

Staff Workshop on PG&E's Updated Regionalization Proposal Filed in Application 20-06-011

March 3, 2021



California Public
Utilities Commission

WebEx and Call-In Information

Join by Computer:

<https://cpuc.webex.com/cpuc/onstage/g.php?MTID=eb0354fe4d70b0f1cab0bc5d1ee7744c4>

Event Number: 187 070 8339

Event Password: Region@Mar03!

Join by Phone:

- 1-855-282-6330 (toll free); 1-415-655-0002 (toll)
- Meeting number (access code): 187 070 8339

Notes:

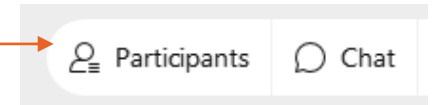
- Staff recommends using your computer's audio if possible.
- This workshop will be recorded.
- Presentation and agenda may be downloaded from within Webex.

WebEx Logistics

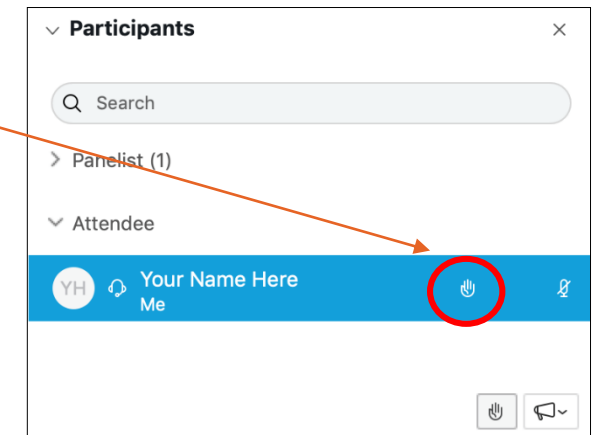
- All attendees are muted on entry by default.
- Questions and Discussion will be done verbally by using the “raise hand” function.
 - The host will unmute you to ask your question.
 - Please “lower hand” when done speaking.
 - If you’d like to speak again, please “re-raise your hand”.
- Chat box is not being monitored.

WebEx Tip

1. Click here to access the participant list to raise and lower your hand.

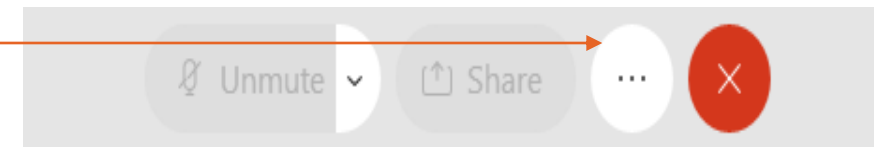


2. Raise your hand by clicking the hand icon.



3. Lower it by clicking again.

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Phone participants dial *3 to raise and lower hand.

Ground Rules for Today's Workshop

- Today's objective – PG&E present the new and modified elements from its updated regionalization proposal and to receive feedback.
- President Batjer and CPUC Commissioners and their staffs & staff from Energy Division and Safety Policy Division & other CPUC staff are in attendance and may ask questions. The CPUC will not be making presentations on the substance of PG&E's proposal.
- Presentation and agenda may be downloaded from within Webex.
- No time limit on individual questions initially but may need to set one if numerous parties are queued to speak.

Ground Rules for Today's Workshop (cont'd.)

- [R.20-07-013](#) has directed PG&E to propose safety and operational metrics and may be of interest to parties because development of regionalization specific metrics is not in the current scope of the proceeding
- A questions and discussion section will follow most presentation sections. Please use “raise hand” function to request to speak. The chat box will not be monitored by either CPUC staff or PG&E.
- Please state your name and organization each time before you speak.

Agenda

- | | |
|---|-------------------|
| I. Introduction | 9:00-9:30 AM |
| • Workshop logistics, ground rules, and opening remarks (CPUC Staff, President Batjer) | |
| • Opening remarks by PG&E CEO Patricia Poppe | |
| II. Overview of Lean Operating Model | 9:30-9:50 AM |
| • Overview of Lean Operating Model (PG&E) | |
| • Questions and Discussion by Parties, Members of the Public, and Commission Staff (CPUC Staff Facilitated) | 9:50-10:10 AM |
| III. Overview of Updated Regionalization Proposal | |
| • Overview of Updated Regionalization Proposal (PG&E) | 10:10-10:20 AM |
| IV. Proposed Regional Leadership and Proposed Regional versus Central Responsibilities | |
| • Overview of Proposed Regional Leadership and Proposed Regional versus Central Responsibilities (PG&E) | 10:20 AM-11:05 AM |
| • Questions and Discussion by Parties, Members of the Public, and Commission Staff (CPUC Staff Facilitated) | 11:05-11:45AM |
| V. Break | 11:45 AM-12:00 PM |
| VI. Proposed Regional Geographic Boundaries | |
| • Overview of Proposed Regional Geographic Boundaries (PG&E) | 12:00-12:10 PM |
| • Questions and Discussion by Parties, Members of the Public, and Commission Staff (CPUC Staff Facilitated) | 12:10-12:30 PM |
| VII. Phased Implementation Timeline | |
| • Overview of Phased Implementation Timeline (PG&E) | 12:30-12:40 PM |
| • Questions and Discussion by Parties, Members of the Public, and Commission Staff (CPUC Staff Facilitated) | 12:40-12:55 PM |
| VIII. Closing and Next Steps (CPUC Staff) | 12:55-1:00 PM |

Opening Remarks



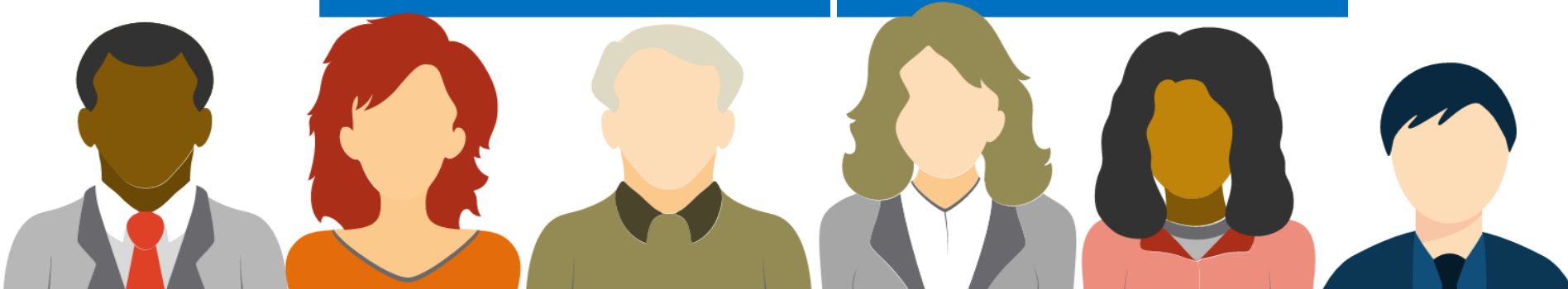
PG&E's Lean Operating System Implementation

March 3, 2021





Lean Operating System Elements



Visualization of the KPI /Metrics needed to run the business



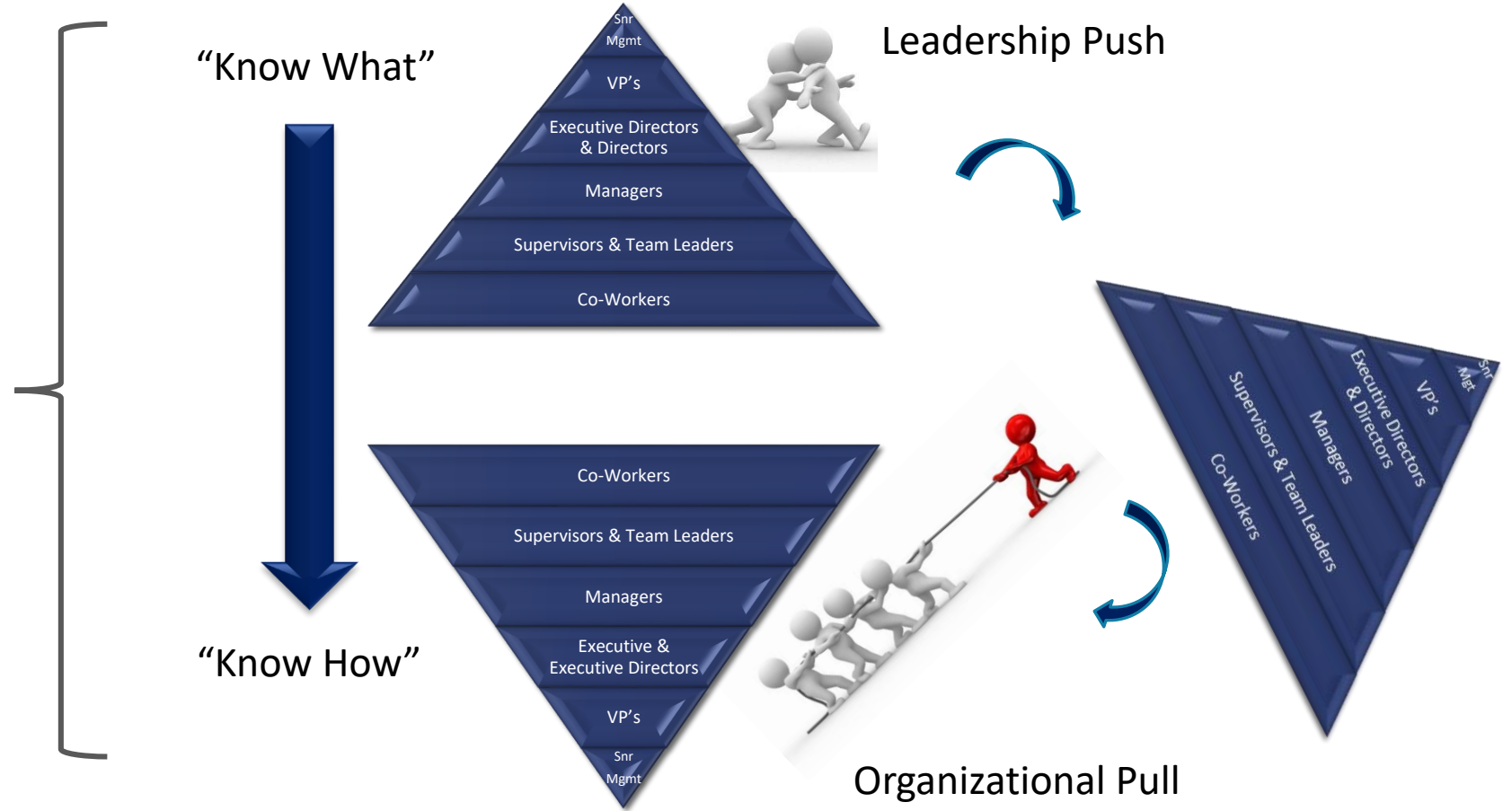
Engage and Empower Enterprise-Wide

Goal Alignment to achieve:

**Triple Bottom Line
People, Planet,
Prosperity
Underpinned by
Performance**

AND

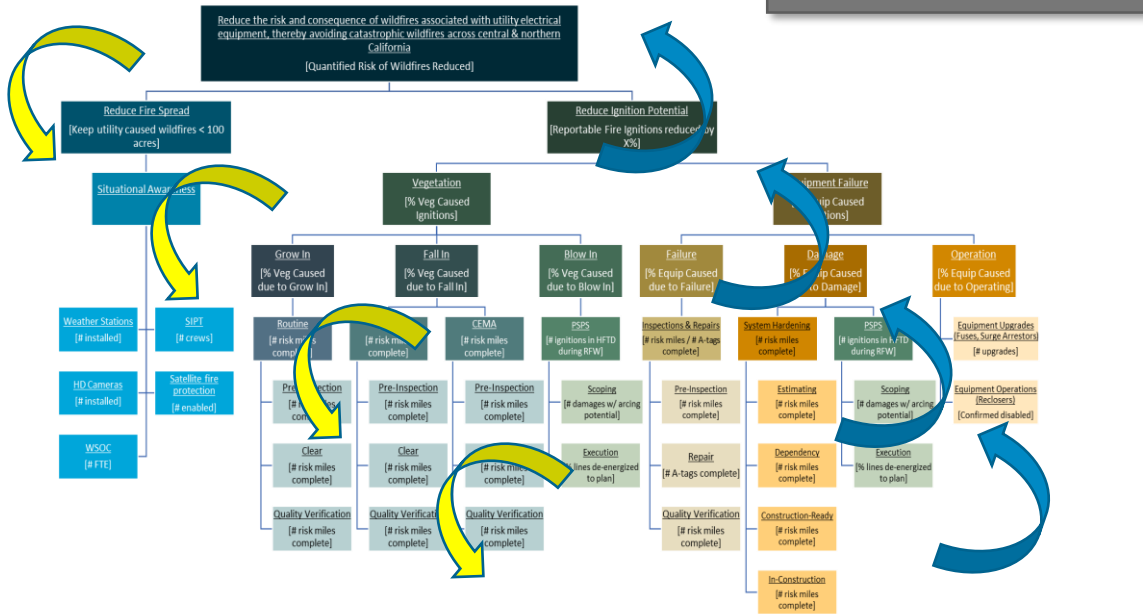
**Commitment to
Safety and
Reliability of
Operations and
Customer Service**



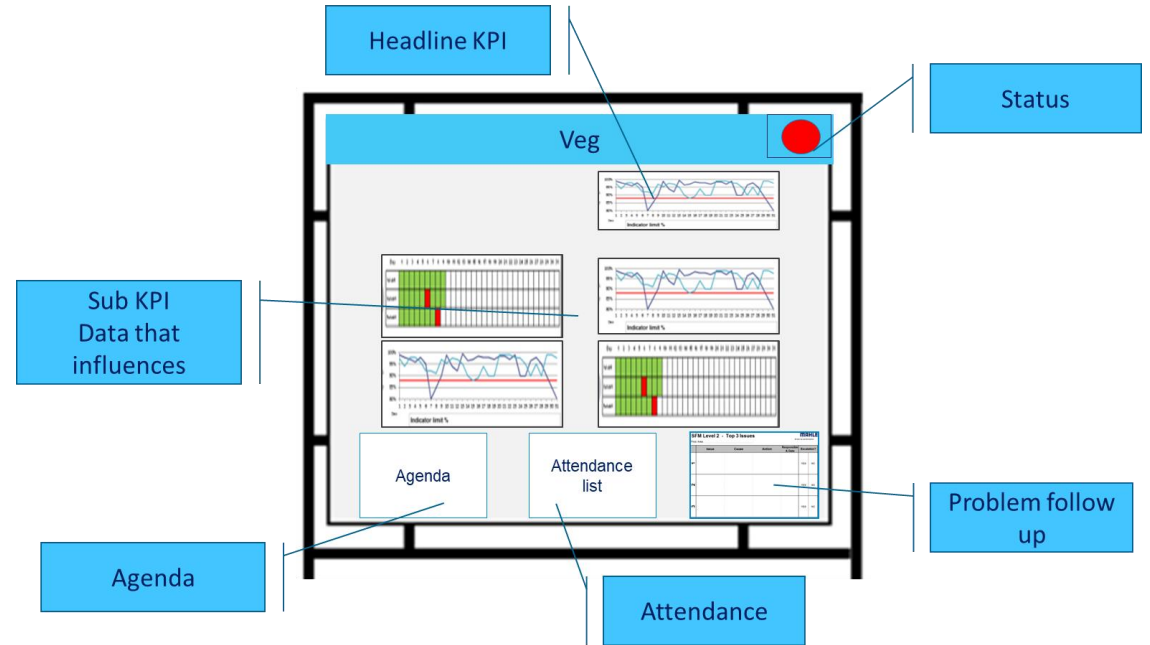


Daily Heartbeat: Systemwide KPI Alignment and Operating Reviews

KPI Tree



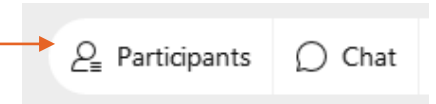
Operating Review Dashboard



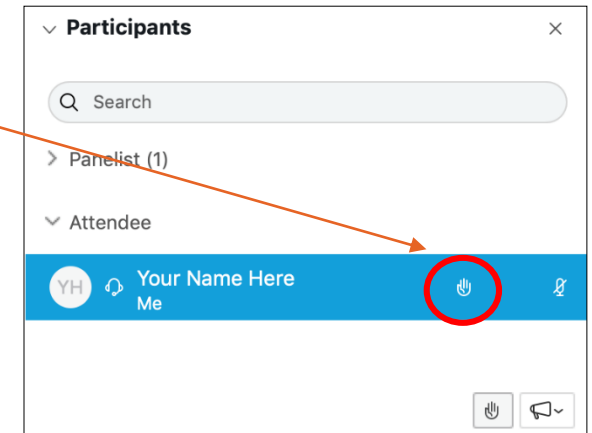
Questions & Discussion

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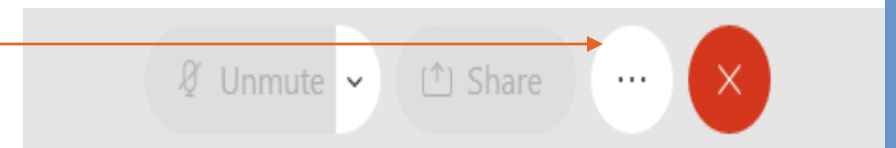


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Overview of Updated Regionalization Proposal





Presentation Overview

- 1. Overview of Organizational Changes**
- 2. Current Organizational Structure**
- 3. New Organizational Model Philosophy**
- 4. Benefits of Functional Specialization**



Overview of Organizational Changes

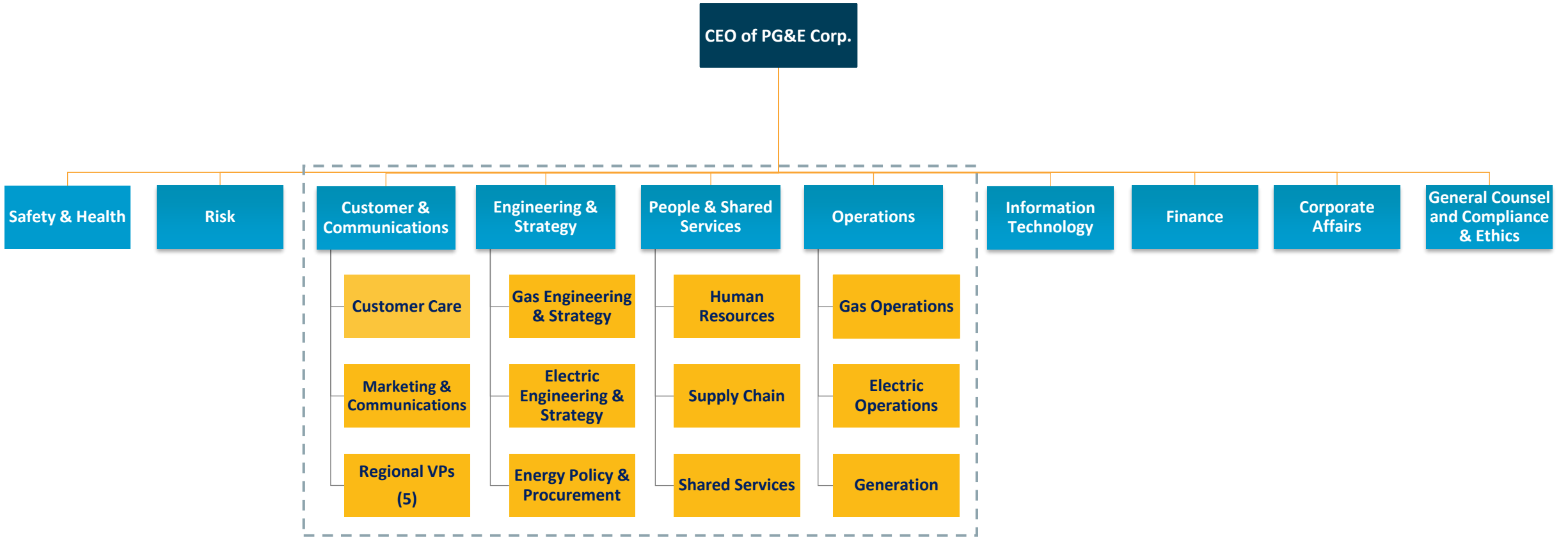
OVERVIEW

- ① **Realign regional boundaries** to adhere with county boundaries, group customers and communities with similar characteristics, operational, risk, and safety considerations to improve overall operations
- ② **Establish regional leadership**, with each region led by a Regional Vice President, to better understand and act on the needs of communities, problem solve challenging local issues, and improve the way PG&E works
- ③ **Enhance functional specialization** by realigning the Utility organization along functions to increase technical expertise and improve accountability
- ④ **Implement 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



Functional Organizational Structure

OVERVIEW



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





Expertise

- Functional leadership can leverage their **many years of experience** and **high level of technical expertise** to rapidly and effectively **solve problems**



Focus

- Functional specialization allows leaders to focus on a **high standard of work with limited distractions**
- Narrowing the scope of work **clarifies organizational responsibility** and allocation of tasks



Standardization

- Accumulated experience in a function leads to **insights on best practices** and increased operational efficiency
- Best practices can be included in **functional standards to improve performance and accountability**



PG&E's Response to Stakeholder Feedback

Regulatory Venue	Summary of Stakeholder Feedback	How Feedback is Addressed in Regionalization Filing
Safety Culture Investigation	PG&E is too large and lacks local focus. Management of PG&E's operations is so removed from customers that it results in a lack of focus on regional issues	Sections V.B and V.C in the filing describe 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")	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 in the filing 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 in the filing discusses the regional boundaries and the number of regions; Section VI provides PG&E's phased implementation approach; and Section IX.F addresses the cost impacts
	The Public Advocates Offices ("Cal Advocates") proposed that PG&E consider the California Department of Forestry and Fire Protection's ("CAL FIRE") boundaries in proposing new regions.	Section IV.B.6 in the filing shows how PG&E considered the CAL FIRE boundaries in the development of the regions



Regional Leadership and Regional Responsibilities





Presentation Overview

- 1. PG&E's Recruitment Strategy**
- 2. Regional Vice President and Safety Director Roles**
- 3. Benefits of Lean on Internal and External communication**
- 4. Impact of Regionalization on Customer Groups**



Summary of Changes

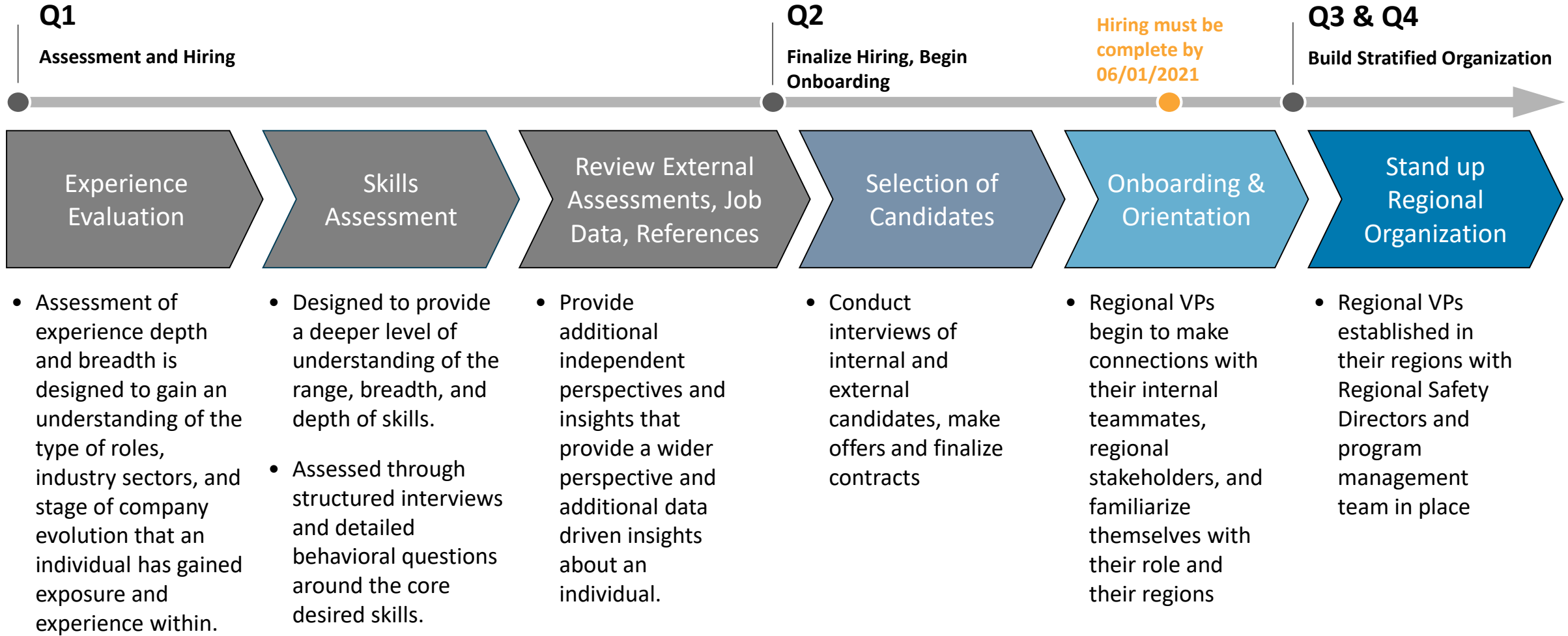
REGIONAL LEADERSHIP

	Present State	Future state
Local Leadership	<ul style="list-style-type: none">• PG&E is represented by many local customer, community, and operational leaders at or below the director level	<ul style="list-style-type: none">• Addition of 5 Regional Vice Presidents. The Regional Vice President is an officer who will be based locally and report to the Executive Vice President and Chief Customer Officer. Each Regional Vice President will have a team of 3-5 Program Managers to help research and coordinate local initiatives• Addition of 5 Regional Safety Directors. The Regional Safety Director will be based locally and report to the Chief Safety Officer
Local Structure	<ul style="list-style-type: none">• Local customer, community, and operational employees are based locally and managed centrally	<ul style="list-style-type: none">• Local teams responsible for execution of gas, electric, and customer operations will report to functional leadership, but frequently engage with Regional VP and participate daily in cross-functional Operating Reviews to problem solve challenging regional issues• A small team of program managers will report directly to the Regional Vice Presidents with responsibility for integrating the Lean Operating System into the regions and coordinating the Daily Operating Reviews with local functional teams



Recruitment Strategy and Methodology

REGIONAL LEADERSHIP





Regional Vice President and Regional Safety Director

REGIONAL LEADERSHIP

Regional Vice President

- **Reporting:** Reports to the Executive Vice President and Chief Customer Officer
- **Role:** Accountable for delivery of superior customer experience and ensuring the safety, availability, and reliability of Regional Operations
- **Responsibilities:** Play an active leadership role to meet identified safety and customer targets at the regional level; facilitate a daily management routine to coordinate resources and remove barriers for local teams that execute customer field operations, distribution maintenance and construction, emergency response, and restoration
- **Qualifications:** Safety leadership, strategic planning and leadership, compliance and risk management, resource management, local community experience, customer experience, and public affairs
- **Search:** Diversified Search Partners will lead the search for the Region VPs

Regional Safety Director

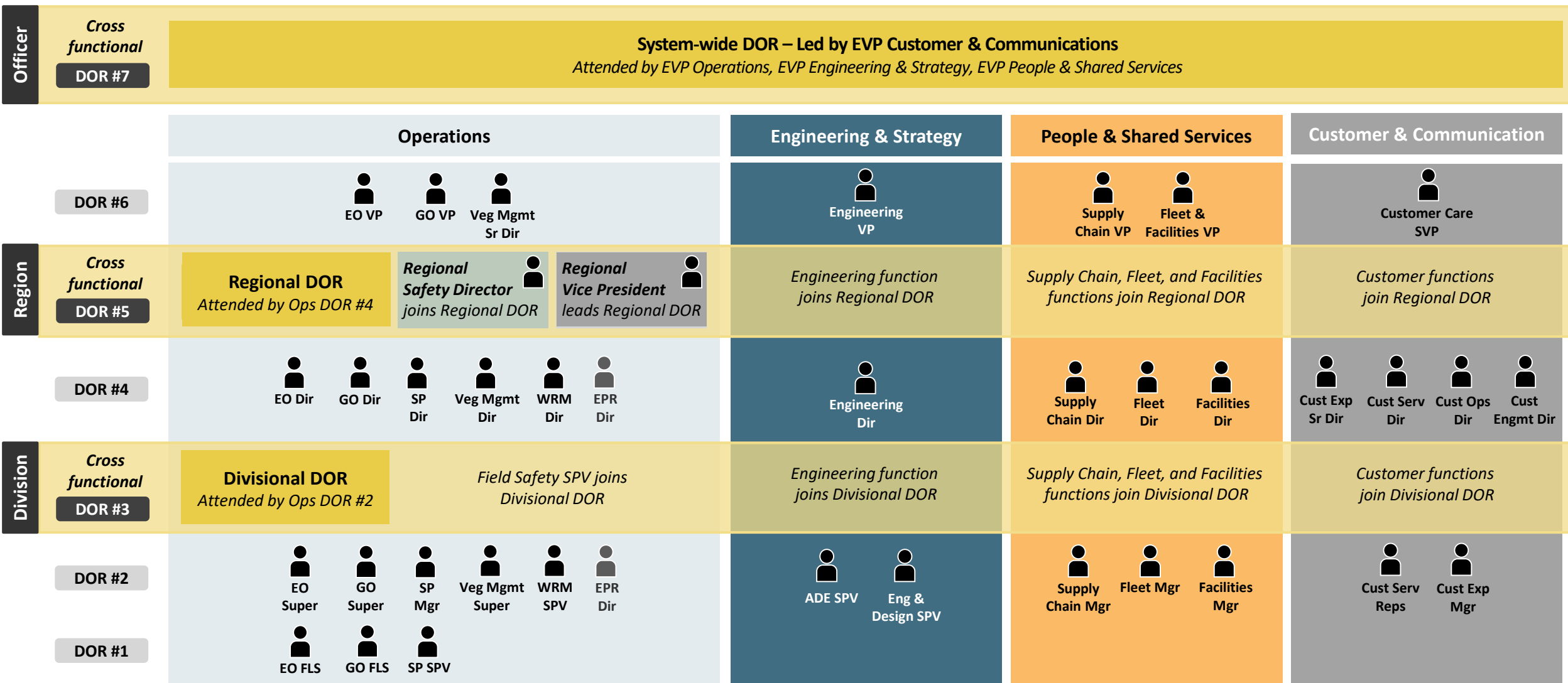
- **Reporting:** Reports to the Chief Safety Officer
- **Role:** Support the Regional Vice President and the overall regional team. Independent safety oversight at the regional level
- **Responsibilities:** Monitor and improve safety performance, implement and apply safety best practices, and reduce operational incidents. Be a visible presence in the field and work directedly with the workforce
- **Qualifications:** Experience in enterprise safety, safety management systems, and implementation and oversight of utility operations
- **Search:** PG&E will engage a qualified and diverse search firm to locate a pool of external and internal candidates



Sample Daily Operating Review (DOR) Architecture

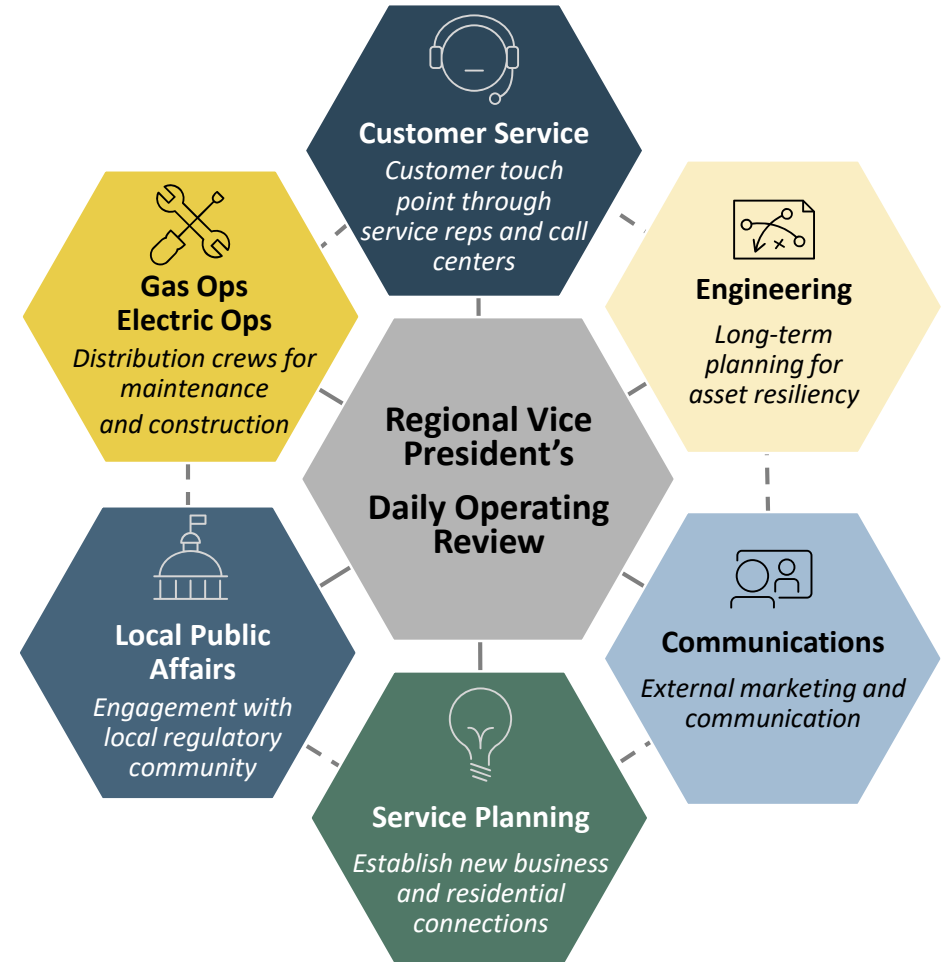
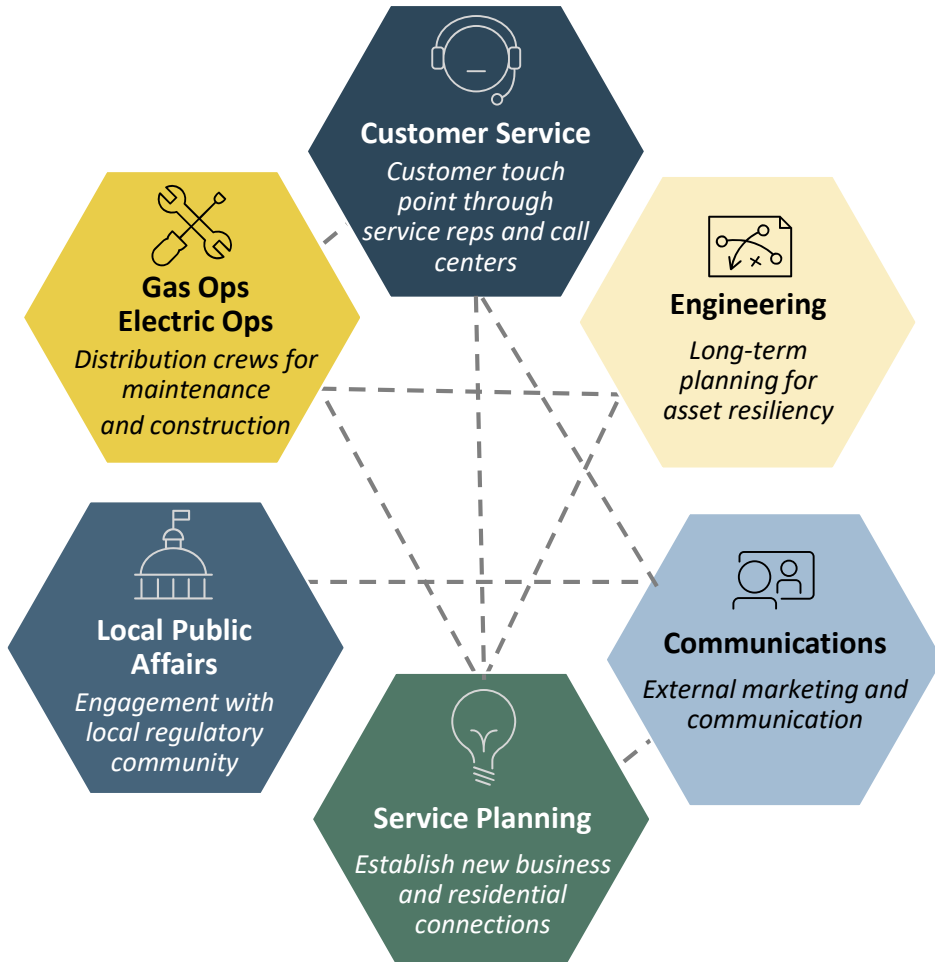
REGIONAL LEADERSHIP

/ ILLUSTRATIVE / NOT EXHAUSTIVE



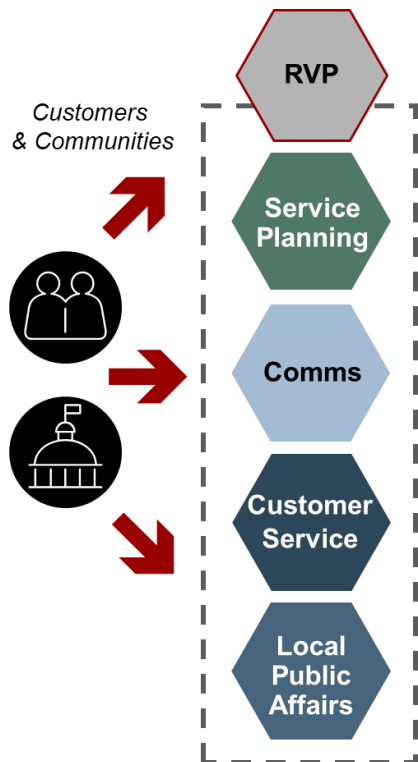
Current state: informal, ad hoc communication

Future state: structured, consistent communication

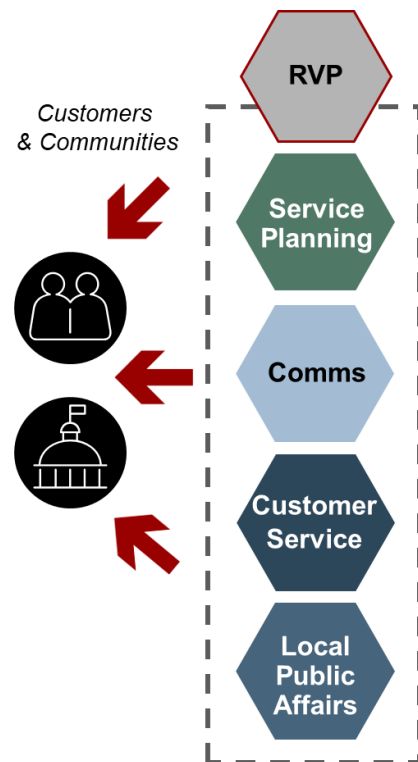


The **addition of regional leadership** and their teams **increases the local resources positioned to ...**

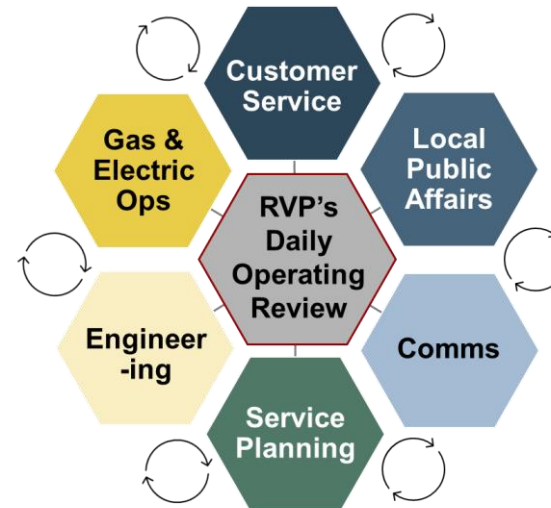
- More effectively **engage customers** and community for feedback



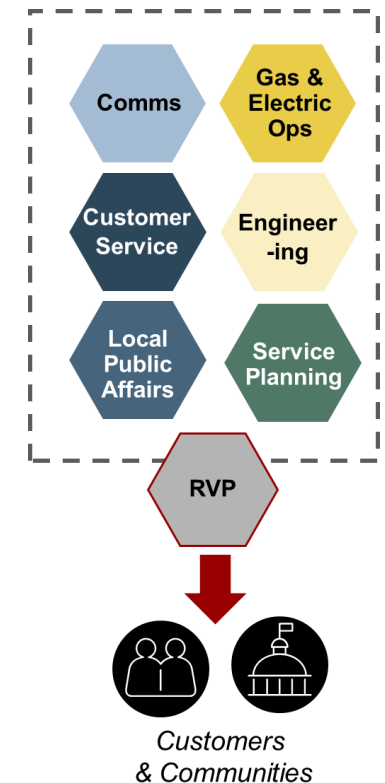
- Better **educate communities** on the reasoning behind solutions



- Increase velocity of **issue resolution** with improved coordination

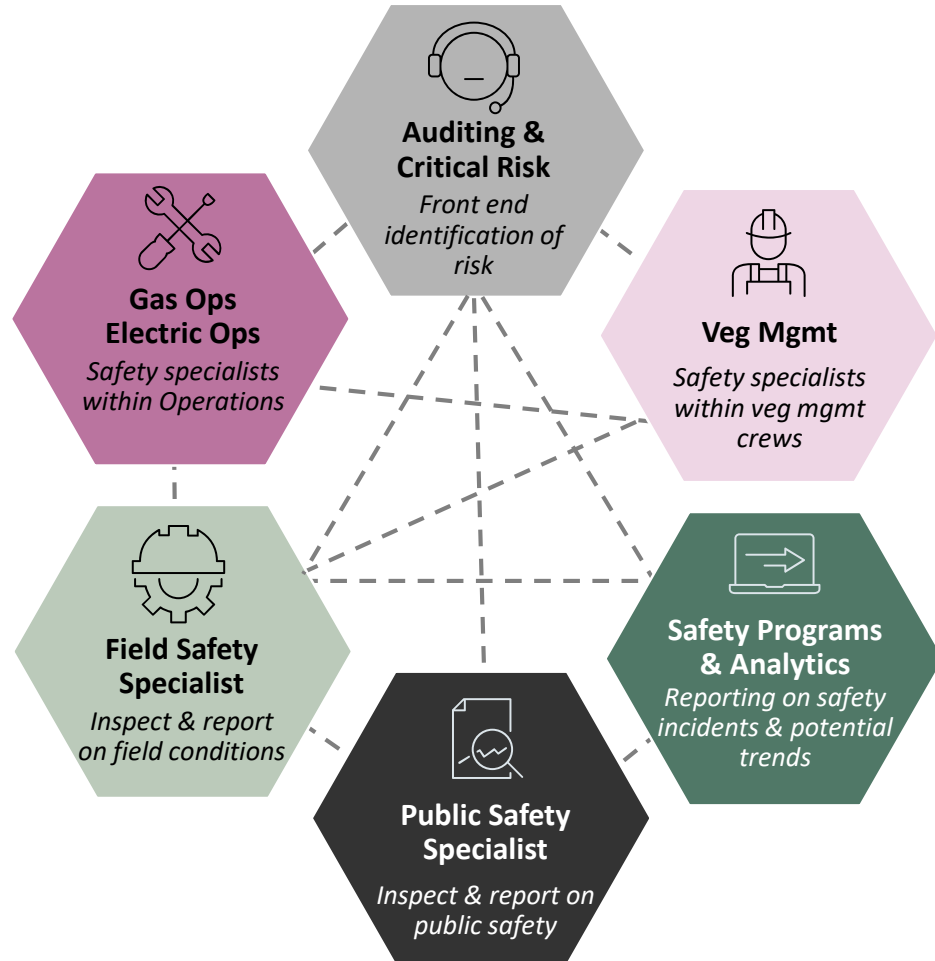


- Develop more customized **solutions for local needs**



Current state: informal, ad hoc communication

Future state: structured, consistent communication



REGIONAL LEADERSHIP



Scenario #1

- Coordinating and expediting investment in **capacity upgrades to enable local economic development and vitality**



Scenario #2

- Increasing responsiveness and **improving reliability for a large commercial customer experiencing outages**



Scenario #3

- Assessing and **identifying potential Community Microgrid projects** by understanding local needs

Customer-facing roles that benefit from scale, customer segmentation, or customer experience will maintain their existing scope managed through a functional organizational structure

Access and Functional Needs (AFN) Customers

(e.g., Medical Baseline Customers, Self-identified disability, non-English language)

- **Coordinators:** Customer Engagement, Strategy, and Programs team; Customer Energy Solutions (CES) Program and Product Managers
- **Ex. Programs:** Medical Baseline Program, California Alternative Rates for Energy (CARE), Energy Savings Assistance (ESA), Customer Resiliency Program

Other Third Parties

(e.g., CCAs, Electric Service Providers, Core Transport Agents, Direct Access)

- **Coordinators:** Third Party Relations Account Managers (e.g., single point of contact for a CCA)
- **Ex. Programs:** PSPS Coordination, Microgrids, Billing, Consumer Protections, Energy Efficiency Portfolio

Business Customers

(e.g., Small-to-medium business, agricultural, large commercial, industrial)

- **Coordinators:** Business Energy Solutions (BES) Account Representatives; Customer Success Managers
- **Ex. Programs:** Energy Efficiency Portfolio, Demand Response, Distributed Generation, Electric Vehicle, support with PSPS and wildfire safety

Residential Customers

- **Coordinators:** Customer Service Representatives; Residential Services and Digital Channels team; Customer Operations and Enablement team
- **Ex. Services:** Contact/Call Center, Billing & Credit, Customer Service Offices, Support with PSPS and wildfire safety



Summary of Benefits

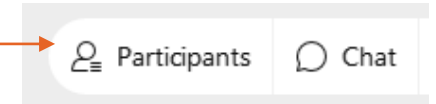
REGIONAL LEADERSHIP

	Key Benefits
Local Leadership	<ul style="list-style-type: none">• Improved responsiveness to local customer and community issues from having a local executive embedded in each Region, with greater authority to resolve issues, and ability to escalate major issues directly to the Chief Customer Officer• Improved communication with local communities, community-based- organization partners, and customers to understand overall geographic needs and issues from a Region VP that is embedded in the local community• Increased support for local workforce safety from a Regional Safety Director
Local Structure	<ul style="list-style-type: none">• Increased responsiveness to address customer and community issues via a local executive who is a single point of contact, with decision making authority and the direct line to the Chief Customer Officer to resolve major issues quickly• Strengthened relationships with the local communities and customers so PG&E can better anticipate their needs and understand their issues• Improved two-way communication between local communities and the company through a dedicated local team• Increased ability to tailor activities and investments based on the unique needs of the region, based on local knowledge and local input• Improved execution and delivery from greater internal alignment from consistent regional boundaries and organizational structure

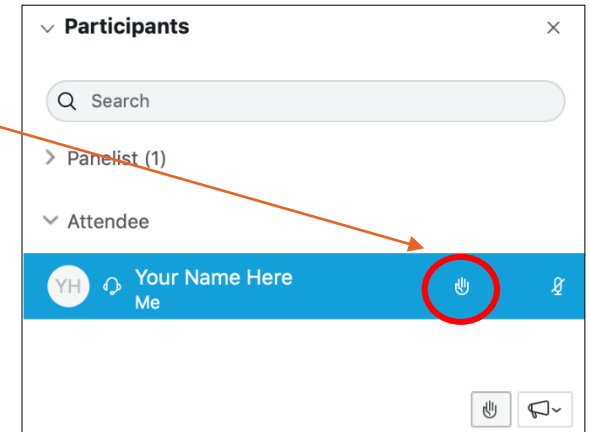
Questions & Discussion

WebEx Tip

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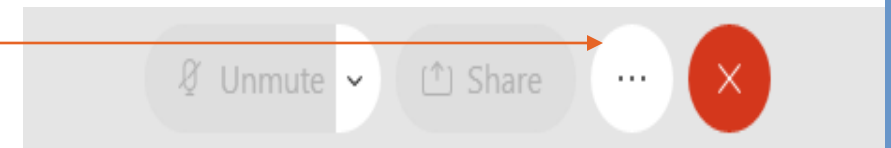


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BREAK

We will resume at noon.

Agenda

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• Opening remarks by PG&E CEO Patricia Poppe	
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VIII. Closing and Next Steps (CPUC Staff)	12:55-1:00 PM



Proposed Regional Boundaries





Presentation Overview

- 1. Objectives and Design Principles of Regional Boundaries**
- 2. Proposed Regional Boundaries and Stakeholder Feedback**



Summary of Changes

REGIONAL BOUNDARIES

PG&E will establish five regions that align with county boundaries to improve coordination with local governments and other agencies. These boundaries will bring together adjacent counties with similar customer, geographical, weather, and operational characteristics.

Present State

Future state

County boundaries

- Counties are often bisected by PG&E’s Division and Regional boundaries
- Counties will be wholly contained within a single Region

Divisional boundaries

- Divisions exist as subunits of current Regions
- Gas and Electric Distribution operations have Divisional boundaries that are generally aligned, but there are a few differences in the way their boundaries are drawn
- Division boundaries will continue to be used to define smaller sub-units of each Region
- Gas and Electric Divisions will be wholly contained within a region

Regional boundaries

- Gas and Electric distribution operations follow different regional boundaries – 3 Regions in Electric, 6 Areas in Gas
- Regional boundaries are constructed to create a reasonable scope or responsibility for operational leaders and to reflect the assets of the company
- Gas and Electric Distribution will have the same 5 regional boundaries
- Regions will be constructed to create a reasonable scope of responsibility for Regional VPs and to reflect company assets, customer and service territory characteristics



Objectives and Design Principles

REGIONAL BOUNDARIES

Primary Drivers for Regional Boundaries

1. County Boundaries

- Ensure Regional Boundaries align with county boundaries, so that we can better coordinate with local governments and other agencies, including in emergency response.

2. Geographic Contiguity

- To the extent possible, boundaries were defined to bring together adjacent counties with similar customer and operational characteristics, creating regions that each have unique profiles.

3. Customer Commonality

- PG&E analyzed 23 census variables such as population, energy usage, language spoken at home, etc. and customer billing data to determine characteristics of customers in each region.
- Identifying counties with similar customer attributes and needs could help regional leadership to focus on key issues for these customers and obtain a deeper understanding of all customer requirements and demographics served within their region.



Objectives and Design Principles (Cont.)

REGIONAL BOUNDARIES

Additional Considerations for Refining Boundaries

Region Size

- Balance regional size and drive times (e.g., square mile coverage and drive times, freeway coverage, office and service center distribution/locations, employee distribution) allow for quicker customer response, leadership presence locally, and efficient sharing and movement of frontline resources

Operations and Scope of Work

- Boundaries were modified to ensure no single region was too large in terms of customer density, scale of wildfire mitigation work, volume of work requested by customers, or concentration if high consequence natural gas pipelines
- To the extent possible, kept counties that traditionally work closely together in the same region to preserve operational synergies

Fire Suppression Coordination

- Per POR OII decision, align boundaries for regions with CalFire Units to the extent possible, though there are a few exceptions

Additional Considerations, Employee Feedback, and Stakeholder Comments

- In addition to frontline managers and other employee feedback, additional data points were evaluated, including historical PSPS activations, number of tribal nations, community choice aggregators (CCAs) service boundaries, congressional districts, and regional organizations
- Through various internal and external stakeholder meetings, the CPUC Regionalization Workshop, and written comments, PG&E received a variety of inputs and feedback and took these feedback into consideration in the updated proposal

PG&E June 2020 Proposal



Modifications to Initial Proposed Regions

PG&E revised its proposed regions boundaries based on employee and stakeholder feedback. PG&E proposes the following adjustments to the initial proposed regions:

1 Moving Sacramento and Solano counties into the Sierra region

2 Moving Marin and Siskiyou counties into the North Coast region

3 Moving Glenn, Colusa, and Yolo counties into the Sierra region

4 Moving Amador and Alpine counties into the Central Valley region

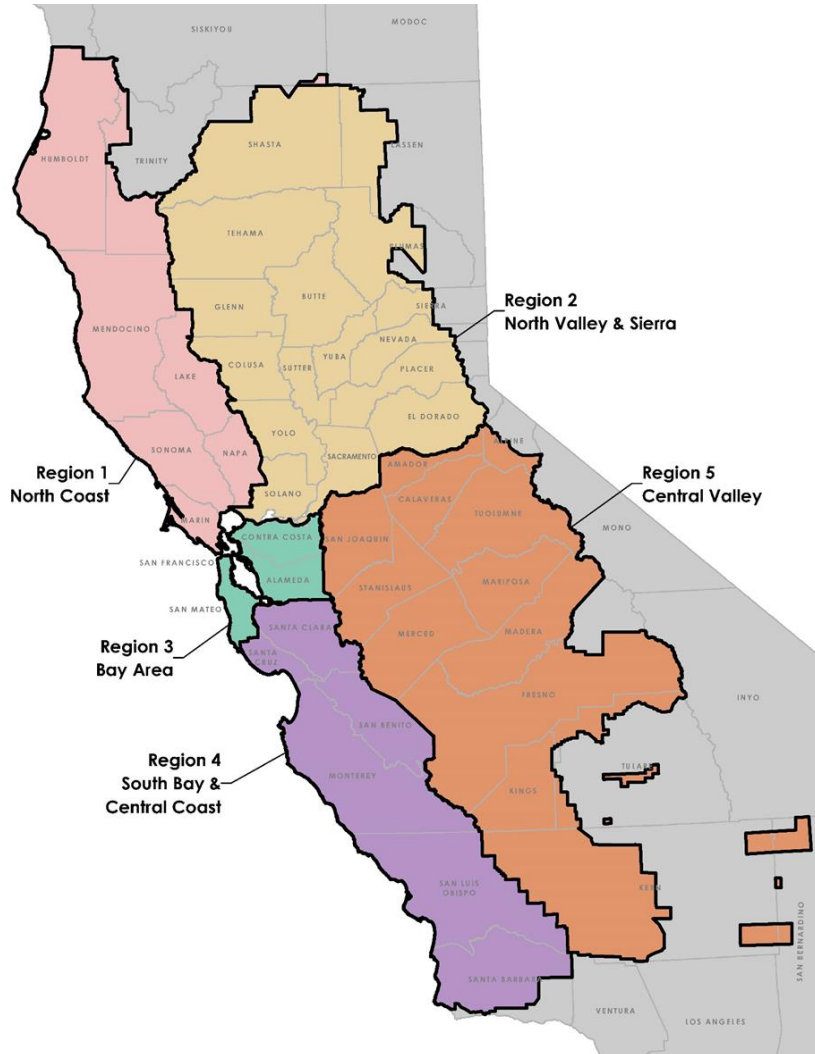
5 Renaming Sierra region as North Valley and Sierra region

6 Renaming Central Coast region as South Bay and Central Coast region



Current Proposed Regions

REGIONAL BOUNDARIES



Key Attributes of Updated Proposed Regions ⁽¹⁾

	Region 1 North Coast	Region 2 North Valley & Sierra	Region 3 Bay Area	Region 4 South Bay & Central Coast	Region 5 Central Valley
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
# 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

(1) See Appendix B of Updated Regionalization Proposal for additional metrics by region

REGIONAL BOUNDARIES

A small number of division boundaries will be modified to align to county boundaries to the extent they cross proposed regional boundaries, and divisions will be wholly contained within a region.





Summary of Benefits of Regional Boundaries Proposal

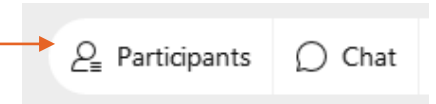
REGIONAL BOUNDARIES

	Key Benefits
County alignment	<ul style="list-style-type: none">■ Improved coordination with government agencies and other partners (including CalFire)■ Improved communication (speed and clarity) between local stakeholders and a single executive point of contact at PG&E■ Increased consistency of local permitting rules and ordinances for PG&E's local ops groups to follow
Division boundaries	<ul style="list-style-type: none">■ Utilizing existing divisions as much as possible, preserves continuity with historical performance metrics to show trends in performance
Regional boundaries	<ul style="list-style-type: none">■ Common customer profiles and customer needs within each Region help create knowledge and experience serving specific customer segments■ Common operational priorities and work types within each region create repetition and increase expertise in the work being completed■ Regions constructed so that geographic coverage and travel routes are feasible for leaders and crews■ More, smaller Regions in Electric help create greater local focus and responsiveness by VP leadership

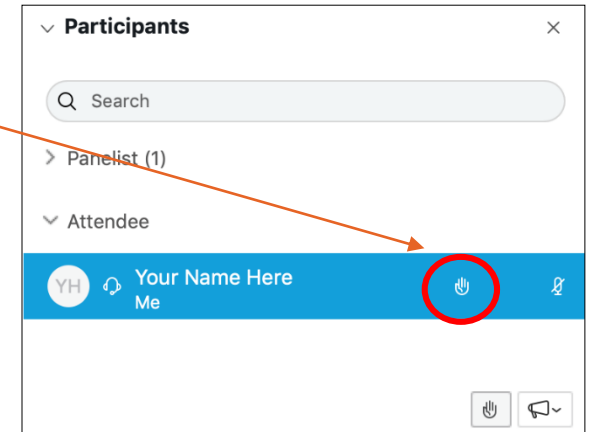
Questions & Discussion

WebEx Tip

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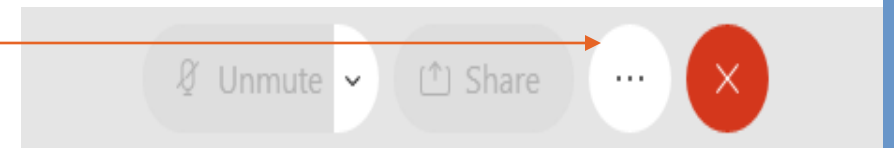


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Phased Implementation Plan





Implementation Timeline

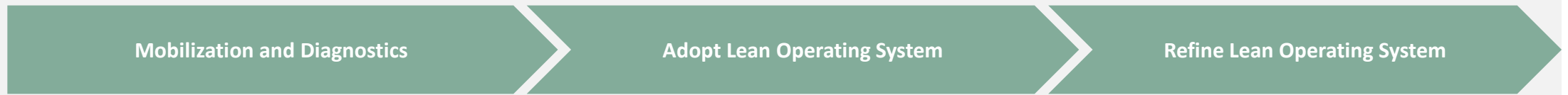
2020		2021				2022				2023	
3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter

Regionalization



- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Design detailed org, operating model • Finalize regional boundaries • Plan and prepare for implementation • Establish roles and governance for regional leadership • Hire Regional Vice Presidents and Safety Directors | <ul style="list-style-type: none"> • Implement regional boundaries and necessary IT changes • Hire regional teams of Program Managers • Regional Safety Directors begin working with local leaders to assess safety practices • Regional teams begin building relationships with internal / external stakeholders | <ul style="list-style-type: none"> • Review regional operating model • Refine model as needed to further improve the local customer and community experience |
|---|---|--|

Lean Operating System



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|--|--|--|
| <ul style="list-style-type: none"> • Align leadership team on principles of Lean Operating System and implementation approach • Determine most important metrics for Visual Management • Establish the daily Operating Review cadence and structure for at least 1 BU • Train senior leadership on Lean best practices and problem-solving behaviors | <ul style="list-style-type: none"> • Standardize company-wide use of Visual Management tools that quickly convey performance • Roll out daily functional and cross-functional Operating Reviews across the company • Introduce Problem Solving and Standard Work tools • Train frontline leaders and employees on Lean Operating System; continue training senior leadership on how to coach and support self-driven teams | <ul style="list-style-type: none"> • Further embed Lean as part of PG&E culture • Further develop Problem Solving capabilities using root cause analysis • Continue to reinforce a model of employee engagement and ownership in senior leadership • Assess effectiveness of Lean and refine implementation as necessary |
|--|--|--|

IMPLEMENTATION

June 20, 2020 Proposal

- New Regional Leadership and teams: \$7M annually
- Information Technology: \$17-47M
- Corporate Real Estate: \$5-35M

Estimate: \$29-89M

February 26, 2021 Proposal

- New Regional Leadership and teams: \$14M annually
- Information Technology: \$16-24M
- Corporate Real Estate: \$0

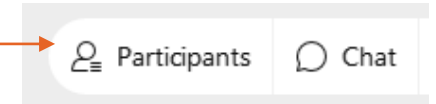
Estimate: \$30-38M



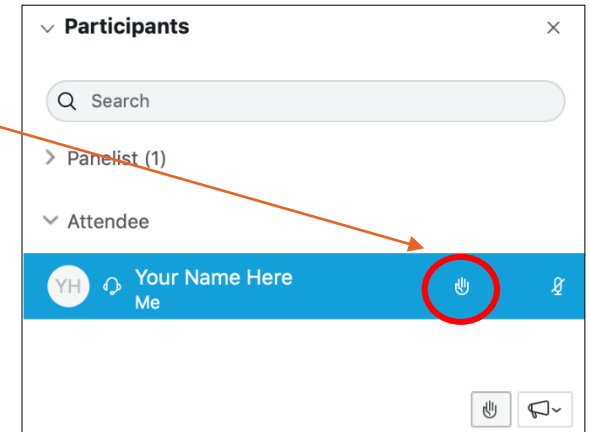
Questions & Discussion

WebEx Tip

1. Click here to access the participant list to raise and lower your hand.

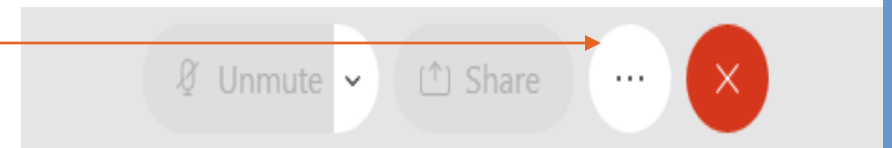


2. Raise your hand by clicking the hand icon.



3. Lower it by clicking again.

Access your audio settings here



Phone participants dial *3 to raise and lower hand.

Next Steps

- Link to the workshop recording will be sent to the service list.
- Per ALJ Stevens' December 23, 2020, email ruling:
 - Comments on the updated proposal will be filed on April 2, 2021,
 - Reply comments will be filed on April 9, 2021.
- No plan to request parties respond to specific issues or questions.