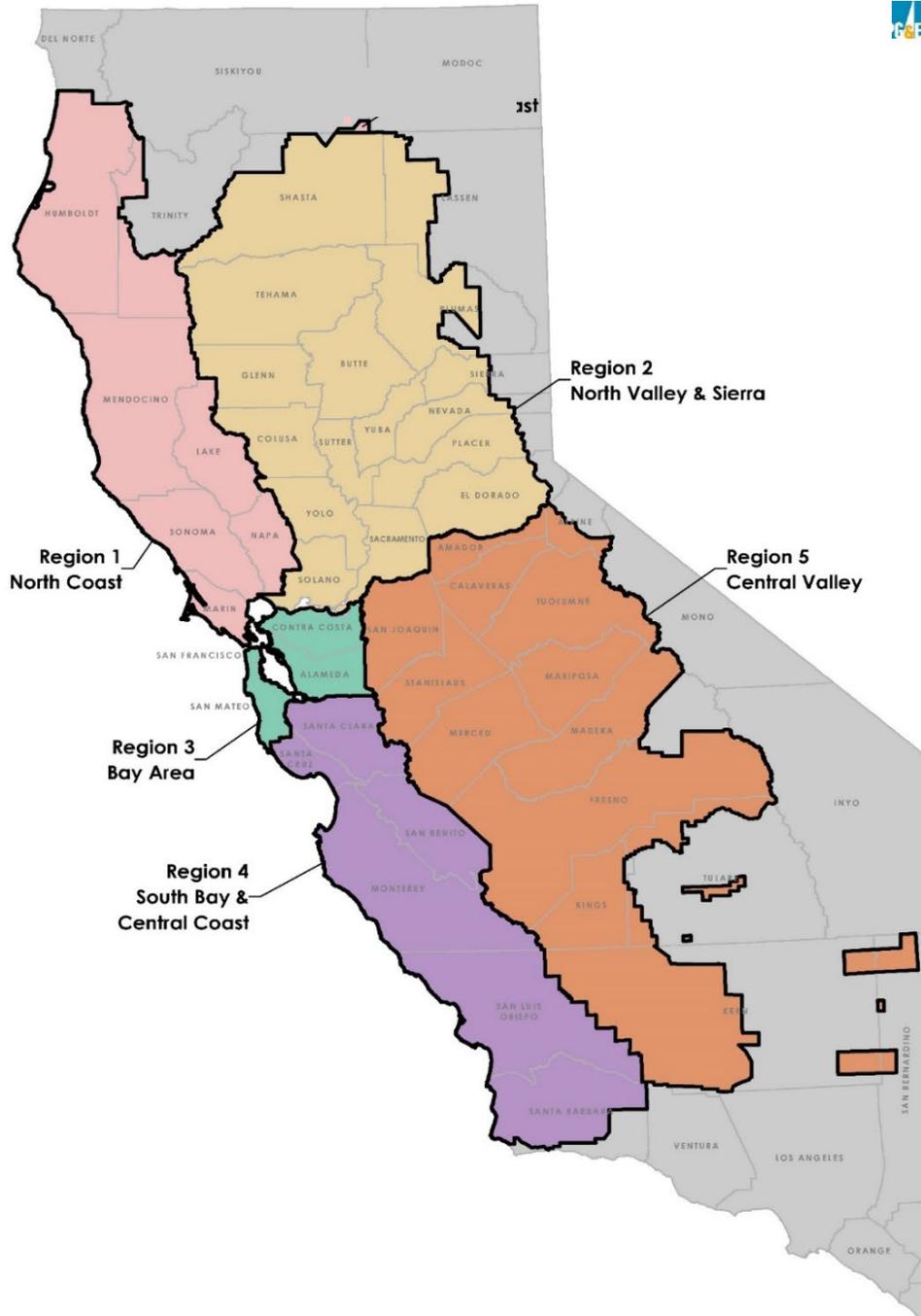
E. Description of Regions

Based on the criteria, approach, and adjustments described above, PG&E proposes to create five regions, as described in Table 4 below.

Table 4: Counties Included in Five Updated Proposed Regions

Regions	Counties Included
1. North Coast	Humboldt, Lake, Marin, Mendocino, Napa, Siskiyou, Sonoma, and Trinity
2. North Valley and Sierra	Butte, Colusa, El Dorado, Glenn, Lassen, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Solano, Sutter, Tehama, Yolo, and Yuba
3. Bay Area	Alameda, Contra Costa, San Francisco, and San Mateo
4. South Bay and Central Coast	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Clara, and Santa Cruz
5. Central Valley	Alpine, Amador, Calaveras, Fresno, Kern, Kings, Madera, Mariposa, Merced, San Bernardino, San Joaquin, Stanislaus, Tulare, and Tuolumne

Figure 2: PG&E's Updated Proposed Regions¹⁶



¹⁶ Appendix A includes original map from June 30, 2020 Regionalization Proposal; Appendix B includes key attributes of the proposed regions.

F. Divisions

As illustrated in Table 2, Gas and Electric Distribution operations now follow different regional boundaries – three regions in Electric and six areas in Gas. As part of the regionalization implementation, Gas and Electric Distribution will have the same five regions, which align with county boundaries to improve coordination with local governments and other agencies.

In addition, the proposed regions will be divided into smaller geographic areas to further subdivide the regions in a way that promotes efficient work, resource allocation, and coordination. PG&E will leverage existing divisions as smaller sub-units to organize operations internally within each region. By keeping existing divisions, PG&E will minimize disruption to operations and preserve continuity with historical performance metrics to show trends in regional performance going forward.

Currently, division boundaries do not align to county boundaries. In the future, a small number of division boundaries will be modified to align to county boundaries if they cross regional boundaries, and divisions will be wholly contained within a region. While several divisions will expect minor adjustments to align to county boundaries, the biggest division boundary impacts are in Kern, North Bay, and North Valley divisions.

For instance, a portion of the Kern division covers San Luis Obispo and Santa Barbara counties with approximately one thousand electric customers. Both counties will be part of the proposed South Bay and Central Coast region, while Kern division will be part of the proposed Central Valley region. Under the revised division boundaries, this section will be moved such that both counties will be wholly contained in the Los Padres division, which will roll up to the proposed South Bay and Central Coast region. Although the area is expected to be managed by the South Bay and Central Coast region Regional Vice President, operationally this area will continue to be served by the Taft Service Center in Kern division. The Regional Vice Presidents in both the South Bay and Central Coast region and the Central Valley region may form agreements to maintain operational efficiency and minimize impact to customers.

Gas and Electric Distribution operations now have division boundaries that are generally aligned with a few discrepancies. Going forward, most divisions will have the same boundaries across Gas and Electric Distribution, with one exception in Humboldt and Sonoma divisions, both of which will be part of the proposed North Coast region. The

regional leaders for these regions may further adjust the divisions to promote efficient work, resource allocation, and improved coordination.

V. ASSIGNMENT OF RESPONSIBILITIES TO NEW REGIONS

This section describes: (1) PG&E’s upcoming organizational changes as it shifts from a centralized structure to a functionally managed structure; (2) the roles and responsibilities of the Region, including the Regional Vice President and Regional Safety Director; and (3) how the Lean Operating System will enable functional groups and regional teams to collaborate effectively and drive a culture of continuous improvement.

A. Organizational Changes

PG&E Corporation¹⁷ and the Utility have approximately 25,000 employees, approximately 10 of which are employees of PG&E Corporation. Approximately 16,000 utility employees are covered by collective bargaining agreements with the local chapters of three labor unions: the International Brotherhood of Electrical Workers (“IBEW”) Local 1245; the Engineers and Scientists of California (“ESC”) IFPTE 20; and the Service Employees International Union.

On January 4, 2021, PG&E announced the appointment of Patricia K. “Patti” Poppe as Chief Executive Officer (“CEO”). Ms. Poppe is making a number of complementary changes to PG&E’s organizational structure intended to improve focus on customers.

PG&E’s prior leadership model consists of a CEO of PG&E Corporation, who oversees corporate functions, such as Finance, Human Resources, and Corporate Affairs, and a President or President/CEO of the Utility who manages Utility operations, including Gas, Electric, Generation, and Customer Care. PG&E recently replaced the role of President of the Utility by three roles of equal seniority that are functionally equivalent to the Utility President:

- Executive Vice President and Chief Customer Officer;
- Executive Vice President and Chief Operating Officer; and
- Executive Vice President of Engineering and Strategy.

¹⁷ PG&E Corporation is a holding company whose primary operating subsidiary is Pacific Gas and Electric Company, a public utility operating in Northern and Central California. The Utility was incorporated in California in 1905. PG&E Corporation became the holding company of the Utility and its subsidiaries in 1997.

The updated model will establish a flatter executive structure, where all lines of business report to the CEO. It will also center the entire Company on the customer by elevating the role of Executive Vice President and Chief Customer Officer and emphasizing effective functional specialization. This structure differs from PG&E's former organizational model, which organized the Company by service delivery and had separate lines of business reporting to the President of the Utility, and the President of the Utility, in turn, reporting to the CEO. Appointing distinct leadership roles for customer, operations, and engineering enhances the functional expertise of these senior leaders, enabling an improved concentration on the delivery of daily commitments to customers and communities.

The Executive Vice President and Chief Customer Officer will enhance focus on the customer by separating this responsibility from utility operations at the highest officer level. She will oversee the Regional Vice Presidents in order to fully integrate customer concerns and operational needs into daily operations.

The Executive Vice President of Engineering and Strategy will focus on upstream planning and long-term asset management in order to improve safe job plans, prepare for the clean energy transformation, and prevent disasters through risk reducing investments.

The Executive Vice President and Chief Operating Officer will focus on the downstream operations, with full attention on solving problems closer to the point of execution. They will oversee both the Gas and Electric lines of business, thus allowing each working group to share best operational practices and standardize the most efficient methods, as well as increase communication and construction visibility across groups.

PG&E's realignment, represented graphically in Figure 1 above, will emphasize a reinvestment in the Company's service philosophy, in which the core functions will be groups that support the customer, beginning with Customer and Communications, as well as those that enable service excellence through Engineering and Strategy, People and Shared Services, and Operations. These core functions will then be supported by the resources needed for that work, including Risk, Safety, Finance, Law & Compliance, IT, and Corporate Affairs. Together, it reflects a core workflow design that begins and ends with customers. PG&E first must understand the needs of customers, then design and engineer work to meet those needs, then provide the resources needed to support that work, then execute operations, and finally get feedback from customers.

B. Regional Structure and Leadership

In PG&E's past regional models, operational teams reported to regional leaders. The regions operated with considerable autonomy and did not benefit from the scale of the full Company or the specialization and expertise that comes with a functional organization. This led to a lack of standardization and misalignment of priorities, as decisions were often optimized for a region rather than the entire Company.

PG&E will adopt a new approach where empowered regional leaders identify, escalate, and address challenging local safety, customer, and operational challenges that require coordination to resolve. Local working groups, such as Gas, Electric, Power Generation, and Customer, will continue to report to central organizations; however, these organizations will be functionally managed to capture the benefits of specialization, standardization, and scale. They will also continue to resolve local issues that are clearly within their operational scope. The new regional leaders will facilitate cross-functional collaboration and have a shared set of performance metrics that will align the functional leaders and the regional teams around a shared purpose of providing strong service to customers and communities. The intent of this model is to support and elevate the tactical resolution typically done by local operations teams, while also addressing more strategic local challenges that require additional influence and authority to affect change over time. It will also address more strategic local challenges that require additional influence and resources to affect broader change, such as challenges that span multiple functions or a large geographic footprint. These challenges often require operational visibility, influential authority, and awareness of community needs to resolve. The regional leaders will help drive and share accountability for key operational and customer outcomes through an on-going feedback loop with these functionally organized operational teams in their region.

In the first half of 2021, the Company will hire 10 leaders—five Regional Vice Presidents and five Regional Safety Directors. These leaders will each be embedded in the regions for which they are responsible. As issues emerge, the Regional Vice President can expedite the typical vertical escalation process and ensure appropriate Company focus. The Regional Vice Presidents will similarly resolve ambiguity over accountability for the local issue and play a leadership role among the numerous functions involved. They will be positioned to identify, prioritize, and address local concerns, working collaboratively with a peer team of local operational leaders and functional planning, engineering, and customer leaders.

1. Regional Vice President

The Regional Vice President will share accountability for regional safety, customer experience, and reliability with functionally organized operations, and engage with key customers, business organizations, local governments, and other community groups, as appropriate, when challenging issues arise. The Regional Vice President will collaborate across Company functions, including gas and electric operations, engineering, local customer service and public affairs teams, and various support functions.

The outcomes of regional Operating Reviews will be monitored by the Chief Customer Officer and subsequently reported in officer level Operating Reviews. This level of involvement and oversight drives accountability for improving performance on metrics and provides a vehicle for escalating issues when necessary. The Regional Vice Presidents will report to the Chief Customer Officer because their primary objective is to understand customer needs and translate them into actionable plans. Rather than being an operations role, it is centered on responsiveness to customer needs. The Chief Customer Officer's oversight will ensure that this remains a critical component of the ethos of the team.

As the Commission recognized, finding the appropriate individuals to lead each Region will take time and must be done with care.¹⁸ The skills, knowledge, and qualifications to be successful in this role are a mix of safety leadership, strategic planning, compliance and risk management, resource management, community engagement, customer and public affairs experience, operations management experience, and experience driving change in a large organization. It is desired that the individuals have knowledge of their region and infrastructure.

Recruiting for the regional leaders will be done in accordance with PG&E's Human Resources process, which includes hiring a qualified search firm aligned with PG&E's inclusive hiring goals, and then casting a wide net, both internally and externally, to generate a diverse set of candidates. Candidates will then meet with a leadership interview panel of varying representation who will share further insights on the position, learn more about the candidates' backgrounds, and evaluate their fit and approach to the role. There will be a robust reference check

¹⁸ D.20-05-053, p. 57.

process as part of the hiring process. These searches typically last no less than three months from posting the job to the successful candidate starting their new role.

In addition to identifying individuals with the appropriate skills and experience, PG&E also recognizes the importance of diversity among its leadership and will focus on identifying a broad range of candidates through the recruiting and hiring process for the Regional Vice Presidents. PG&E will reinforce this commitment by ensuring the representativeness of both the search firm used and the internal hiring panels.

2. Regional Safety Director

The Regional Safety Director will report to the Chief Safety Officer and will support the Regional Vice President and the entire regional team which includes employees and contractors working within the region.

The Regional Safety Director will be responsible for monitoring and improving safety performance across the assigned region as well as serving as a partner for the functional leaders to ensure consistency across the Company. They will apply best safety practices at a regional level and will address local and regional safety issues, including worksite hazards, job-site security, investigations, assessments, and evaluations. In addition, they will support public safety outreach efforts, such as community resource centers during emergencies, 811 efforts, wildfire-related improvements, and system hardening. The Regional Safety Director will collaborate with the Regional Vice President to identify trends and insights in safety leadership, safety performance, and safety culture, and support public safety efforts managed by the Region.

The Regional Safety Director will also work with leaders in the region on hazard identification and assessment, critical control field verifications, positive safety interactions and implementation of safety programs, and safety training. They will work closely with other regions to establish and disseminate safe practices for both field and regional office workers, with the goal of supporting incident-free operations. Certain safety program and governance, such as Transportation Safety or Occupational and Health will continue to be governed and managed functionally. Enterprise Health and Safety (“EHS”) provides a governance role over the elements of safety through the development of an Enterprise Safety Management System (“ESMS”).

The qualifications to be successful in this role include experience in enterprise safety and safety management systems, including monitoring and improving safety

performance. The candidates should have experience with implementation, oversight, and operation of electric or gas distribution safety functions.

PG&E will conduct an internal and external search for qualified candidates. These searches typically last no less than three months from posting the job to the successful candidate starting their new role. Once candidates are identified, they will meet with a set interview panel of leaders who can share insights on the role and learn more about the candidate's background and how the candidate would approach regional safety challenges and opportunities. As with Regional Vice Presidents, PG&E will focus on identifying diverse candidates through the recruiting and hiring process and will include leaders of varying representation in that process.

3. Achieving cross-functional collaboration with the Lean Operating System

The Regional Vice Presidents will share direct accountability for their region's customer experience, safety, and operational performance with the Company's core functional organizations. The Regional Vice Presidents will lead daily huddles with regional leadership and representatives from other function groups to quickly identify and resolve local issues. Regional Vice Presidents will have the visibility and authority to escalate major concerns to the appropriate functional teams for direct support and cross-functional coordination when needed. The Regional Vice President will identify and address the root causes of systemic local issues and ensure that solutions are incorporated into on-going work processes and sustained over time. The five Regional Vice Presidents will engage with each other via regular huddles to discuss the issues in their regions, and ensure that best practices are shared, improvement efforts are coordinated, and solutions are standardized Company-wide.

In order to facilitate cross-functional collaboration at the local level, the Company is also implementing a new Lean Operating System to drive a culture of coordination, accountability, and continuous improvement. A Lean Operating System will emphasize four critical elements to ensure cross-functional collaboration:

- Visual Management – Dashboards and visual indicators that provide visibility into critical metrics across safety, customer, delivery, and quality;

- Operating Reviews – Daily huddles between the regional leadership and representatives from function groups to maintain consistent dialogue about performance and identify local issues for resolution;
- Problem Solving – A standard, disciplined approach to problem solving that targets the root cause of issues;
- Standard Work – An emphasis on establishing consistent ways of working across the Company, both geographically and across commodities, with the goal of implementing sustained change.

The structure and cadence of the Lean Operating System will serve as the heartbeat of PG&E’s functional and regional teams, allowing for rapid identification of problems and driving structural improvements to support lasting change. Visual Management will further safety and operational outcomes by providing clear visibility into the Company’s most important metrics. Operating Reviews will facilitate a daily dialog on metric performance, creating consistent rigor and focus on Safety, Quality, and Delivery within the organization every day. Problem Solving and Standardization will reinforce a consistent solutions-oriented approach to rapidly address issues and continuously improve operations through standardizing work.

A critical step will be the establishment of cross-functional, customer-centric metrics that clearly indicate performance effectiveness. While Visual Management is used throughout the Company today, its emphasis is not consistent across every function. Implementing a Lean Operating System standardizes across the entire Company the best practices used within some business units, such as in Gas Operations. Functions will have accountabilities for customer metrics, in addition to dashboards on Safety, Quality, and Delivery, and this information will be broken out at the regional and sub-region level. This single source of truth and additional granularity for performance evaluation will serve to align functional and regional teams, encourage cross-functional collaboration, and reinforce shared accountability.

The Operating Review is a key element of the Lean Operating System that actively mitigates organizational and hierarchical silos common in a functional structure by supporting responsiveness, action, and collaboration between functional or cross-functional work groups. Teams will embody a Plan-Do-Check-Act cycle, which creates a routine around identifying and defining problems, executing the proposed plan, reviewing the results achieved, and institutionalizing the actions that lead to positive results. This rhythm enables a proactive cycle of problem solving that leads to more predictable

performance and safety outcomes. The Lean Operating System will empower a rapid response mindset, where employees closest to the work identify problems, propose solutions, and are the drivers of change. With the Lean Operating System, PG&E will move from the current norm, where work processes are delegated by leadership with an emphasis on top-down auditing to monitor outcomes, to the Lean approach, where change is driven by empowered employees prioritizing continuous improvement.

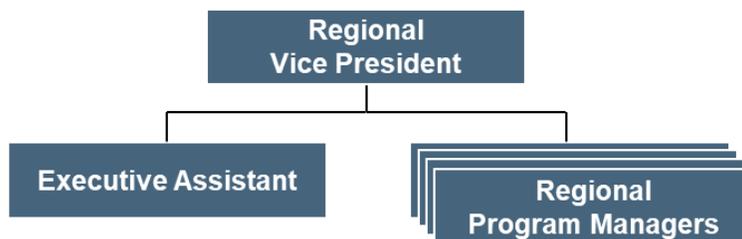
Each Regional Vice President will lead frequent Operating Reviews of performance against metrics and critical concerns to evaluate performance and identify challenges. Operating Reviews will ensure functional teams (e.g., Safety, Customer, Gas and Electric Operations, Shared Services, Engineering, etc.) remain responsive to the priorities raised by local teams. Meeting frequency will be driven by the performance of the region, with underperforming regions holding daily reviews to identify whether they are on target, problem solve immediate issues, and formulate longer term plans.

The operating system will maintain the benefits of scale, standards, and expertise that come with functional management while also establishing an effective framework to address local needs.

4. Regional Teams and Responsibilities

Each Regional Vice President will manage a team of approximately 3-5 Regional Program Managers who will provide logistical support to enable cross-functional collaboration, as indicated in Figure 3.

Figure 3: Regional Teams



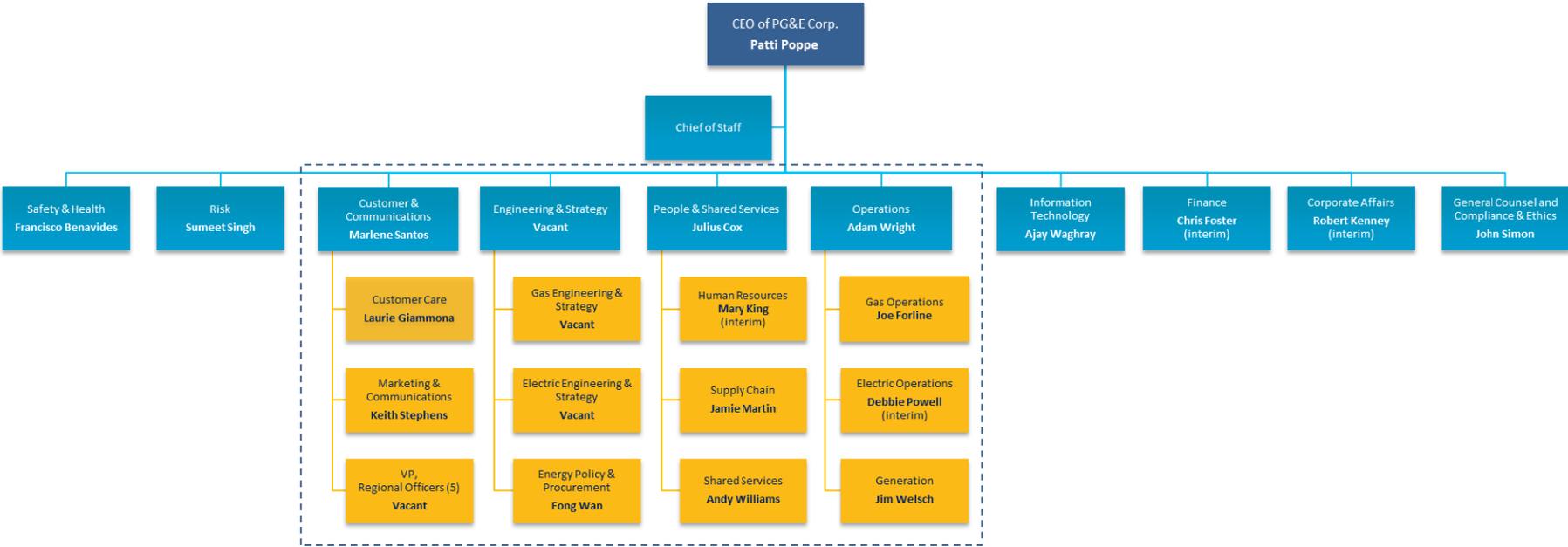
The team will assist in planning Operating Reviews with local functional leaders, as well as with other functional representatives when necessary. In addition, this role will coordinate with functional analytics teams to assist in

preparing the dashboards and scorecards utilized by regional leaders. Regional Program Managers will build strong relationships with internal, locally based functional leads who are connected to the community, such as Local Public Affairs, to remain aware of community concerns and support the Regional Vice President in community engagement. The team will assist the Regional Vice President in problem solving efforts, such as preparing research, analysis, or community perspectives on complex issues.

C. Effect of Regionalization on Functionally Managed Groups

PG&E is currently organized into lines of business based on commodity operations, including Electric Operations, Gas Operations, and Power Generation, and support organizations, such as Enterprise Health and Safety, Risk Management, Customer Care, and Human Resources. Departments are transitioning functional management but may also have employees whose work is primarily focused on specific divisions, as seen in Figure 4 below.

Figure 4: New Organization



This is a preliminary functional view and not inclusive of every officer and team

PG&E is moving to a functionally managed structure because it has clear benefits. Core management functions—such as setting enterprise strategy and priorities, process design and control, equipment standards, technology, gathering customer feedback, budgeting, and resource allocation, among others—benefit from scale, expertise, and standardization. Costs also tend to be reduced by eliminating redundant positions and sharing common systems across the organization. These benefits can be realized at the Regional level through these functionally managed and coordinated operational efforts.

All organization structures have strengths and weaknesses. A common challenge with a centralized structure is that organizational silos can prevent deep understanding of the work, collaboration, and responsiveness between functional work groups. In this case, the risk is that the functionally managed teams (e.g., Gas and Electric Operations, Customer, Engineering, etc.) are not responsive to the issues and priorities raised by the local teams and the groups do not collaborate to address local issues rapidly.

PG&E will regionalize its operations and at the same time preserve and build on the capabilities of the central organization. Stronger, specialized functions will be a critical step in delivering exceptional service and safety. Regional teams will be a layer on top of the enterprise-wide initiatives in order to make functional groups effective and responsive to the customer and community. What follows is how functional groups will collaborate with Regional teams to improve service.

1. Customer & Communications

a. Customer Impacts

Regionalization will improve PG&E's delivery of customer service. PG&E is redesigning Customer Care to provide customers the same experience and service they expect from their other retail providers: customer service on their terms. PG&E will seek to provide a simple, easy, effortless experience that allows customers more choice over their energy usage and costs.

With regionalization, customer-facing roles that benefit from scale, customer segmentation, or customer experience will maintain their existing scope managed through a functional organizational structure. The Customer & Communications organization will include Business Energy Solutions (which is made up of customer relationship managers who support PG&E's commercial, industrial, and agricultural customers and small and medium size business customers); Local Customer Experience (which manages

gas and electric customer outreach, customer service delivery, city and county customer account management, economic development programs, and relationship management with third party energy providers); Customer Energy Solutions; Contact Center Operations; and Customer Experience and Regulatory Strategy.

The Chief Customer Officer will also lead marketing and communications. This will enhance customer continuity by aligning functional teams that focus on customer experience with those that focus on customer communications, with the goal of providing consistent customer messages across the organization.

PG&E's Customer Care representatives will continue PG&E's existing practice of reaching out to hard-to-reach, low income, disadvantaged, and access and functional needs ("AFN") customers to educate them about the various PG&E programs that are available to assist these customers. These programs include those focused on safety and emergency preparedness (e.g., PSPS outreach), resiliency (e.g., Disability Disaster Access and Resource ("DDAR") program), rate discounts (e.g., California Alternate Rates for Energy ("CARE") program, Family Electric Rate Assistant ("FERA") program, Medical Baseline Allowance program), bill payment options (e.g., Arrearage Management Plan ("AMP") program), and energy efficiency (e.g., Energy Savings Assistance Program ("ESA")). PG&E uses these programs to assist low-income, AFN, and disadvantaged customers and communities to prepare for wildfire season and other natural disasters, mitigate impacts during PSPS events, manage their bill, and reduce their energy burden.

While regionalization will not change the system-wide programs supported by Customer Care, PG&E's regional leadership and customer teams will have an improved focus on low income, hard-to-reach, and disadvantaged customers and will be more aware of the needs of these vulnerable customers.

b. Regional Collaboration

As mentioned previously, the Regional Vice Presidents will be included in the Customer & Communications organization to align the local customer activities by leveraging the Operating Reviews with key function representatives. Regionalization will place greater accountability and emphasis on local outcomes, engagement, and service through the vocal and active leadership of the Regional Vice Presidents in their daily huddles to voice important customer issues to the customer and operational functions to affect change. The regional officers will

build trusted relationships with local leaders and learn the cultural, environmental, and socioeconomic issues that impact PG&E customers.

2. Engineering and Strategy

The Engineering and Strategy organization will consolidate the existing Asset Management organizations which includes the engineering planning functions. These groups will remain functionally managed to allow a system-wide view for strategy. The Engineering and Strategy representatives will engage in daily Operating Reviews to ensure the regional needs are appropriately considered to improve public safety and reliability. This will allow Regional Vice Presidents to escalate local system issues that may impact strategic planning priorities.

3. People and Shared Services

People and Shared Services includes Shared Services, Supply Chain, and Human Resources and will continue to provide functionally managed services. Shared Services comprise Land and Environmental Management, Aviation Services, Corporate Real Estate, and Transportation Services. Several aspects of Corporate Real Estate and Transportation will need to evolve to support the regions. These organizations will create real estate plans that reflect the needs of each region, maintain facilities in a manner that supports each region's activities, and coordinate with transportation services to ensure there are minimal interruptions to scheduled work due to vehicle repairs.

Supply Chain and Human Resources will also provide support for the Regional Operations. Furthermore, Human Resources will ensure that regional leadership teams and broader teams have the support that they need across staffing, compensation, recruiting, and training.

4. Electric Operations and Gas Operations

Electric Operations and Gas Operations will continue to have distinct, functional management. Each of these organizations will focus on distribution work, all transmission and substation work, general construction, major construction programs, compliance across all field operations for their respective commodities, continuous improvement teams, and enterprise wide programs like vegetation management. The Operations organizations, in consultation with the regional organizations, will also lead process improvement efforts and implement best practices locally. The specific structure of operations, particularly those regularly in the regional areas, will be developed over time.

Electric and Gas Distribution will engage in regional Operating Reviews with Regional Vice Presidents and their teams. Regional Vice Presidents will have full visibility into crew schedules, major work orders, and potential service interruptions. Regional Vice Presidents will utilize daily Operating Reviews to escalate the service needs of their region, tactically resolve issues, and standardize communication and engagement across work functions.

D. Precedent for the Regional Vice President model

The Company has confidence that this regional structure will have a positive impact on local customer service because of the recent precedent of the Wildfire Safety & Public Engagement team. This group was created to increase communication and coordination with local government, in particular emergency management, on wildfire-related issues, and be a liaison between PG&E and local communities and agencies to reduce the impact that PSPS events have on customers and improve the PSPS experience.

Like the structure proposed for the regional organizations, the Wildfire Safety & Public Engagement team is a small team, led by a Vice President. This team organizes activities to engage local communities to better understand their issues and concerns around wildfire-related issues and to coordinate across functions at PG&E to respond to these community needs. For example, the Wildfire Safety & Public Engagement team was able to provide much more specific information about PG&E's equipment in individual towns, the implications of the Company's network architecture for wildfire safety, and the PSPS implications in their specific community. The team solicited input on specific facilities that a community wanted to keep energized during a PSPS event, and then worked rapidly with internal engineering, planning and construction teams to develop and implement many of these solutions in time for fire season, where feasible. In addition, where solutions were not possible due to specific electric grid configuration, fire concerns, or size or scope of a solution, the team would explain those reasons to local stakeholders for full transparency. Customer and community feedback indicated that the Wildfire Safety & Public Engagement team helped drive significant improvements to the PSPS events in 2020, as compared 2019, due to their responsiveness to local issues and improved communication.

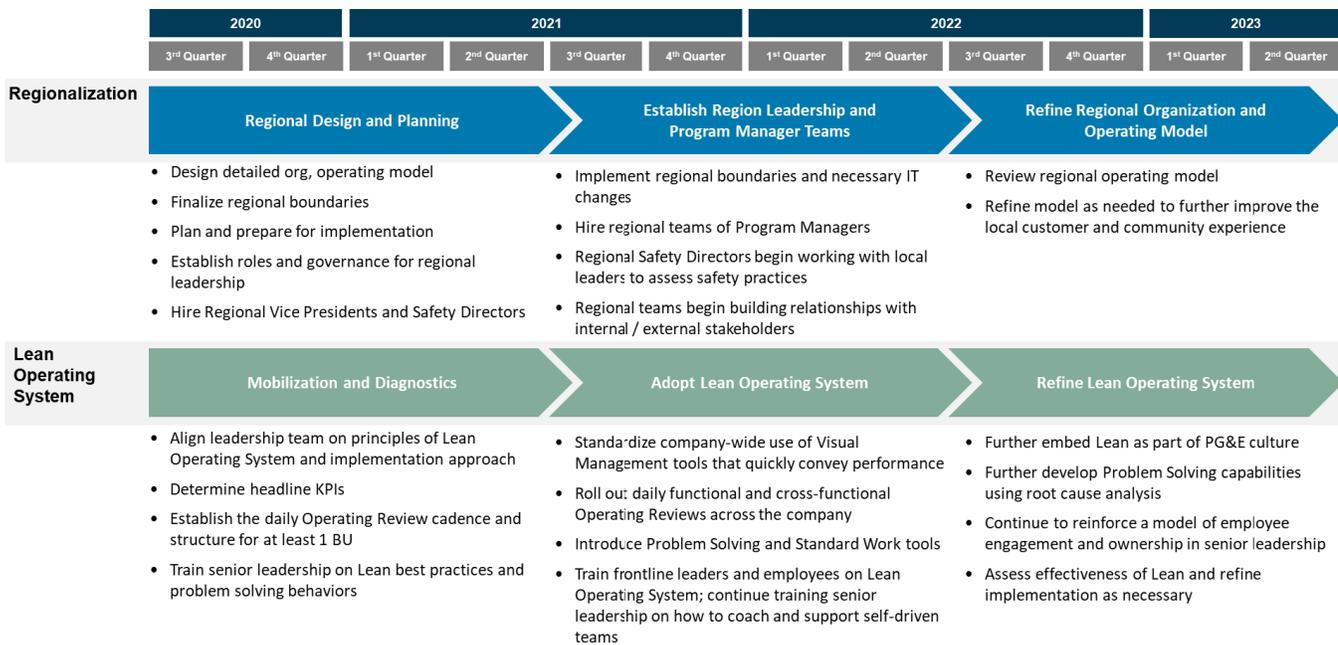
The Company is confident that by following a similar model for regionalization, the regional teams will have a positive impact on customer service and community relationships. PG&E's vision is that the regional teams focus will be able to improve the customer experience across a broader set of issues in much the same way that the

Wildfire Safety & Public Engagement team was able to improve the PSPS experience for communities.

VI. IMPLEMENTATION OF REGIONALIZATION

This section describes PG&E’s plan to implement regionalization in three phases, as shown in Figure 5. In parallel, PG&E is implementing the Lean Operating System, which will serve as the heartbeat of the Company’s functional and regional teams, allowing clearer visibility into PG&E’s most important metrics and creating a daily dialogue that supports lasting change. In this section, PG&E also describes its change management and communication program to build understanding for employees of the upcoming changes, engage them in the design and implementation, and support them as they transition to new roles and ways of working.

Figure 5: Three Phase Implementation



A. Phase 1 - Regional Organization Design

From mid-2020 to mid-2021, PG&E will focus on a few efforts in parallel. First, PG&E will create specific goals for regional leadership and propose a reporting structure to achieve them. This will involve defining the Regional teams, determining staffing levels and role specialization, identifying impacted processes, and clarifying new reporting relationships. Additionally, PG&E will develop a framework for the functional groups that should be represented in regional Operating Reviews to facilitate robust regional visibility and effective cross-functional collaboration, but with the awareness that attendees may change based on lessons learned after deployment. As PG&E gains clarity on specific roles that will change it may adjust staffing to optimize performance.

After defining the ambition of regional leadership and outlining the organizational design of their teams and the functional groups with which they will remain in close contact, PG&E will define a detailed operating model. This will include frameworks for cross-functional collaboration between regional teams, local operations, and other functional groups. Once PG&E has finalized the design of the new regional model, it will transition to cutover and detailed implementation planning in order to enable a seamless transition for PG&E's new regional leadership. Cutover planning will document when new accountabilities and process approaches will take effect. PG&E will obtain more specific details on any anticipated costs associated with this effort, although the Company will endeavor to offset any incremental costs (*i.e.*, not have incurred but for regionalization) by identifying cost savings initiatives. PG&E may find that the regions need to follow different implementation timelines, based on unique regional, system, process, or other challenges that may impact business continuity within a geographic area.

1. Lean Operating System

PG&E will assess its current use of performance metrics, meetings, problem solving, and standard work to define its approach to developing a Lean Operating System. This will provide a comprehensive view of the alignment between the organizational structure and existing metrics. The metric evaluation will ensure the business is aligned behind effective, succinct performance indicators, as well as establish accountability for the Company's overall direction. PG&E will then define the approach to Operating Reviews by outlining their purpose, cadence, and expectations.

Simultaneously, PG&E will train leadership on the Lean Operating System through a series of formal workshops. Training will reinforce the need for change through the use of "current state maps" that highlight the challenges in existing processes.

Then leadership will learn about the operating model framework of Visual Management, Operating Reviews, Problem Solving, and Work Standardization. Finally, the training will provide an overview of how to ask the astute, leading questions in order to cascade a behavior of problem solving through the organization.

PG&E will place specific emphasis on the design of the regional Lean playbook to ensure that it drives improvement for local communities. The Company will develop a framework for the initial cadence of Operating Reviews with: a) local internal leaders, b) divisional leadership teams, c) other Regional teams, d) functional leaders, e) officer teams, and f) regional teams. Meeting frequency and required attendees is subject to change as teams develop best practices. The effectiveness of these meetings for escalating issues, problem solving across teams, and planning broader initiatives is key to the ambition for the region. Cross-functional problem-solving capabilities and new work standards will be established. The roles and governance for attendees of the Operating Reviews will be well defined to avoid creating conflicting priorities for operational teams, while still allowing for the rapid response to customer and community needs. PG&E will also determine the oversight tools to hold regional leadership accountable for their objectives by defining the appropriate metrics as proof points for effective regional leadership.

In order to undertake this detailed process design work, PG&E plans to launch process teams comprised of cross-functional subject matter experts with relevant expertise; these teams will design new processes by testing and iterating with a diverse group of stakeholders. They will also help to map the current governance within the process or design a new governance structure to ensure that: (1) accountabilities are clear; and (2) individual regions are not setting their own standards that create inconsistencies across the regions. PG&E does not want to move “broken” processes or processes with ambiguous governance structures into the regions.

2. Regionalization Enablement

Regionalization will require minor reconfigurations of PG&E’s existing systems. PG&E will define implications of regional changes for these systems and enablers of work: IT, Real Estate, and Finance. PG&E will then develop solutions and test their efficacy for future use. For IT, this means identifying the highest priority customer experience, operational IT, and financial IT systems that need to change, how changes in regional boundaries will impact these systems, and how the IT team can test and prepare these changes. The Real Estate team will assess all planned investments to align current facilities and future investments to the regional model.

3. Change Management and Communication

During Phase 1, the main focus of the change management and communications program will be to generate acceptance and ownership of the regionalization changes, as well as the use of Lean Management System, by enlisting a broader group of frontline leaders to assist with training. Initiative-level communications will provide clarity and support for changes that will affect specific areas of business. Most importantly, a group of leaders will be established from both the executive level and frontline leadership who will support the ongoing communication, engagement, and provide support for any employees impacted by the transition. These sponsors will be critical to fostering a collective buy-in around the regional leadership, as well as the implementation of Lean, and cascading ongoing communication about implementation progress. The sponsors will also be a critical source of feedback, providing regular input via “pulse checks” with the teams on the sentiment of the broader organization towards regionalization and the new management approach.

B. Phase 2 – Establish Regional Operations and Boundaries, Establish Lean Operating System, and Execute Core Process Improvement Initiatives (June 2021 – 2022)

During Phase 2, PG&E will formally establish the new regional boundaries. The Company anticipates executing this transition in the third quarter of 2021. The timing will be dependent upon the successful completion of the activities outlined in Phase 1 and the hiring of the regional leadership team members. PG&E is prioritizing the boundary changes in Phase 2 given the role they play in safety, customer engagement, and wildfire readiness and response. Establishing regions based on county lines that correspond to local government and first responder boundaries, as well as better correspond to CAL FIRE units, will enable PG&E to more effectively communicate and coordinate PSPS and wildfire issues with communities. The new boundaries will improve PG&E’s focus on workforce safety in each region and improve the Company’s connection and responsiveness to local customers.

PG&E will recruit, hire and on board the Regional Vice Presidents and Regional Safety Directors. Regional Vice Presidents will begin by engaging with internal and external regional stakeholders to assess the goals of the region and begin planning their approach. They will assist in defining the scope of the Regional Program Manager role, including the job description, governance, and potential initiatives, and then begin hiring their teams. PG&E’s focus will be on putting these teams in place ahead of the 2021 fire season.

Additionally, in Phase 2, PG&E will roll out the Lean Operating System with robust training across the organization on the overall ambition, governance, process, and intended outcomes. Operating Reviews will begin with a consistent review process for each level of the organization, with the intention that leaders begin to drive questions rather than give answers. The frequency of an Operating Review will depend on its processes, measurements, and the business requirements for visibility, as well as the current metric performance. Regional Vice Presidents will host Operating Reviews with local teams in each region for cross-functional collaboration, performance review, issue escalation, and strategic planning. The Operating Review structure will provide the Regional Vice President with a ‘point person’ in every team that they will collaborate with to address local customer issues.

During Phase 2, the main objective of the change management and communications program is to ensure a smooth transition to the regional model. This will involve extensive communication internally so that new roles and processes are well understood, as well as external communication with local stakeholders to introduce new PG&E resources and new commitments. PG&E’s change management teams will help leaders identify the most critical behaviors that their teams need to adopt to improve performance in the regional model, and then develop the supporting mechanisms that will enable those new behaviors. In addition, the change management and communications program will continue to create opportunities for input and feedback from employees through a number of settings: directly through online and in person forums, through sponsors throughout the organization, and through a series of surveys before, during, and after the regional leadership is established.

C. Phase 3 – Refine Regional Organization and Operating Model and Mature in Lean Operating System (2023+)

Throughout Phase 3, PG&E will evaluate the effectiveness of the new Regional model and make refinements to improve safety and customer service delivered by local teams. This will be informed by the internal and external survey, as well as enterprise-wide performance against leading metrics, which are being defined with the Safety and Operational Metrics filing as the most influential indicators of performance trends.

A significant focus of Phase 3 will be maturing the Company’s use of the Lean Operating System. The speed of Lean maturity differs by Company and is based on the alignment around a burning platform, the internal competence of organizations, the commitment from the senior leadership team, and the will and skill of management. While PG&E cannot predict their exact progress by 2023, the Company expects to have

strong leadership alignment, meaningful visibility into all business operations, and effective Operating Reviews for identifying issues. This phase will instead be focused on deepening the innovative problem-solving capabilities of all employees with the intention of building system thinkers throughout every level of the organization. In the regions, for example, employees closest to the work will feel empowered to propose countermeasures to problems identified in Operating Reviews to correct issues. Any changes made to current processes, procedures, or method of operating must be standardized to lock the change in place, making it less likely to regress back to the former state. These standards will improve safety, maintain service quality, provide a base for problem solving, and confirm the process for leaders. In Phase 3, the recognition and creation of new, improved standards of work will become an operational norm, thus simplifying processes and eliminating waste.

VII. STAKEHOLDER OUTREACH AND FEEDBACK

PG&E continues to seek stakeholder feedback on the Regionalization Proposal through two primary avenues. First, the Commission has established a formal process for parties to provide feedback, on the various aspects of its Regionalization Proposal in this proceeding. This includes two workshops. This will allow stakeholders an opportunity to ask questions, learn more about regionalization, and provide their feedback and input on PG&E's Regionalization Proposal.

Second, PG&E will continue outreach to stakeholders outside of the proceeding to inform them of the Company's plans and receive feedback. Many stakeholders typically do not or cannot (because of time or cost constraints) participate in Commission proceedings or workshops. Thus, PG&E intends to proactively reach out to stakeholders through conversations and meetings to receive their feedback and input. For example, PG&E will continue to reach out to suppliers, local and county government officials, tribal officials, union representatives, environmental groups, groups representing customers and disadvantaged communities, groups representing environmental justice, CCAs, groups representing customers with accessibility challenges, and other key stakeholders.

Finally, initially outreach for regionalization was coordinated by the team developing PG&E's Regionalization Proposal. Going forward, PG&E expects that the Regional VPs will lead stakeholder outreach and feedback for regionalization.

VII. EVALUATING THE EFFECTIVENESS OF REGIONALIZATION

In this section, PG&E discusses its approach to evaluating the effectiveness of Regionalization. PG&E will use the Lean Operating System in the regions to review performance and customer satisfaction daily. PG&E will utilize its existing processes for monitoring implementation—referred to as the Operating Rhythm—to monitor implementation of its Regionalization Proposal. PG&E does not propose creating new metrics but instead, as discussed below, plans to use existing metrics it has identified to evaluate regional performance.

A. Lean Operating System

PG&E will implement a Lean Operating System as comprehensive framework to drive accountability, transparency and consistent outcomes. The Lean Operating system comprises ‘four basic plays’—Visual Management, Daily Operating Reviews, Problem Solving and Standardization (of core management processes) that connect all elements of the Company.

As the ‘daily heartbeat’ and new way of working, Lean management will be implemented at all levels of the Company to, a) ensure identified issues are resolved quickly or escalated promptly if they cannot be addressed by the team’s closest to the work as part of the Daily Operating Reviews, and b) will provide a means for teams to develop problem solving capabilities so that issues can be resolved by the cross-functional team’s closest to the work.

Together, the Lean Operating System and Operating Rhythm, facilitate both horizontal and vertical and alignment focused on safety, quality and reliability across all stakeholder groups. Like the Operating Rhythm, the Lean Operating System is championed at the highest level in the Company.

While PG&E is still refining the metrics that will drive a rapid change throughout levels of the organization, the Company recognizes the criticality of these embedding metrics into the Lean Operating System.

B. Operating Rhythm

PG&E will track metrics through the cadence of its Operating Rhythm, which is an ongoing series of meetings that align operational and financial performance. At the officer level, PG&E will hold a monthly, action-oriented huddle where each officer will report on performance, and then leadership will make directive decisions to close any

operational gaps. These meetings will serve to determine the effectiveness of enterprise-wide initiatives, as well as assess the impact of Regionalization before, during, and after the transition.

The adoption of the Lean Operating System will emphasize the use of clear dashboards in these meetings to measure results, identify gaps, and track progress. Drivers of these metrics will be evaluated daily in Operating Reviews held within each function, as well as across functions for each region. The selection of high-impact metrics is paramount to effective Visual Management in the Lean Operating System in order to provide transparency on progress of plans, processes, and deliverables. Visual Management is the initial step in the Lean framework, which enables analytics for productive Operating Reviews to then drive problem solving and further work standardization. Meaningful metrics that drive action should align with the outcomes sought by the vertical and horizontal responsibilities of the Operating Review.

C. Metrics and Evaluation

The objective of regionalization is to improve the Company's safety, operational, and customer service outcomes. The Company tracks a large number of safety operational, and customer service metrics today to evaluate performance, identify potential gaps, and guide the overall work plan. Metrics are used across the Company, as they will be in the regions, to set and track priorities and identify where intervention is necessary. PG&E will primarily draw on existing metrics, which provide data sources with historical baselines, rather than creating new metrics for regionalization. PG&E also will assess regional performance by evaluating performance against metrics that will be approved by the Commission in Rulemaking 20-07-013. In that Rulemaking, PG&E recently proposed Safety and Operational Metrics ("SOMs").¹⁹ The Regional Vice Presidents will use existing and metrics approved in this rulemaking to determine what to target with initiatives. The metrics to evaluate the impact of regionalization should therefore be linked directly to the safety, operational, and customer service outcomes the Company seeks to achieve. They should encompass the following categories of performance:

- **Public and Workforce Safety:** PG&E's ambition is to operate and maintain Company infrastructure so that it is safe and resilient to the specific hazards of

¹⁹ See *Response of Pacific Gas and Electric Company to Assigned Commissioner's Ruling Regarding Development of Safety and Operational Metrics in R.20-07-013, Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities (SMAP II)* (Jan. 15, 2021).

PG&E's operating environment. PG&E will create a safety culture at the enterprise level that will also apply at the Region, and the underlying safety systems and procedures that ensure the safety of the employee and contractor workforce.

- **Customer Commitments:** PG&E's ambition is to meet all customer commitments in a timely, dependable, and high-quality way, with empathy and professionalism. The coordination and accountability enabled by regional leadership allows the Company to show up as "one PG&E," with the resources to be accountable to customers.
- **Customer Experience:** PG&E's ambition is to be viewed as collaborative partners by local communities, which delivers customer service experiences that are seamless, simple, responsive, and reliable.
- **Reliability:** PG&E's ambition is to provide reliable gas and electric service to customers, avoiding and minimizing outages and service disruptions whenever possible.

The metrics have a range of purposes, including providing valuable data for management decisions, incentivizing employees, providing retrospective benchmarks, and orienting the organization towards important behaviors. PG&E will use these metrics in the performance evaluations and compensation of specific region leaders, including the Regional Vice Presidents.

In the event that a region or function is not driving improvements in the outcomes and metrics, PG&E will examine the root causes and take appropriate action, including: coaching and development for leadership teams, shifting the allocation of resources, increasing assigned contractor capacity, and assigning additional support including but not limited to continuous improvement capacity. To the extent certain regions are performing better than others, PG&E will share best practices from the high performing regions with other regional leaders.

The approved metrics will be tracked enterprise-wide, as well as serve to evaluate the effectiveness of regional initiatives and continuous improvement efforts. PG&E will track safety and operational metrics in alignment with the Assigned Commissioner's Ruling. In addition, PG&E will internally evaluate the Company's customer commitments through service metrics that will help track progress against the Company's customer ambition. Finally, PG&E will evaluate external stakeholder relationships before, during, and after regional teams are implemented in order to assess the impact regionalization is having on communities.

Given the many operational improvements the Company is making simultaneously, it will be difficult to isolate and measure the specific impact regionalization is having on these metrics; however, PG&E expect that regionalization will be an important contributor to performance improvement, and for these metrics to inform the priorities for the Regional teams.

D. Safety and Operational Metrics

The SOMs that will be established “should be suitable, over time, for the Commission, intervenors, and the public to potentially use to gauge the safety and operational performance of all gas and electric IOUs.”²⁰

The suite of proposed SOMs in the SMAP II Rulemaking, both as a group and (where possible) individually, were selected not only to provide observable and objective performance data of a type suitable for triggering escalating levels of oversight and enforcement, but also as forward-looking, leading indicators of safety and operational performance. PG&E’s 2021 Wildfire Mitigation Plan (“WMP”) filed on February 5, 2021, includes additional metrics for PSPS and improved wildfire safety.

PG&E also seeks to improve its delivery on commitments to customers in a timely, dependable, and high-quality way. The coordination and accountability enabled by regional leadership will allow the Company to show up as “one PG&E,” with the resources needed to be accountable to customers. PG&E will track customer commitments by evaluating:

- **Planned Outages** – PG&E will measure the rate at which planned outages communicated to customers are canceled in effort to decrease the frequency of cancellation and improve customer confidence.
- **New Business Connections** – PG&E will seek to improve the Company’s ability to meet new business customer needs, as measured by direct customer feedback through PG&E’s Project Satisfaction Survey. Leading metric evaluations will include % of time projects meet desired cycle time targets in each major phases of the end to end process (intake, design, dependency, construction) and will be supplemented with reviews of average cycle time between customer request and meter set or service offering.

²⁰ *Assigned Commissioner’s Ruling Regarding Development of Safety and Operational Metrics*, R. 20-07-013, (SMAP II), pp. 1-2 (Nov. 17, 2020.)

- Estimated Time of Restoration (“ETOR”) – PG&E will measure the accuracy and speed of power restoration, seeking to lower restoration timelines by improving outage forecasting and providing the appropriate resource counts to support restoration efforts.

E. External and Internal Survey

PG&E plans to conduct a series of surveys of local city and county community leaders to gain additional feedback on regionalization. The audience of the survey will be city managers, county administrators, and local and regional agency leads with which PG&E has regular contact (e.g., CCAs, water agencies, transportation agencies, etc.). PG&E plans to distribute the first survey in Q2 of 2021 (prior to Regional Vice Presidents and Safety Leads being hired) to establish baseline results, again nine months after regional leadership is hired and regionalization is implemented, and again nine months later. PG&E will use the survey results to inform the roll-out process and to enhance the design and responsiveness of the program.

1. Proposed Survey Questions for External Partners

Use sliding scale to agree/disagree with the following statements and also provide comment box at the bottom of each question for verbatims:

1. PG&E is connected to local customers.
2. PG&E is a good community partner.
3. PG&E values the safety of its customers, community, and employees.
4. PG&E is responsive to the needs of my agency/jurisdiction.
5. I have a point of contact at PG&E to escalate issues.
6. It is easy to do business with PG&E.
7. PG&E supports my agency/jurisdiction in storm and emergency situations.
8. PG&E provides reliable gas and/or electric service to my community.
9. PG&E is responsive to projects requiring new or changing service.

Open ended questions: can use drop down tool to let respondents select topic of response comments;

10. What does PG&E do well?
11. What do you value most about PG&E?
12. What does PG&E need to improve upon?
13. How can PG&E better serve its customers?

While not directly related to regionalization, PG&E may also include a question related to affordability, as the Company recognizes that affordability remains of critical importance to the customers and communities PG&E serve.

2. Proposed Survey Questions for Internal Audience

In order to gain additional feedback on the impact of regionalization, PG&E plans to conduct a series of surveys to regionally based employees who interact with the Regional Vice Presidents, Safety Director, or team of Regional Program Managers. PG&E plans to distribute the first survey in Q2 of 2021 (prior to Regional Vice Presidents and Safety Directors being hired) to establish baseline results, again nine months after regional leadership is hired and regionalization is implemented, and again nine months later.

Use sliding scale to agree/disagree with the following statements and also provide comment box at the bottom of each question for verbatims:

1. PG&E is connected to local customers.
2. PG&E is a good community partner.
3. PG&E values the safety of its employees, customers, and communities.
4. PG&E is responsive to the needs of the local agencies and cities it serves.
5. If a PG&E issue is brought to me by an external partner or customer, I have the ability to solve it and/or escalate the issue internally for resolution.
6. It is easy to do business with PG&E.
7. PG&E supports the communities we serve during storms and emergency situations.
8. PG&E provides reliable gas and electric service to the communities it serves.
9. PG&E is responsive to projects requiring new or changing service.

Open ended questions: can use drop down tool to let respondents select topic of response comments;

10. What does PG&E do well?
11. What do you value most about PG&E?
12. What does PG&E need to improve on?
13. How can PG&E better serve its customers?

F. Summary

Using the Lean Operating System to improve the cadence and evaluation of metrics, as well as feedback from external and internal stakeholders, PG&E will have clearer visibility into the Company’s most important performance criteria, create a daily dialog about results, and reinforce a consistent problem-solving approach to rapidly address issues and continuously improve operations. PG&E is committed to tracking safety and operational metrics, as well as continue customer commitment performance evaluations. While it may be difficult to isolate the exact impact of regionalization on overall metric progress, PG&E expects that regionalization will make meaningful improvements to service delivery, public safety outcomes, and customer experience.

VIII. COMMISSION GUIDANCE

This section describes: (1) the Commission’s requirements for PG&E’s Regionalization Proposal; (2) the impact of regionalization on PG&E’s customers and customer communication; (3) the impact of regionalization on PG&E’s Environmental and Social Justice Action Plan; (4) PG&E’s approach to sharing best practices between regions; (5) PG&E’s approach to regional risk officers; and (6) the costs of regionalization based on the additional salaries and changes to information technology.

In the POR Decision, the Commission identified topics that should be included in PG&E’s Regionalization Proposal.²¹ Table 5 below identifies these topics and where they can be found in the Updated Regionalization Proposal. Several topics have not been directly addressed above and thus a more detailed discussion of these topics is provided below.

Table 5: Summary of Requirements

#	POR Decision Requirement	Proposal Section
1	Proposed Regions	Section IV.C
2	Governance Structure (Regional Leadership)	Section V.B
3	Categorization of functions as centrally managed, centralized functionally with regional presence, and regionally managed	Sections V.B and V.C

²¹ D.20-05-053, pp. 55-57.

#	POR Decision Requirement	Proposal Section
4	Regional roles, responsibilities and resource allocation relative to the corporate structure	Section V
5	How the plan will affect various types of customers, including hard-to-reach customers, low-income and disadvantaged communities and communities that have been subjected to wildfire and/or PSPS shutoffs	Section V.C.1.a (for customers generally) and Section VII.A (for hard-to-reach, disadvantaged and low-income customers)
6	How best practices will be shared between regions	Section VIII.D
7	Costs and cost allocation of the plan	Section VIII.F
8	Identification of services and gas and electric assets that will or will not be regionalized	Section V
9	How PG&E will evaluate the effectiveness of the plan	Section VII
10	How regionalization will affect safety and PSPS impacts	Section VIII.A
11	How PG&E will ensure robust communication with its customers in each region	Section VIII.B
12	The need for a Regional Risk Officer	Section VIII.E

The Scoping Memo also indicates that the Commission will consider the “potential impacts on environmental and social justice communities, including the extent to which PG&E’s regionalization may impact the achievement of the goals of the Commission’s Environmental and Social Justice Action Plan.”²² This issue is addressed in this Updated Regionalization Proposal in subsection D below.

A. Customer Impacts

PG&E’s Customer Care representatives will continue PG&E’s existing practice of reaching out to hard-to-reach, low income, disadvantaged, and access and functional needs (“AFN”) customers to educate them about the various PG&E programs that are available to assist these customers. These programs include those focused on safety and emergency preparedness (e.g., PSPS outreach), resiliency (e.g., Disability Disaster Access and Resource (“DDAR”) program), rate discounts (e.g., California Alternate Rates for Energy (“CARE”) program, Family Electric Rate Assistant (“FERA”) program,

²² Scoping Memo, p. 6.

Medical Baseline Allowance program), bill payment options (e.g., Arrearage Management Plan (“AMP”) program), and energy efficiency (e.g., Energy Savings Assistance Program (“ESA”). PG&E uses these programs to assist low-income, AFN, and disadvantaged customers and communities to prepare for wildfire season and other natural disasters, mitigate impacts during PSPS events, manage their bill, and reduce their energy burden.

Regionalization will not change these programs, which are offered system wide, and designed and managed functionally. However, PG&E’s regional leadership and customer teams will have an improved focus on low income, hard-to-reach and disadvantaged customers and will be more aware of the needs of these vulnerable customers.

Regionalization will not directly impact communities that have been subject to wildfire and/or PSPS events. Programs to reduce wildfire risks and the impact of PSPS events are being addressed in other Commission proceedings. For example, wildfire risk mitigation is being addressed in the Commission’s ongoing WMP proceeding (Rulemaking (“R.”) 18-10-007) and the Commission is addressing customer impacts arising from PSPS in R.18-12-005. Stakeholders, including parties representing communities impacted by wildfires and disadvantaged and low-income communities, are actively involved in these proceedings. PG&E recommends that this proceeding not duplicate these ongoing efforts. A brief summary of how PG&E engages with AFN and vulnerable customers and communities to address PSPS and wildfire risk issues is provided below.

PG&E submitted plans in R.18-12-005 regarding its efforts to support customers and communities with access and functional needs during PSPS de-energization events. These plans include details on the strategies and tactics used to solicit AFN customer and community feedback, programs and resources available before and during PSPS events, and outreach and education to ensure AFN customers are prepared for long-duration outages.²³ PG&E is committed to engaging with interested parties and advisory councils to gain feedback on its approaches for serving customers before, during and after PSPS events. In support of this objective, PG&E launched an AFN-focused advisory council, called People with Disabilities and Aging Advisory Council (“PWDAAC”) in April 2020 to serve as a sounding board and offer insights, feedback, direction, and opportunities for improvement on PG&E’s PSPS customer strategy, programs and priorities now and into

²³ *Pacific Gas and Electric Company’s Access and Functional Needs Plan for Public Safety Power Shutoff Support*, R.18-12-005 (Feb. 1, 2021).

the future. The PWDAAC is a diverse group of recognized community-based organization (“CBO”) leaders supporting people with developmental or intellectual disabilities, physical disabilities, chronic conditions, injuries, and older adult communities, as well as members and advocates from within these communities. Throughout 2020, PG&E leveraged the PWDAAC to identify issues, opportunities, and challenges related to PG&E’s ability to minimize the impacts of PSPS events and wildfire risks. To create momentum, PG&E met with PWDACC nine times to facilitate a quick and productive ramp up throughout 2020. Moving forward, PG&E will convene the Council for four in-person meetings per year, COVID-19 restrictions permitting. PG&E will use online fora (e.g., WebEx) until in-person meetings are safe to conduct.

PG&E also collaborated with the electric utilities to develop the Statewide AFN advisory council, launched in 2020. The electric utilities established the Statewide AFN advisory council to engage with members, advocates and leaders across all populations identified as vulnerable, to inform a more holistic and strategic view on how to help these customers and communities prepare for PSPS and wildfire season. PG&E will also continue to engage with and solicit feedback on its PSPS and wildfire safety outreach and program strategies from other existing advisory groups, including the Disadvantaged Communities Advisory Group, the Low Income Oversight Board, the Communities of Color Advisory Group and various local advisory councils and working groups.

As part of the 2021 AFN plan, PG&E also describes in detail the broad range of programs and resources offered to AFN and vulnerable customers and communities before, during and after PSPS events. For example, in 2020, PG&E launched the DDAR program in partnership with the California Foundation of Independent Living Centers (“CFILC”),²⁴ to support people living with disabilities, who have medical and independent living needs and older adults. DDAR enables local independent living centers (ILCs) to provide qualifying customers who use electrical medical devices with access to backup portable batteries through a grant, lease-to-own, or the FreedomTech²⁵ low-interest financial loan program. It also provides accessible transportation resources, lodging, food and gas vouchers, emergency planning, education and outreach about PG&E programs, such as the Medical Baseline program. DDAR is just one of many

²⁴ CFILC is a 501(c)(3) non-profit organization that provides a wealth of programs and coalitions to support individuals with disabilities and older adults and offers PG&E a connection with this community to ensure their safety during power shutoffs.

²⁵ <https://freedomtech.org/>.

programs and resources PG&E offers to mitigate the public safety impacts of PSPS on vulnerable, marginalized and/or at-risk communities. Other programs include, but are not limited to the Portable Battery program, well pump generator program, and in-event CBO partnerships with foodbanks and meals-on-wheels providers, to name a few.

Community engagement and program resources about wildfire safety, including PSPS events, are also described in PG&E's 2021 WMP submitted on February 5, 2021 in R.18-10-007. PG&E described in its 2021 WMP how it is and will continue to work with disadvantaged and AFN communities to provide information and support concerning wildfire risks. These outreach and program efforts will not be directly impacted by regionalization, as the teams that design and implement these efforts will remain functionally managed. However, regionalization can enhance these efforts as PG&E employees and leaders are closer and more accessible to these communities and can help translate their needs more directly.

B. Robust Customer Communications

To support customer communications, additional local customer related functions within the Regions would likely include some combination of current-state local Division Teams, Local Customer Service support, City/County/K-12 Customer Account Management, Community Based Organization engagement and Community Wildfire Safety Program ("CWSP") and PSPS Customer Engagement Delivery. Regional leadership teams, including the Regional Vice Presidents will be members of the local community, enhancing PG&E's understanding of local needs, unique local characteristics, and exception management. These leadership teams will be key resources in listening to the "voice of the customer" with overall accountability at the Regional level for addressing customer escalations and facilitating issue resolution.

C. Environmental and Social Justice Action Plan

PG&E is working to understand and better meet the needs of environmental and social justice communities, including vulnerable populations on tribal lands. PG&E's Tribal Liaison and Deputy Tribal Liaison lead PG&E's engagement with Native American tribal governments, communities and organizations, including activities related to PSPS, wildfire safety and the development of sustainable, resilient communities. PG&E also maintains a dedicated Environmental and Social Justice Manager to coordinate PG&E's environmental and social justice efforts from an operational and policy perspective, including engaging with external stakeholders and assisting with

internal training development as part of a broader Company-wide effort to better address the needs of vulnerable communities.

While these roles will be functionally managed, PG&E's regional leadership and customer teams will engage with them on a regular basis as part of their improved focus on low- income, hard-to-reach, and disadvantaged customers and efforts to be more aware of the needs of vulnerable customers. PG&E's proposed new regional structure is designed to help facilitate deeper connections between Company decision makers and customers living in communities that have been historically marginalized and can be difficult to reach due to language or geographic challenges. Additionally, PG&E's Customer Care representatives will continue PG&E's existing practice of reaching out to PG&E's hard-to-reach, low income, disadvantaged, and AFN customers to educate them about the various PG&E programs that are available to assist these customers.

D. Sharing Best Practices Between Regions

It is critical that best practices be shared among the regions to help each region and PG&E develop operational excellence. There are several ways that the sharing of best practices will be facilitated. First, The Chief Customer Officer, through reporting and frequent interactions, will be able to see what is going well in a specific region, and what is not, and will be able to highlight successful practices to other regions. The Regional Vice Presidents will meet often with the Chief Customer Officer and Chief Operating Officer to review operational initiatives in each region and discuss what approaches have been successful.

Second, evaluation and data from performance on safety and operational metrics will allow PG&E to monitor the performance of each region. This information will be shared with all the Regional Vice Presidents and other officers, so the leadership team will learn from practices that are working and areas to improve.

Third, because many functions and organizations will remain centralized, as described in Section V, these organizations can gather information, data, and feedback from all the regions and act as a central source for reviewing and analyzing this information to determine what is working well. The majority of performance metrics and policies are standardized enterprise-wide, and thus can be used to determine the relative success of each region.

E. Regional Risk Officers

PG&E believes that a regional risk officer reporting to the CRO would not help reduce risk throughout the enterprise and could lead to inconsistent application of risk mitigation practices.²⁶ Each of PG&E's enterprise risks will have a risk owner who will plan to mitigate that risk and monitor data about PG&E's risk mitigation efforts for that risk on an enterprise-wide basis. The CRO establishes a set of policies and processes to identify and measure risk which are consistent across the enterprise and will work closely with the risk owners, subject matter experts, and Regional Safety Directors to understand the drivers and consequences specific to that region. Adding an extra layer of management between the CRO and these risk owners by appointing region-specific risk personnel could detract from the CRO's ability to ensure consistency across the enterprise regarding the process for evaluating risk, and at best is a redundancy.

F. Costs of Regionalization and Cost Allocation

Finally, the POR Decision indicates that PG&E should address cost and cost allocation issues.²⁷ PG&E interprets this as requiring an explanation of the incremental costs that would be incurred in executing the Regionalization Proposal, *i.e.* costs it would not have incurred but for regionalization. PG&E's current estimate of its incremental costs is included in Appendix C, which is updated to reflect PG&E's Updated Regionalization Proposal. The costs described are common costs. PG&E allocates common costs to the functional areas based on the O&M labor factors. The O&M factors are developed using the 2020 recorded data. Approximately 70% of the common costs are allocated to the electric function and 30% allocated to the gas function.

PG&E anticipates costs may arise in the following areas: (1) hiring the Regional Vice Presidents, Regional Safety Directors, and team of Regional Program Managers; (2) information technology changes to reflect the new boundaries in this proposal; and (3) expenditures for regional headquarters or other workplace modifications for each of the proposed five regions. PG&E requested authority to record costs associated with regionalization in a memorandum account in its application. PG&E's request to open a memorandum account effective June 30, 2020, was granted by Commission President Batjer in the Scoping Memo.²⁸

²⁶ D.20-05-053, p. 50.

²⁷ D.20-05-053, pp. 56-57.

²⁸ Scoping Memo, p. 10, Ruling 2.

New Regional Leadership: The costs associated with the five new Regional Vice Presidents and Regional Safety Directors, including their support staff, are estimated in Appendix C. PG&E did not request cost recovery for its officer compensation and other benefits in its 2020 GRC, which exceeds Commission requirements to remove compensation of officers from utility rates.²⁹ Consistent with this approach, PG&E will not seek to recover the costs of the compensation and benefits for the new Regional Vice Presidents through 2022. Costs associated with the staff for the Regional Vice Presidents and costs associated with the new Regional Safety Directors will be recorded in the memorandum account for potential cost recovery at a later time. Compensation for the offices of the Regional Vice Presidents and the Regional Safety Directors beginning in 2023 will be addressed in PG&E's 2023 GRC.

Information Technology: The costs associated with information technology system updates are estimated in Appendix C. PG&E currently has 19 Divisions for electric and gas that are subdivided into Districts. Under PG&E's Regional Proposal, PG&E will be organized into 5 regions that are subdivided by County. PG&E uses more than 1300 systems to run its business. The major categories of systems impacted by this change are those that manage assets and work and those that generate reports. IT Leaders reviewed the list of systems and the map of the regions and identified those systems most likely to be impacted by this change. Leaders were also asked to capture any assumptions they made when developing their estimates. Estimates were provided as a number of hours per resource needed to complete the work

Corporate Real Estate: At the present time, PG&E anticipates that it will be able to use its existing real estate portfolio to provide offices for its Regional Vice Presidents and Regional Safety Directors, provided that it is not required to relocate other employees and crews as part of regionalization.

PG&E will continue its existing cost allocation methodologies for expenses related to regionalization, including those estimated in Appendix C.

IX. CONCLUSION

PG&E recognize that PG&E has a long way to go to earn the trust of the communities and customers that the Company serves, as well as regulators and stakeholders. Regionalization is one element of PG&E's broader efforts to become operationally excellent, to understand and address the infrastructure risks as the Company

²⁹ Resolution E-4963

works to safeguard the public, and to consistently deliver on PG&E's commitments to customers and communities. The Company look forward to the input and feedback from stakeholders, the Commission, and customers regarding this Updated Regionalization Proposal.

Appendix A

Maps of the Current Divisions and Regions for its Electric and Gas Operations

A map of the initial proposed regions as of June 30 is included below as Figure 6.

A map of the current proposed regions is included below as Figure 7.

A map of the updated proposed regions and service center/customer service office locations is included below as Figure 8.

A map of the current state Electric Distribution divisions and updated proposed regions is included below as Figure 9.

A map of the current state Gas Distribution divisions and updated proposed regions is included below as Figure 10.

A map of the future state Electric Distribution divisions and updated proposed regions is included below as Figure 11.

A map of the future state Gas Distribution divisions and updated proposed regions is included below as Figure 11.

Appendix B includes key attributes of the new regions.

Figure 6: PG&E's Initial Proposed Regions as of June 30, 2020



Figure 8: PG&E's Updated Proposed Regions and Service Centers

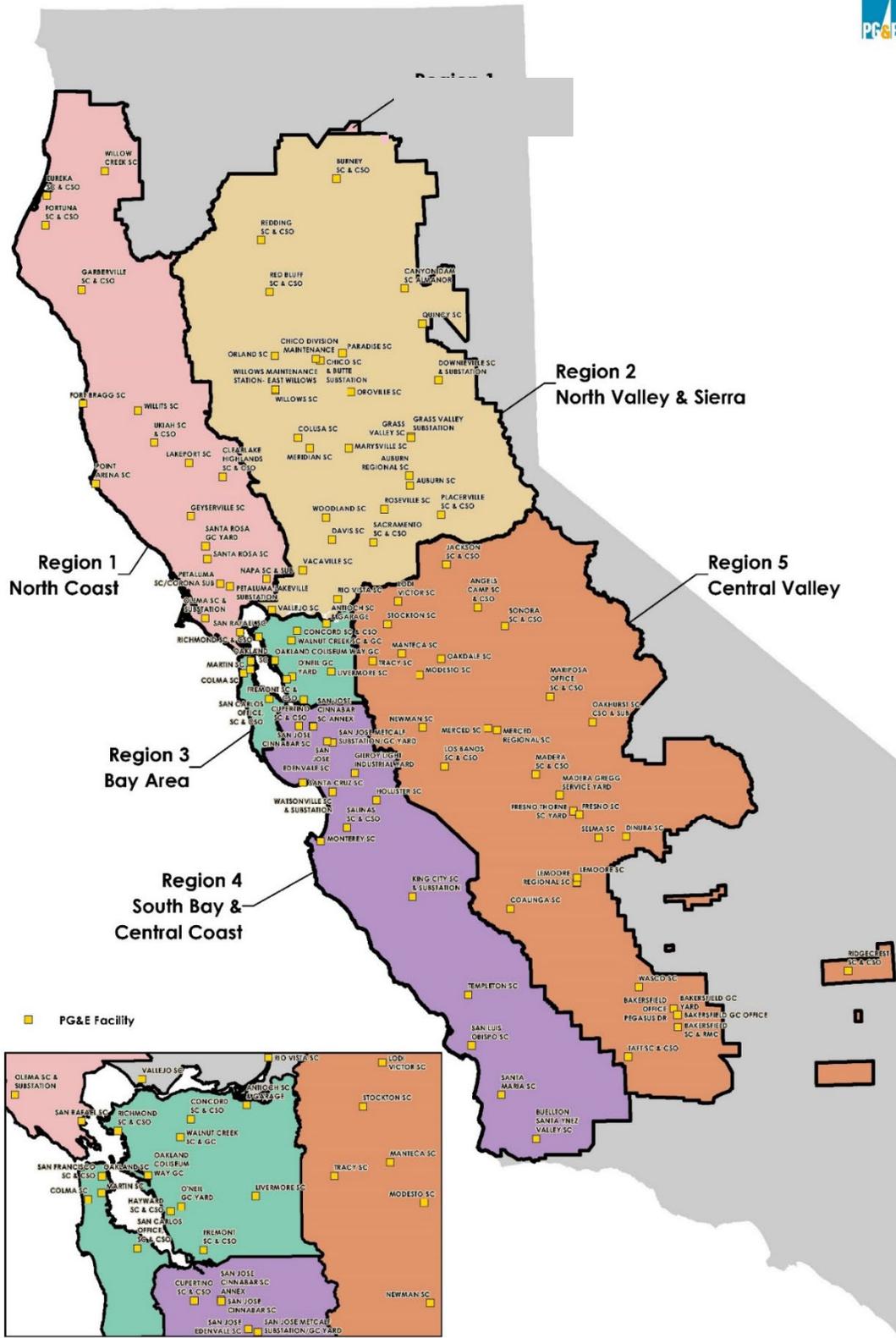


Figure 9: Current State Electric Distribution Divisions and Updated Proposed Five Regions



Figure 10: Current State Gas Distribution Divisions and Updated Proposed Five Regions



Figure 11: Future State Electric Distribution Divisions and Updated Proposed Five Regions



Figure 12: Future State Gas Distribution Divisions and Updated Proposed Five Regions



Appendix B

Key Attributes of Regions

	Region 1 North Coast	Region 2 North Valley & Sierra	Region 3 Bay Area	Region 4 South Bay & Central Coast	Region 5 Central Valley
Overview of Region					
Service Area Square Miles	12,419	21,576	1,986	11,761	24,644
Population per Square Mile	60	135	2,294	276	125
# of Existing Service Centers	18	28	14	16	31
Maximum Drive Time Estimate within the Region (Hours)	~5-6	~3.5-4.5	~0.5-1	~4-5~4	~4-4.5
Overview of Region Customers					
# of Residential Customers (Million)	0.49	1.21	1.66	1.04	1.22
# of Agricultural Customers (MDCC)	5,671	9,227	1,622	6,127	18,231
# Medical Baseline Customers	16,163	34,630	37,708	24,776	63,355
# CARE Customers	95,062	180,444	265,847	193,631	434,490
# Life Support Customers	10,803	22,412	24,828	17,238	40,187
# Critical Electric Customers (Level 1 and 2)	2,263	2,524	3,868	3,398	3,878
# Commercial and	61,722	76,459	148,905	107,636	114,417

	Region 1 North Coast	Region 2 North Valley & Sierra	Region 3 Bay Area	Region 4 South Bay & Central Coast	Region 5 Central Valley
Industrial Electric Premise Customers					
# Large Business Electric Customers	16,306	30,005	47,977	35,694	62,594
# Midsize Business Electric Customers	7,011	8,591	13,363	11,102	18,435
# Small/Micro Business Electric Customers	53,717	69,297	107,970	85,305	107,559
% Language other than English spoken at home	23%	26%	42%	47%	43%
Sum of Avg Annual Gas + Avg Annual Electric Bill (Residential)	\$2,060	\$2,294	\$1,799	\$1,817	\$2,022
Energy Cost as a % of Income	3%	3%	2%	2%	4%
Overview of Region Work³⁰					
# of New Service Applications	17%	21%	26%	17%	19%
% of Electric Emergency/Restoration - Major	22%	49%	6%	12%	11%
% of Electric Emergency/Restoration - Routine	12%	15%	26%	22%	24%

³⁰ Select figures on work mix are collected by PG&E's existing Division structure, which do not follow county lines and therefore do not perfectly correspond to the proposed regions. Assumptions have been made to allocate Division level data to regions for purposes of providing an indication here on how work will vary across regions.

	Region 1 North Coast	Region 2 North Valley & Sierra	Region 3 Bay Area	Region 4 South Bay & Central Coast	Region 5 Central Valley
% of Electric Compliance/Maintenance	18%	23%	29%	15%	15%
% of Electric Work at the Request of Others	11%	15%	31%	22%	21%
% of Electric Wildfire Inspections	11%	28%	6%	17%	37%
% of Gas Distribution Pipeline Construction	9%	25%	41%	9%	16%
% of Gas Distribution Regulator Stations	19%	14%	32%	16%	19%
% of Gas Work at the Request of others and New Business	11%	26%	29%	12%	22%
% of Gas Leak Repair	13%	19%	46%	12%	10%
% of Gas HPR	33%	14%	19%	15%	19%
% Overhead Line Miles in HFTD Tier 2 and Tier 3	22%	35%	6%	17%	21%
% of High Consequence Pipeline Miles	10%	23%	25%	18%	23%
# of 2019 PSPS Customer Instances (Thousands)	668	752	239	160	218
# of 2020 PSPS Customer Instances (Thousands)	104	347	46	23	136

Appendix C

Estimates of Incremental Costs of Regionalization

PG&E anticipates many of the new costs attributable to regionalization to arise in the following areas: (1) Human Resources; (2) Information Technology; and (3) Real Estate. Below, PG&E outlines the potential drivers of costs, current assumptions about costs, and the high-level estimated incremental costs.

(1) Human Resources:

- a. Anticipated driver of costs: hiring the Regional Vice Presidents and Regional Safety Directors
- b. Current assumptions about costs:
 - i. Regional Vice Presidents: There will be five new officer positions. None are anticipated to be filled by eliminating an existing officer position. The annual nominal cost for a Vice President is approximately \$897,813. Actual salary and benefits will be determined upon hiring. These positions will be shareholder funded through 2022 and included for cost recovery in the 2023 GRC.
 - ii. Regional Safety Directors: There will be five new directors. None of the positions would be filled by eliminating an existing director position. The annual nominal cost for a director is approximately \$521,472. The actual salary and benefits will be determined upon hiring. The costs for these positions will be recorded in the Regional Plan Memorandum Account through 2022 and included in the 2023 GRC.
 - iii. Additional new positions will be created, including Regional Program Managers reporting to the Regional Vice Presidents and an Executive Assistant. Certain of these positions may be filled by transferring internal resources. At this point, PG&E estimates the following resources will be required for the Regional Vice Presidents (the amounts below do not include Benefit Burdens):
 1. Regional Program Managers: PG&E anticipates hiring 20 principal level program managers @ \$184k each (\$3.68m).
 2. Executive Assistants for each Regional Vice President \$119k for each Vice President (\$.595m)

- c. Total estimate: Approximately \$14 million annually.
- d. Cost Allocation: Provided the Regional Safety Directors focus predominantly on electric and gas distribution rather than transmission, costs incurred for these positions would be allocated 55% electric distribution, and 45% gas distribution, which is based on the number of PG&E service agreements across the service area.

(2) Information Technology:

- a. Anticipated driver of costs: PG&E currently has 19 Divisions for electric and gas that are subdivided into Districts. Under PG&E's Regional Proposal, PG&E will be organized into 5 regions that are subdivided by County. PG&E uses more than 1300 systems to run its business. The major categories of systems impacted by this change are those that manage assets and work and those that generate reports. IT Leaders reviewed the list of systems and the map of the regions and identified those systems most likely to be impacted by this change. Leaders were also asked to capture any assumptions they made when developing their estimates. Estimates were provided as a number of hours per resource needed to complete the work.
- b. Total estimate: Approximately \$16 to \$24 million. PG&E also notes that this is between a Class 3 and Class 4 estimate range as defined by the Association for Advancement of Costs Engineering (AACE International). Estimates will be revised as decisions are made and requirements are solidified.
- c. Cost allocation: Provided the IT system costs predominantly benefit electric and gas distribution, costs would be allocated 55% electric distribution, and 45% gas distribution, which is based on the number of PG&E service agreements across the service area. This allocation could change depending on the final design of the IT system. The IT costs would be recorded in the Regional Plan Memo Account for later cost recovery.

(3) Real Estate:

- a. Anticipated driver of costs: Expenditures for regional headquarters or other workplace for each of the proposed regions required if PG&E cannot utilize the current portfolio "as-is" and/or utilize enhanced employee mobility (*i.e.*, working remotely). As additional employees are assigned to the regions, PG&E's real estate needs will be reassessed and re-estimated for timeframes beyond 2022.

- b. Current estimate: PG&E currently estimates that it will be able to use existing real estate for the regional offices. Any update to this plan will be presented in the 2023 GRC.
- c. Cost Allocation: PG&E allocates real estate assets that are incurred for the benefit of all customers as common.

Appendix D

Table 6: Stakeholder Feedback in Regulatory Venues

Regulatory Venue	Summary of Stakeholder Feedback	How Addressed in this Regionalization Proposal
Safety Culture Investigation	PG&E is too large and lacks local focus. Managing PG&E’s operations so removed from customers resulted in a lack of focus on regional issues	Section V.B and V.C describes the regional leadership and teams that will be directly connected to and aware of the needs of local communities so that PG&E is able to more effectively address regional issues
Plan of Reorganization Order Instituting Investigation (“POR OII”) ³¹	CLECA provided feedback that regional coordination and focus on two-way communication with local leaders will help PG&E ensure nothing is “falling through the cracks.”	Section V.B describes how PG&E will create Regional teams and how those teams will coordinate cross-functional communication and operational improvement through the Lean Operating System
	TURN and CCSF suggested categories of information that should be addressed in a Regionalization Proposal (e.g., number of boundaries, timing of implementation, cost impacts)	Section IV discusses the regional boundaries and the number of regions; Section VI provides PG&E’s phased implementation approach; and Section IX.F addresses cost impacts
	The Public Advocates Office (“Cal Advocates”) proposed that PG&E consider the CAL FIRE boundaries in proposing new regions.	Section IV.B.6 shows how PG&E considered the CAL FIRE boundaries in the development of the regions.

³¹ See *Order Instituting Investigation on the Commission’s Own Motion to Consider the Ratemaking and Other Implications of a Proposed Plan for Resolution of Voluntary Case filed by Pacific Gas and Electric Company, pursuant to Chapter 11 of the Bankruptcy Code, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Corporation and Pacific Gas and Electric Company, Case No. 19-30088, I.19-09-016 (Sept. 26, 2019).*

Table 7: Stakeholder Feedback

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
Objectives	Unclear that there will be safety and operational improvements due to PG&E’s proposals. PG&E should provide more detail about how its proposals will improve operational and safety outcomes, make it more responsive to local needs, and improve PSPS events.	TURN, pp. 3-5; MCE and EBCE, p. 4; Pioneer, p. 2; San Jose, p. 9	PG&E has revised its proposal to address this concern, most notably in Section V.
	PG&E should provide more information to indicate how its regional structure ties to its safety objectives.	Cal. Advocates, pp. 5-6.	PG&E has revised its proposal to address this concern, most notably in Section V.B.2., which describes the accountabilities for the Regional Safety Director, and V.B.3., which describes how the new operating model will improve all performance outcomes, including safety, in the region and Company-wide. The Lean Operating System increases the effectiveness of the Safety Director’s role by better evaluating safety outcomes and increasing frontline responsiveness
Proposed Regions	PG&E should add a sixth region in the Central Valley to better serve agricultural customers and keep them in a single region.	Farm Bureau, pp. 2-4; SSJID, p. 5.	PG&E addresses this concern in Section IV.

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
	Formation of the 5 regions should not interfere with municipalization efforts.	SSJID, p. 3,5.	PG&E has reviewed its revised Regionalization Proposal and cannot identify any aspect that would affect, let alone interfere with, municipalization efforts.
	Sacramento should be included in the Sierra Region	Pioneer, p. 4.	PG&E addresses this concern in Section IV.
	PG&E should provide more information about the boundaries, particularly the inclusion of Santa Clara County in the Central Coast Region. (Why, why?)	San José, pp. 2-6	PG&E addresses this concern in Section IV.
Regional Leadership	Regional leaders should live in the regions.	CLECA, p. 3	PG&E agrees with this suggestion. The Regional VPs will live their respective regions.
	If PG&E adopts a matrixed organization structure, it should be formal so that middle managers have a stake in the outcome of work in the regions and encourage cooperation.	CLECA, pp. 5-6.	PG&E agrees with this suggestion and has subsequently introduced the Lean Operating Model, outlined in Section V.
	PG&E's descriptions of the Regional Safety Directors' roles are insufficient and don't explain their authority to address safety issues.	Cal Advocates, p. 7; San José, p. 8.	PG&E has updated its description of the Regional Safety Director's role in Section V.B.2. The Regional Safety Director position is scoped with adequate authority to fulfill their function. Like many leaders, they would need to achieve their objectives through influence as opposed to direct orders.

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
	PG&E needs to address the “frozen middle”	Cmmr. Batjer at workshop and San José, p. 7; Abrams, p. 5.	PG&E’s Lean management approach will be implemented to invert the current structure where the Company is run by top-down authority. Instead Lean is designed to empower both the “frozen middle” and frontline employees to identify issues, rapidly propose solutions, execute on plans, check the effectiveness of the solutions, and standardize changes that work. This cycle of Plan-Do-Check-Act is described extensively in Section V and has transformed many companies.
	PG&E should explain skillset of RVPs and how it differs from current employees and the performance review process for the RVPs and metrics to gauge their performance.	TURN, pp. 4-5.	The most significant difference between the Regional Vice President position and existing roles is the authority that Regional Vice Presidents have relative to other collaborators in the region. The VP title has proven an effective motivator for change, as described in Section V.D. Regional Vice Presidents should be strong leaders in order to effectively motivate regional change, as well as tenacious problem solvers with a penchant for multidisciplinary problem solving. The performance review process for the Regional Vice Presidents would not be different than the review process for other offices.

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
Regional Responsibilities	Vegetation management should be planned and procured centrally but managed regionally.	CLECA, p. 4	Today vegetation management is managed centrally with work organized geographically and executed locally. PG&E does not propose direct changes to its vegetation management programs in its revised Regionalization Proposal.
	<p>Regions should be more autonomous than PG&E proposes. RVP should be more independent and less controlled by the President as it limits RVP's ability to take action to address safety issues.</p> <p>Commission should require regional control of operations with centralized standards and oversight and regional autonomy in decision-making.</p>	Pioneer, pp. 1-2	PG&E appreciates this feedback and declines to adopt these changes. PG&E's historic experience with this structure indicates that the approach suggested by Pioneer did not allow for prioritization of the most important work across the system; it did not allow for pooling and sharing of resources to increase productivity or balance system performance; it did not emphasize specialization within functional groups to develop expertise and improve performance; and it did not promote standardization around best practices across the enterprise.
	PG&E should provide more information about how regions would operate and interact with other regions and departments during emergency operations.	Cal Advocates, pp. 6-7; Abrams, p. 3.	Emergency operations is and will remain a centralized function. Once the Regional Vice Presidents and Safety Directors are hired, they may be incorporated into PG&E's emergency operations structure.
	PG&E should provide more information on how regionalization may impact reliability and outage restoration times.	San José, pp. 6-7	PG&E is not proposing direct changes to the groups responsible for reliability and outage restoration times. PG&E expects the Regional

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
			Vice President for Region 4 to partner with San Jose to ensure this concern is being addressed. Additionally, PG&E expects the Lean Operating System to improve overall performance, including in reliability and outage restoration times.
	PG&E should provide more information on its core process improvements and the relationship to regionalization.	San José, p. 10.	PG&E has updated its Regionalization Proposal to discuss the relationship between the Lean Operating System and regionalization, outlined in Section V.
	PG&E should provide a map of business processes and the change in the processes.	Abrams, p. 4.	PG&E has updated its Regionalization Proposal to discuss both how the regional structure would operations, as outlined extensively in Section V.
Community and Customer Engagement	PG&E should retain a single point of contact for agricultural customers.	CFBF, p. 1	PG&E agrees with this suggestion, as described in Section V.C.1.a.
	PG&E should provide more information how it intends to conduct community engagement and the scope of issues and how it will receive stakeholder feedback after regionalization	SSJID, pp. 3-4; MCE and EBCE, p. 6; San José, p. 10	The Regional Vice President will build close relationships with local external-facing teams through the daily Operating Reviews, as outlined in Section V. These teams engage in communities today, but do not always have the ability to elevate and address their concerns, which cross many functions. Regional Vice Presidents will bridge that gap, thereby increasing PG&E's responsiveness to customer issues. On some occasions,

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
			Regional Vice Presidents will also meet with external stakeholders (e.g., town halls and workshops) in order to build trust with communities. Additionally, PG&E will conduct a survey with external stakeholders to get feedback on the impact of regionalization and inform how the Company can improve, as outlined in Section VIII.
CCAs	PG&E should provide further detail regarding coordination with CCAs.	MCE and EBCE, p. 4.	Local customer teams will continue to be the point person for CCA coordination. Regionalization will serve as an internal measure for rapidly escalating issues that CCAs bring to their customer contact but will not directly impact CCAs. PG&E will solicit CCA feedback through its external survey, as outlined in Section VIII.
	PG&E should interact with the CCAs at the local level instead of centralized, with regional leadership having significant autonomy.	Pioneer, p. 3	The Regional Vice Presidents will be a channel of communication available to Pioneer, specifically, and CCAs in general. PG&E will also maintain its current, functionally managed representatives.
Metrics and Evaluation	PG&E should have metrics to measure whether regionalization improves safety.	Cal Advocates, pp. 3-4; MCE and EBCE, p. 3	Metrics are out-of-scope for this proceeding. That fact notwithstanding, PG&E has substantially revised Section VIII to discuss its approach to evaluating regionalization.

Issue	Summary of Stakeholder Feedback	Citations	How Addressed in Amended Regionalization Proposal
Phased Approach to Implementation	PG&E should have a pilot of one or two regions	CFBF, pp. 5-6.	While piloting one or two regions is an interesting concept, it is inconsistent with the Commission’s order that PG&E move forward with regionalization and hire the Regional Vice Presidents and Safety Directors.
	PG&E should adopt formal matrix structure for 2021 and analyze results before or instead of moving to full regionalization	CFBF, p. 7.	PG&E agrees with that the Company should adopt a matrix structure prior to moving operational units under the Regional Vice Presidents. Section V reflects this change. Note that the Lean Operating System is replacing what PG&E referred to, informally, as a matrixed structure.
Costs	PG&E should provide more information about costs, and cost effectiveness, including employees, facilities, and IT, core process improvements and how it will show incrementally for costs recorded in the memorandum account.	Cal Advocates, pp. 4-5; TURN, pp. 6-7; CFBF, p. 5; MCE and EBCE, pp. 2-3; San José, p. 11	PG&E has updated and refined its estimate of its incremental cost included in Appendix C.
	PG&E should provide more details about regional budgeting.	MCE and EBCE, p. 3	PG&E updated Section V. Budgeting and resource allocation will remain central functions.