

1 [Political Campaign Spending by Pacific Gas and Electric Co.]

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3 **Resolution demanding refund of shareholder and ratepayer money used to finance**
4 **Prop 16, urging the San Francisco Employees' Retirement System Board to reform its**
5 **proxy investment policies with regard to its holdings with Pacific Gas and Electric Co.**
6 **(PG&E), requesting the California Public Utilities Commission to closely scrutinize**
7 **PG&E's current rate request, and requesting PG&E CEO Peter Darbee to discuss San**
8 **Francisco's renewable energy needs.**

9
10 WHEREAS, In 2002, following deregulation of electricity in 1997, and the resulting
11 energy crisis of 2000-2001 and subsequent bankruptcy of Pacific Gas and Electric (PG&E),
12 the California Legislature passed AB 117, authorizing communities to establish Community
13 Choice Aggregation ("CCA") Programs; and

14 WHEREAS, PG&E supported the passage of AB 117, but has since worked to
15 undermine the purpose and intent of AB 117 in the San Joaquin Valley, Marin County and the
16 City and County of San Francisco; and

17 WHEREAS, San Francisco is the only city in the United States that is required by an
18 act of Congress, the Raker Act of 1913, to provide public power to its residents and
19 businesses; and

20 WHEREAS, In 2007, the Board of Supervisors of the City and County of San Francisco
21 voted to start the process of becoming a Community Choice aggregator and approved a Draft
22 Implementation Plan for Community Choice Aggregation which sets the goal of having 51% of
23 the City's electricity provided by clean and renewable energy resources by the year 2017;
24 and,

1 WHEREAS, The San Francisco Public Utilities Commission (SFPUC) is on schedule to
2 implement the City's CCA Program, known as Clean Power SF, which would provide clean,
3 renewable energy to the citizens of San Francisco; and

4 WHEREAS, PG&E has spent tens of millions of dollars of ratepayer and shareholder
5 money to fund political campaigns to block implementation of the federal mandate of the
6 Raker Act; and

7 WHEREAS, PG&E sponsored the drive and placed an initiative on the California ballot
8 to amend the California Constitution, known as Proposition 16, which was clearly aimed at
9 killing CCA programs, including Clean Power SF, Marin Clean Energy, and the San Joaquin
10 Valley Joint Powers Authority CCA program by requiring a 2/3rds vote of the people to expand
11 or improve municipal power; and

12 WHEREAS, PG&E in the 1930s convinced the Board of Supervisors to grant it a low-
13 cost franchise agreement, granting them a monopoly in perpetuity – an agreement that has
14 never come before or been approved by the San Francisco voters, thereby making Prop 16
15 an even more hypocritical venture; and

16 WHEREAS, PG&E has actively sought to undermine CCA programs, including Clean
17 Power SF, Marin Clean Energy, and the San Joaquin Valley Joint Powers Authority, by
18 inappropriately contacting potential customers and spreading disinformation; and

19 WHEREAS, On May 3rd, 2010 the California Public Utilities Commission ("CPUC")
20 informed PG&E that their actions taken against the Marin Energy Authority CCA program
21 were in violation of tariffs and rules set by the CPUC and they needed to immediately cease
22 such actions; and

23 WHEREAS, On May 12 the CPUC sent a second letter to PG&E informing them that
24 they were still practicing clear violations, and on May 20th the CPUC informed utilities,
25

1 including PG&E, that they could not make “untrue or misleading” statements about CCA
2 programs, and

3 WHEREAS, PG&E spent, at last count, at least \$46 million dollars of shareholder funds
4 for the political purpose of financing, virtually single-handedly, the campaign for passage of
5 Prop 16; and

6 WHEREAS, California voters defeated Prop 16 by a margin of 52.2% to 47.8%, and

7 WHEREAS, PG&E spent approximately \$22 for every vote registered in favor of Prop
8 16; and

9 WHEREAS, Prop 16 lost by an even greater 58%-to-42% margin in PG&E's service
10 areas; demonstrating that no matter how much the voters may distrust government, they
11 dislike PG&E even more; and

12 WHEREAS, San Francisco voted against Prop 16 by a decisive margin of 67.7% to
13 32.3%; and

14 WHEREAS, This expenditure of shareholder funds was not authorized by the
15 shareholders because it was a “management decision” subject to neither Board of Director's
16 nor shareholder's approval, and

17 WHEREAS, The California Public Employees' Retirement System (CalPERS) and
18 many other public as well as private pension funds hold PG&E instruments in their investment
19 portfolios; and

20 WHEREAS, As of June 11, 2010, the San Francisco Employees' Retirement System
21 (SFERS) pension fund held 106,348 shares of PG&E common stock, valued that day at
22 approximately \$4.38 million; and

23 WHEREAS, Institutional investors such as CalPERS and SFERS, account for more
24 than a 60% share of ownership of PG&E; and

1 WHEREAS, The City and County of San Francisco is not only a shareholder of PG&E
2 through SFERS, but is also a ratepayer expending millions of dollars each year paying PG&E
3 for transmission of its Hetch Hetchy power to the City for municipal purposes through the San
4 Francisco Public Utilities Commission; and

5 WHEREAS, It is in the best interest of retirees and the taxpayers that pension funds
6 stay robust, well-funded and steer away from risky investments such as Enron while assuring
7 that the management of companies held are making well-founded business decisions and not
8 taking politically reckless gambles; and

9 WHEREAS, The expenditure of \$46 million on a failed political campaign to undo the
10 will of the people as expressed by their duly elected legislature has reduced PG&E
11 shareholder's dividends and is likely responsible for the recent decline in its stock price to the
12 detriment of CALPERS, SFERS and other institutional investors capitalizing PG&E; and

13 WHEREAS, There is now pending before the California Public Utilities Commission
14 (CPUC) PG&E General Rate Case (GRC) application #09-12-020 wherein PG&E is seeking
15 an additional \$1.101 billion in corporate revenues over and above their currently authorized
16 \$5.587 billion; now therefore, be it

17 RESOLVED, That the City and County of San Francisco by and through its Board of
18 Supervisors demands that PG&E refund to not only the SFERS pension fund but also all
19 shareholders the costs of supporting the political campaign for Prop 16; and encourages other
20 pension plans and institutional investors to review their PG&E pension fund holdings and join
21 in this demand for a refund of shareholder money; and, be it further

22 RESOLVED, That the Board of Supervisors urges the SFERS Board to review its proxy
23 policy to determine how better to influence PG&E's "management decisions" that affect the
24 value of its holdings and its corporate reputation, and encourages other pension plans and
25 institutional investors to do the same; and, be it further

1 RESOLVED, That the Board of Supervisors urges the SFERS Board to submit a formal
2 request for a PG&E corporate shareholder rule that would require approval from a majority of
3 shareholders prior to the expenditure of funds for political purposes involving a ballot
4 measure; and, be it further

5 RESOLVED, That the City and County of San Francisco by and through its Board of
6 Supervisors strongly urges the CPUC to continue to scrutinize GRC #09-12-020, keeping in
7 mind the recent expenditures of PG&E profits for political purposes and either refuse its
8 request or reduce electric rates as PG&E's profit margin is set too high since management
9 can cavalierly disburse profits at the expense of its shareholders and to the detriment of its
10 ratepayers; and, be it further

11 RESOLVED, That the San Francisco Board of Supervisors insists that PG&E respect
12 the City's determination to pursue a CCA program to give customers an enhanced choice for
13 reliable, renewable energy, and hopes to cooperate with PG&E in advancing San Francisco's
14 renewable energy capacity as long as they refrain from undermining implementation of CCA
15 laws; and, be it further

16 RESOLVED, That the Board of Supervisors invites, Peter Darbee, the CEO of PG&E,
17 the CEO of PG&E, who has never met with the Board of Supervisors, to discuss San
18 Francisco's Clean Power SF Program and the City's renewable energy objectives for 2010
19 and beyond.
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City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails
Resolution

File Number: 100827

Date Passed: June 29, 2010

Resolution demanding refund of shareholder and ratepayer money used to finance Prop 16, urging the San Francisco Employees' Retirement System Board to reform its proxy investment policies with regard to its holdings with Pacific Gas and Electric Co. (PG&E), requesting the California Public Utilities Commission to closely scrutinize PG&E's current rate request, and requesting PG&E CEO Peter Darbee to discuss San Francisco's renewable energy needs.

June 22, 2010 Board of Supervisors - CONTINUED

Ayes: 10 - Avalos, Campos, Chiu, Chu, Daly, Dufty, Elsbernd, Mar, Maxwell and Mirkarimi

Excused: 1 - Alioto-Pier

June 29, 2010 Board of Supervisors - ADOPTED

Ayes: 8 - Avalos, Campos, Chiu, Daly, Dufty, Mar, Maxwell and Mirkarimi

Noes: 3 - Alioto-Pier, Chu and Elsbernd

File No. 100827

I hereby certify that the foregoing Resolution was ADOPTED on 6/29/2010 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

UNSIGNED

Mayor Gavin Newsom

7/9/10

Date Approved

Date: July 9, 2010

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter.

Angela Calvillo
Clerk of the Board

File No. 100827