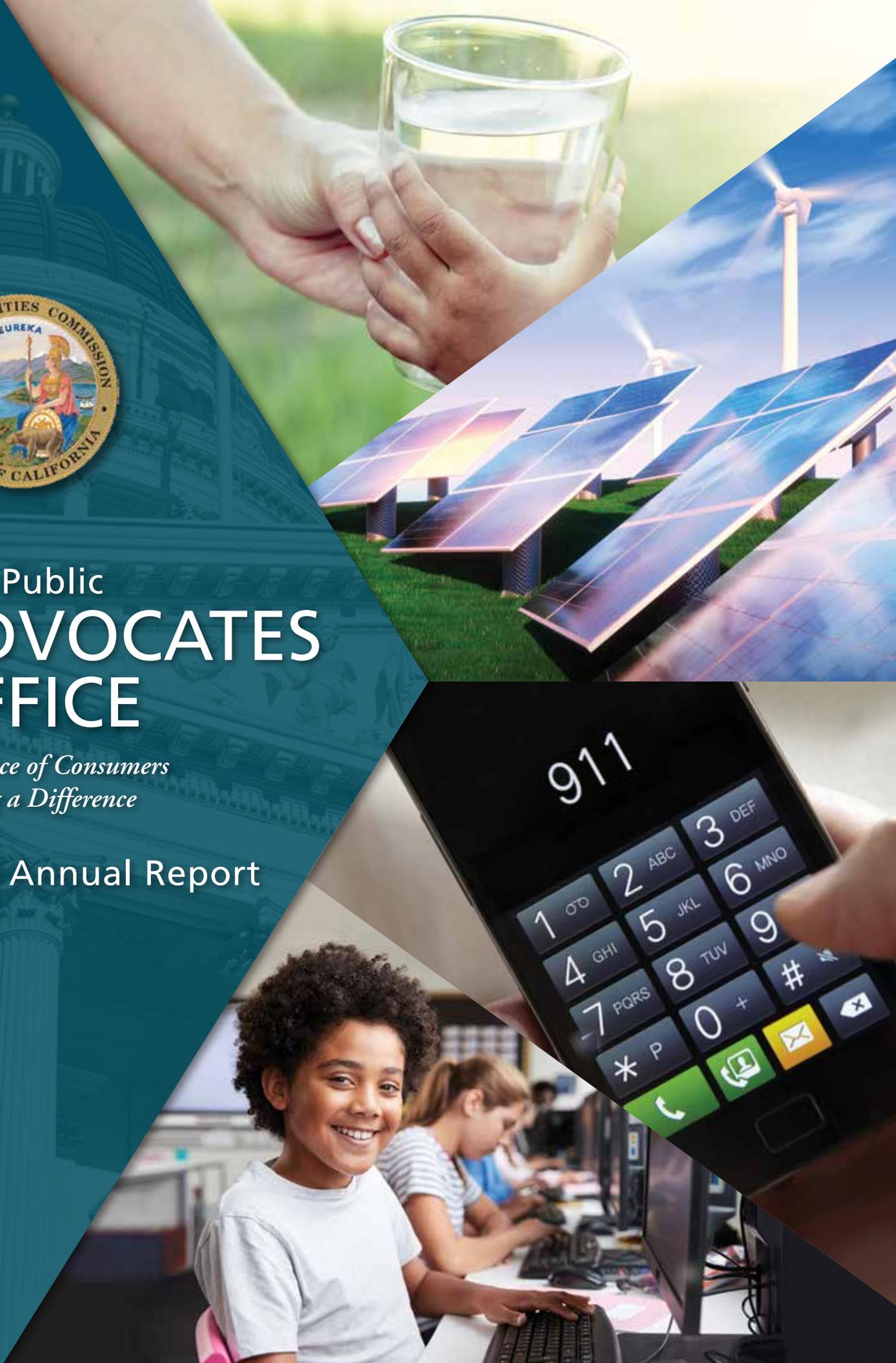




# The Public ADVOCATES OFFICE

*The Voice of Consumers  
Making a Difference*

## 2019 Annual Report



“ Access to communication services is critical to get emergency evacuation alerts, dial 9-1-1, obtain information on what’s happening in our communities, and communicate with loved ones. This is a matter of public health and safety.”

– Elizabeth Echols  
Public Advocates  
Office Director





**I**t is an honor to present the Public Advocates Office's 2019 Annual Report. Our goal is to ensure safe, reliable, and affordable utility services while advancing the state's environmental objectives. This report highlights our key actions and accomplishments in 2019 to fulfill this important mission.

I am proud of our work as the independent voice of consumers. The Public Advocates Office focuses on achieving the best value for consumers across the regulated industry sectors – energy, water, and communications. We strive to ensure that no one is left behind and that all communities have reliable access to safe, affordable utility services. Last year, our office saved customers more than \$4.3 billion in lower utility revenues and avoided rate increases.

We vigorously advocated for policies and stronger protections to help consumers who were affected by unprecedented power shutoffs, including the lack of access to 911 services. We recommended fundamental changes to ensure that energy, water, and communications companies take immediate action to protect communities from the impacts of wildfires. We identified concerns with utility wildfire safety plans and proposed solutions to improve utility system safety, accountability, and transparency.

Our work also strongly supports California's global leadership on climate goals, including reducing greenhouse gas emissions through increased reliance on preferred resources, such as energy efficiency and renewables. We are actively engaged in furthering ways to cost effectively integrate distributed energy resources and electrified transportation onto the grid. By achieving the state's climate goals in a cost-effective manner, we hope to both benefit California consumers and help create a model that other states and entities can follow.

We look forward to working with Governor Newsom, the California State Legislature, the CPUC, the public, and other stakeholders to ensure that all Californians have access to affordable, safe, reliable utility services and to continue to advance the state's environmental goals.

– Elizabeth Echols, Public Advocates Office Director

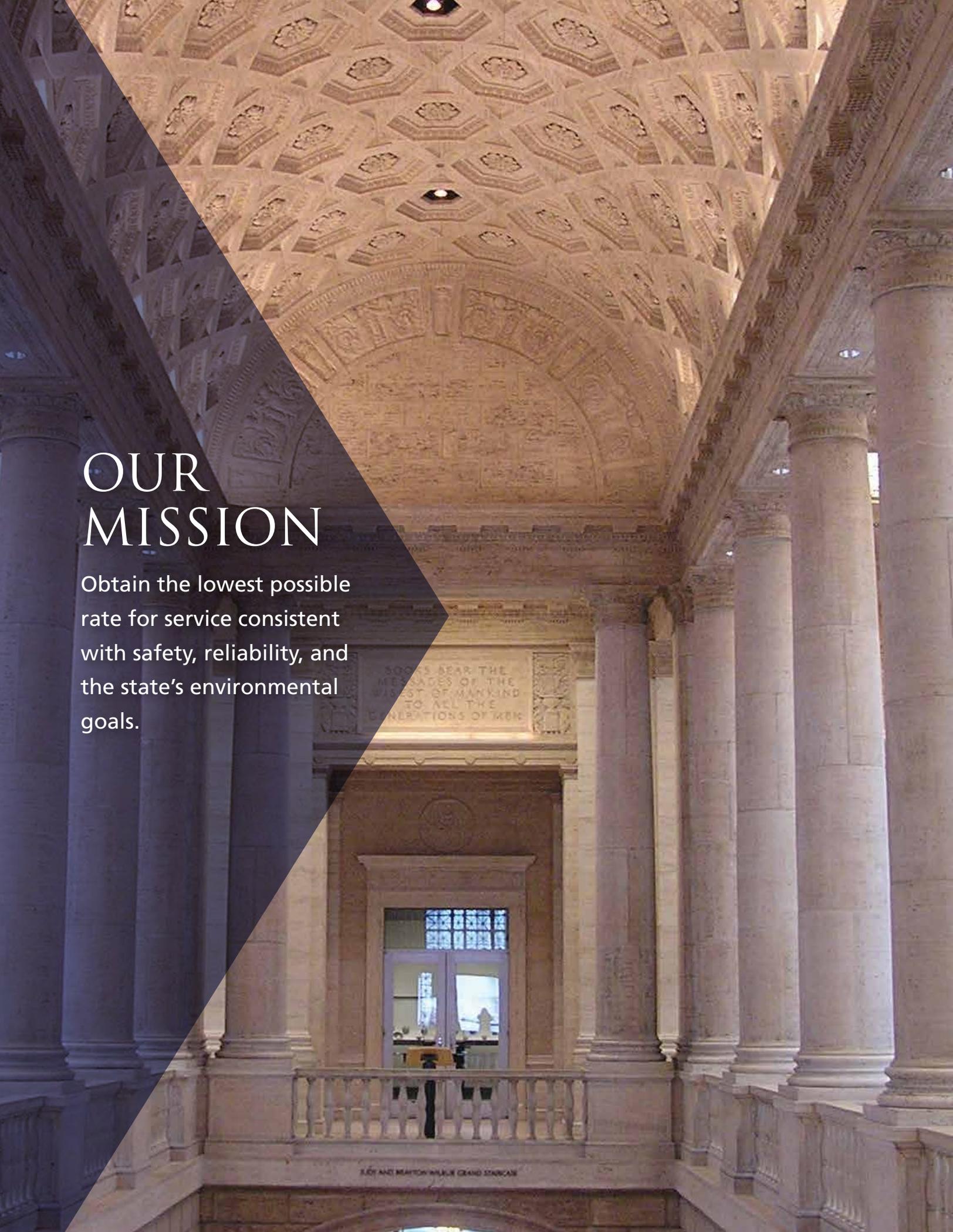
A detailed mosaic artwork. At the top, a circular band contains the word "SEAL OF" in white letters on a gold background. Below this, a woman in a blue and white dress with a golden helmet (Athena) sits on a red and gold patterned rug. She holds a long spear with a golden tip. A large black grizzly bear is lying down in front of her. In the background, a harbor scene features several white sailing ships on a green sea, with dark hills in the distance. At the bottom, another circular band contains the word "LIFEOR" in white letters on a gold background. The entire mosaic is set against a background of a red and gold geometric pattern.

The Public  
**ADVOCATES  
OFFICE**

*The Voice of Consumers  
Making a Difference*

# CONTENTS

<b>Message from the Director</b>	<b>Preface</b>
<b>The Voice of Consumers Making a Difference</b>	<b>1</b>
<b>Our Office History</b>	<b>2</b>
<b>The Public Advocates Office 2019 Customer Savings</b>	<b>4</b>
<b>The Public Advocates Office Work on Rates and Services</b>	<b>5</b>
Energy General Rate Cases	6
Water General Rate Cases	10
Communications Ratemaking Proceedings	12
<b>Our Office Policy Efforts</b>	<b>14</b>
Safety and Reliability	16
Access and Affordability	28
Environmental Goals	34
<b>Legislative Report</b>	<b>43</b>
<b>The Public Advocates Office in Sacramento</b>	<b>53</b>
<b>Our Executive Team</b>	<b>55</b>



# OUR MISSION

Obtain the lowest possible rate for service consistent with safety, reliability, and the state's environmental goals.

SOONS BEAR THE  
MESSAGES OF THE  
WISDOM OF MANKIND  
TO ALL THE  
GENERATIONS OF MEN

SLIP AND BRAYTON WALKER GRAND STAIRCASE

Staff tour of zero emission vehicles.

The voice of consumers

# MAKING A DIFFERENCE

In 2019, the Public Advocates Office participated in over 200 proceedings and filed approximately 780 pleadings at the CPUC to advocate for the interests of California consumers.



Staff inspection of Coloma Water Treatment Plant.

Staff inspection at PG&E.

# OUR OFFICE HISTORY

## 2019

Public Advocates Office received 14 new wildfire safety positions to help implement SB 901 (Dodd, Chapter 626, Statutes of 2018). SB 901 is a bill which addresses wildfire prevention and utility safety issues.

## 2018

SB 854 changed our name from Office of Ratepayer Advocates (ORA) to the Public Advocates Office to make it more understandable to the people we serve and to better convey our public interest mission.

## 2013

SB 96 provided ORA more autonomy by making it an independent organization at the CPUC.

## 2005

SB 608 provided ORA autonomy over its budget, the staff, and appointment of the Chief Counsel.

## 1996

SB 960 made ORA independent from the CPUC for policy, consumer advocacy, and budget, and made ORA Director an appointee of the Governor.

## 1984

CPUC created ORA (formerly known as Public Staff Division).



OVER THE  
LAST DECADE

the Public Advocates  
Office saved consumers over:  
**\$47 BILLION**

The Public Advocates Office

# 2019 CUSTOMER SAVINGS

Total customer savings was over \$4.3 billion through reduced utility revenues and avoided rate increases.



*The Voice of Consumers  
Making a Difference*

The Public Advocates Office

# RATES AND SERVICES

## **Our Work on General Rate Cases and Other Ratemaking Proceedings**

One of the primary ways we accomplish our statutory mandate is by successfully advocating for consumers in General Rate Case (GRC) proceedings. We perform in-depth reviews and then develop fact-based recommendations to advocate for the lowest possible customer rates consistent with safety, reliability, and the state's environmental goals. As one of the only entities that evaluates these applications in their entirety, the Public Advocates Office typically devotes the greatest resources to the issues that have the most significant impact on consumers' monthly bills.

### **WHAT IS A GENERAL RATE CASE PROCEEDING?**

A process whereby an investor-owned utility, such as Pacific Gas and Electric Company or Golden State Water Company, requests the California Public Utilities Commission's (CPUC) authorization to increase their revenue to operate their businesses. A GRC can include such things as a company requesting to build new infrastructure, upgrade their computer systems, or expand and improve broadband services.

These requests are usually made every three years and include thousands of proposals which are evaluated over the approximately 18 months that it takes to conclude a GRC proceeding.



# ENERGY GENERAL RATE CASES

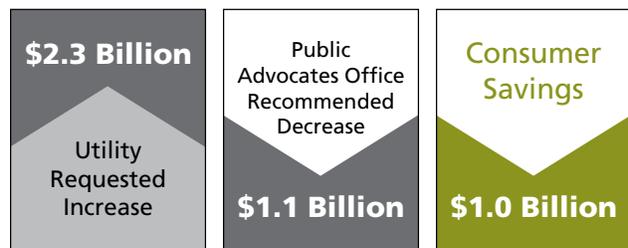
The Public Advocates Office represents approximately 80% of California's electric and natural gas consumers with an emphasis on residential and small business customers. We evaluate investor-owned utility (IOU) companies in the areas of customer rates, procurement, renewable energy, distributed energy resources, transmission and distribution infrastructure, safety, and consumer protection. We closely examine the utilities' proposals to determine if new requests are necessary, will keep rates affordable, support California's energy goals, and promote the safety and reliability of the state's energy infrastructure.

The Public Advocates Office participated in five energy utility GRC proceedings this year: Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Bear Valley Electric Service, and PacifiCorp.

## Southern California Edison GRC

In September 2016, SCE filed its GRC application requesting a \$2.3 billion revenue increase for the 2018-20 period. Based on our analysis, we recommended a \$1.1 billion reduction to this request.

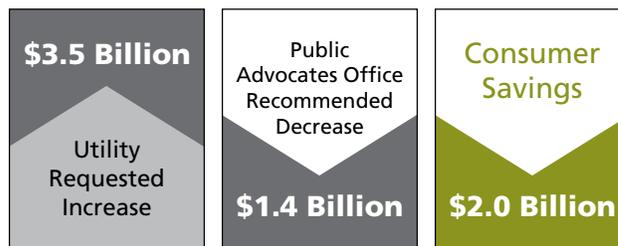
In May 2019, the CPUC approved a \$1.3 billion rate increase, saving customers \$1.0 billion based, in part, on our analysis and recommendations.



Staff examining utility books and records.

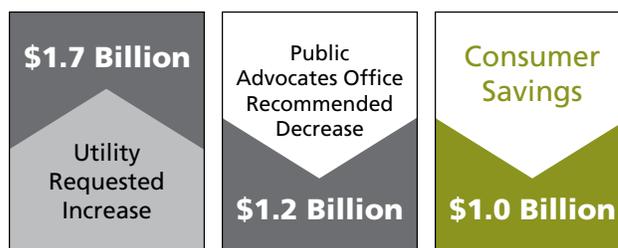
## Southern California Gas Company GRC

In October 2017, SoCalGas filed their GRC application requesting a rate increase of \$3.5 billion for the four-year period of 2019-2022. The Public Advocates Office recommended a decrease of \$1.4 billion to their request. Our recommendations are based on analyses that showed the utilities had overstated their forecasts for various operational and administrative expenses such as management incentive compensation. In September 2019, the CPUC rejected the proposed four-year period and instead approved revenue increases for a three-year period. The CPUC adopted a \$1.53 billion increase for SoCalGas which is \$ 2.0 billion lower than the utility requested.



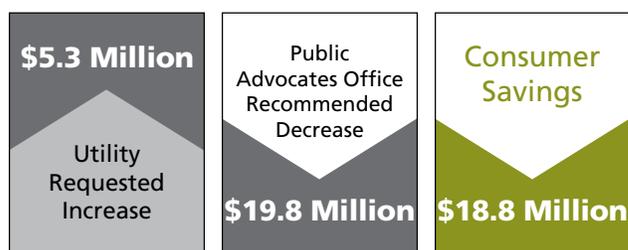
## San Diego Gas & Electric Company GRC

In October 2017, SDG&E filed their GRC application requesting a rate increases of \$1.7 billion for the four-year period of 2019-22. The Public Advocates Office recommended a decrease of \$1.2 billion to their request. Our recommendations are based on analyses that showed the utilities had overstated their forecasts for various operational and administrative expenses such as management incentive compensation. In September 2019, the CPUC rejected the proposed four-year period and instead approved revenue increases for a three-year period. The CPUC adopted a \$692 million revenue increase for SDG&E, which represents a \$1.0 billion savings for customers



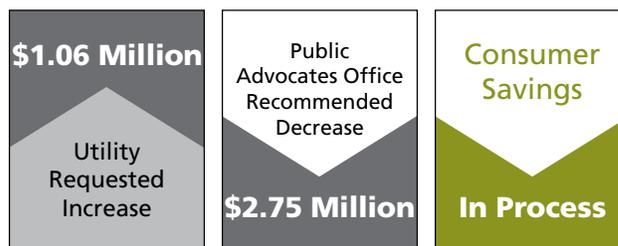
## Bear Valley Electric Service GRC

In May 2017, Bear Valley requested a \$5.3 million revenue increase for a four-year period from 2018-21. We recommended a \$19.8 million revenue decrease for this period. In November 2018, the Public Advocates Office and Bear Valley filed a settlement agreement reflecting a \$13.5 million revenue decrease, resulting in customer savings of \$18.8 million. The CPUC approved the settlement in August 2019.



## PacifiCorp GRC

In April 2018, PacifiCorp requested a \$1.06 million increase in revenues for 2019, whereas the Public Advocates Office recommended a \$2.75 million revenue decrease. Our recommendation is based on a proposed lower return on investment and reduced ratepayer funding of management incentive compensation. The CPUC is expected to issue a final decision in early 2020.



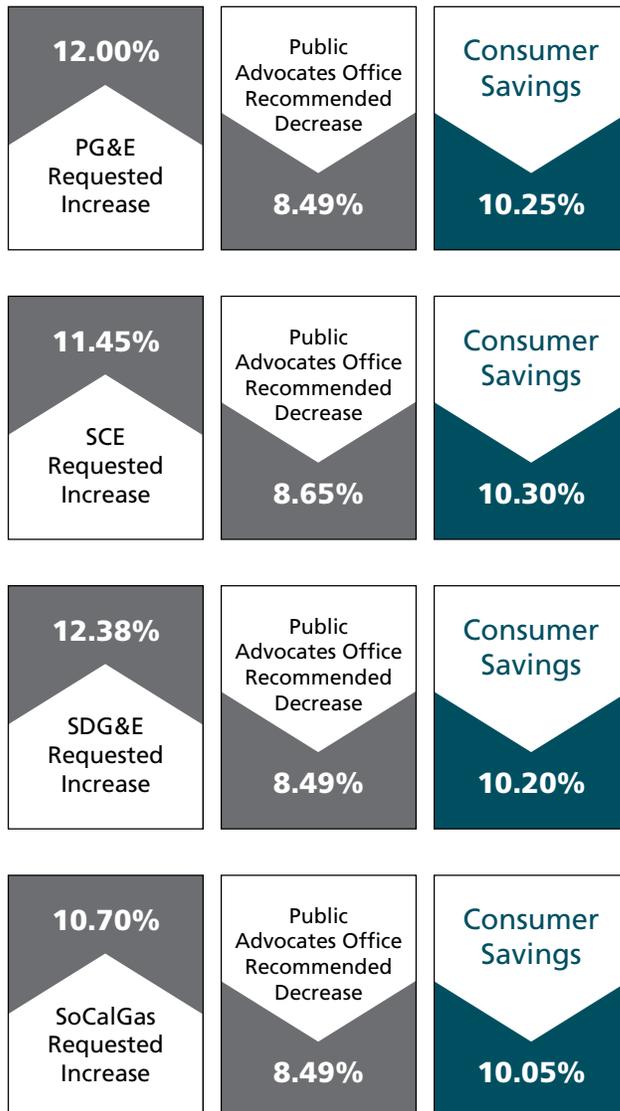
## OTHER ENERGY RATEMAKING PROCEEDINGS

### Cost of Capital Proceeding

In April 2019, the four largest energy utilities – Pacific Gas and Electric Company (PG&E), SCE, SDG&E, and SoCalGas - filed their cost of capital applications for the 2020-22 period. In this proceeding, the CPUC authorizes the utilities’ return on equity (ROE), capital structure, and cost of debt. The CPUC establishes the utilities’ cost of capital for one year and an automatic mechanism adjusts the cost of capital for the subsequent two years based on utility bond rate changes. The utilities are not guaranteed to earn their authorized ROE. Their actual ROEs may be higher or lower than authorized.

The utilities had proposed ROEs above the ROEs previously approved by the CPUC. In December, the CPUC authorized ROEs that remain unchanged from the previously-authorized levels.

The following table summarizes the utilities’ requests, the Public Advocates Office’s recommendations, and the final CPUC-authorized Rates of Return on Equity.





### **PG&E Bankruptcy and Reorganization Plan Investigation**

In September 2019, the CPUC opened an investigation to consider the implications for PG&E that will result from a confirmed reorganization plan that would resolve PG&E's voluntary Chapter 11 Bankruptcy proceeding. Any plan of reorganization must be filed with the CPUC for approval (please see discussion on pages 20-21).

### **PG&E Gas Cost Allocation Proceeding**

In October 2019, the CPUC issued a decision that agreed with our recommendation to reject PG&E's proposal to increase the minimum monthly charge for residential customers from \$3 to \$15 - a 500% increase! Instead, the CPUC adopted our recommendations for a modest \$1 increase in the minimum monthly charge.

# WATER GENERAL RATE CASES

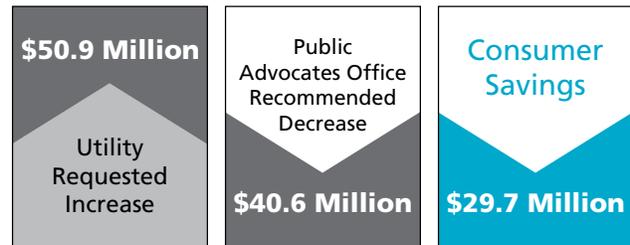
The Public Advocates Office represents over 4.1 million people (1.4 million water service connections). We advocate for affordable, safe and reliable water service, and for water rate assistance programs that serve low-income customers. We also support cost-effective conservation programs and long-term water supply solutions.

The Public Advocates Office participated in three GRC proceedings and achieved a total savings of \$97.3 million over a three-year period, which results in an average savings of \$272 per connection.

## Suburban Water Systems GRC

In January 2017, Suburban Water Systems requested a cumulative revenue increase of \$50.9 million for the three-year period of 2018–20. The Public Advocates Office recommended reducing the utility's request by \$40.6 million to adjust for the utility's inflated cost estimates in such areas as payroll, employee pensions, and benefits. We

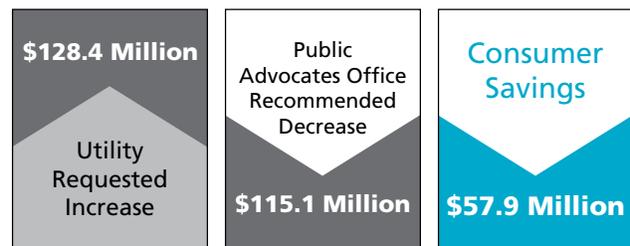
also identified unsubstantiated capital projects for pipelines, water rights, and vehicle replacements. The CPUC issued a decision in May 2019 that adopted a revenue increase of \$21.2 million, saving customers \$29.7 million (an average savings of \$388 per connection) over the three-year period.



## Golden State Water Company GRC

In July 2017, Golden State Water Company requested a cumulative revenue increase of \$128.4 million for the three-year period of 2019–21. The Public Advocates Office advocated to reduce the utility's request by \$115.1 million to adjust for the utility's inflated cost estimates in such areas as executive compensation, general office

expenses, and working cash. In January 2019, the CPUC issued a decision that adopted a settlement we reached with the company, resulting in a lower cumulative revenue increase of \$70.5 million. Ultimately, the Public Advocates Office saved customers \$57.9 million (or \$222 per connection on average) over the three-year period.

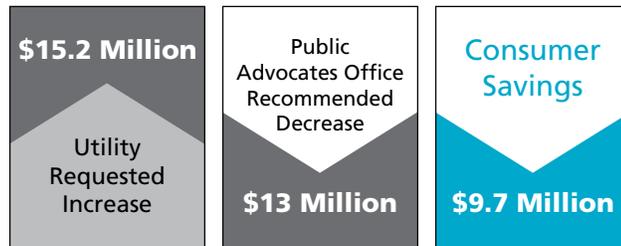




Staff examine water treatment plant to ensure safe and clean drinking water.

### Great Oaks Water Company GRC

In July 2018, the Great Oaks Water Company requested a cumulative revenue increase of \$15.2 million for the 2019-21 period. The Public Advocates Office recommended reducing the utility's request by \$13 million, to adjust for the utility's unreasonable cost estimates for water supply and working cash. We entered into a settlement agreement with the company, which the CPUC adopted in January 2019. The settlement resulted in a revenue increase of \$5.5 million, which saves customers \$9.7 million (an average savings of \$449 per connection) over the three-year period.



Staff inspection of San Gabriel Water Company.

# COMMUNICATIONS RATEMAKING PROCEEDINGS

## CALIFORNIA HIGH COST FUND A (CHCF-A) PROGRAM

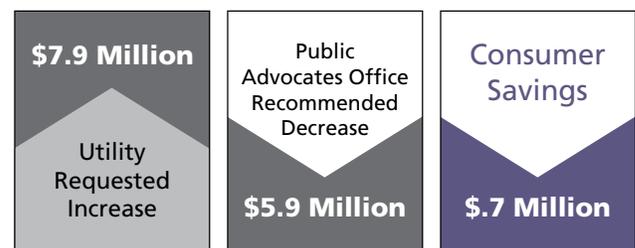
The California High Cost Fund A (CHCF-A) Program was established to provide subsidies to small rural telephone companies in order to meet their cost requirements. The CHCF-A Program promotes affordable, safe, and reliable communications service in rural areas. About 77% of small telephone companies participate in the program, serving more than 49,000 customers. In 2019, these companies received an average annual subsidy of \$688 per line from the CHCF-A Program. Additionally, these companies received an average annual subsidy of \$421 from the federal government.

The CPUC establishes the revenue requirements for small telephone companies in GRC proceedings. Our advocacy in these proceedings is consistent with the statutory requirement that the CHCF-A subsidy provided to small companies is not excessive and unduly burdensome for the customers statewide who fund the program. This year, our work on the GRC proceedings of Ducor Telephone Company and Foresthill Telephone Company saved customers \$2.4 million (an average of \$692 per line) over a three-year period.

### Ducor Telephone Company's GRC

In October 2017, Ducor Telephone Company (Ducor) filed their GRC application requesting revenues of \$7.9 million for 2019-21. The Public Advocates Office advocated for lower revenues of \$5.9 million for Ducor, citing that Ducor had inflated estimated costs. In particular, the company's request inappropriately included costs that should have been allocated to their affiliated

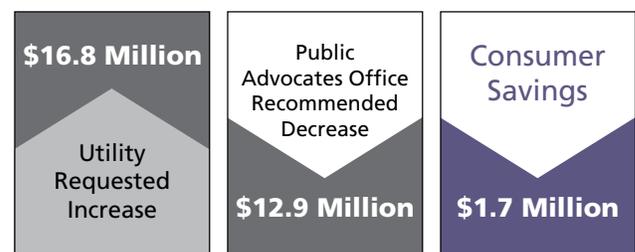
companies. The CPUC decision adopted revenues of \$7.2 million for 2019-2021. The Public Advocates Office saved consumers \$700,000 over the three-year period.

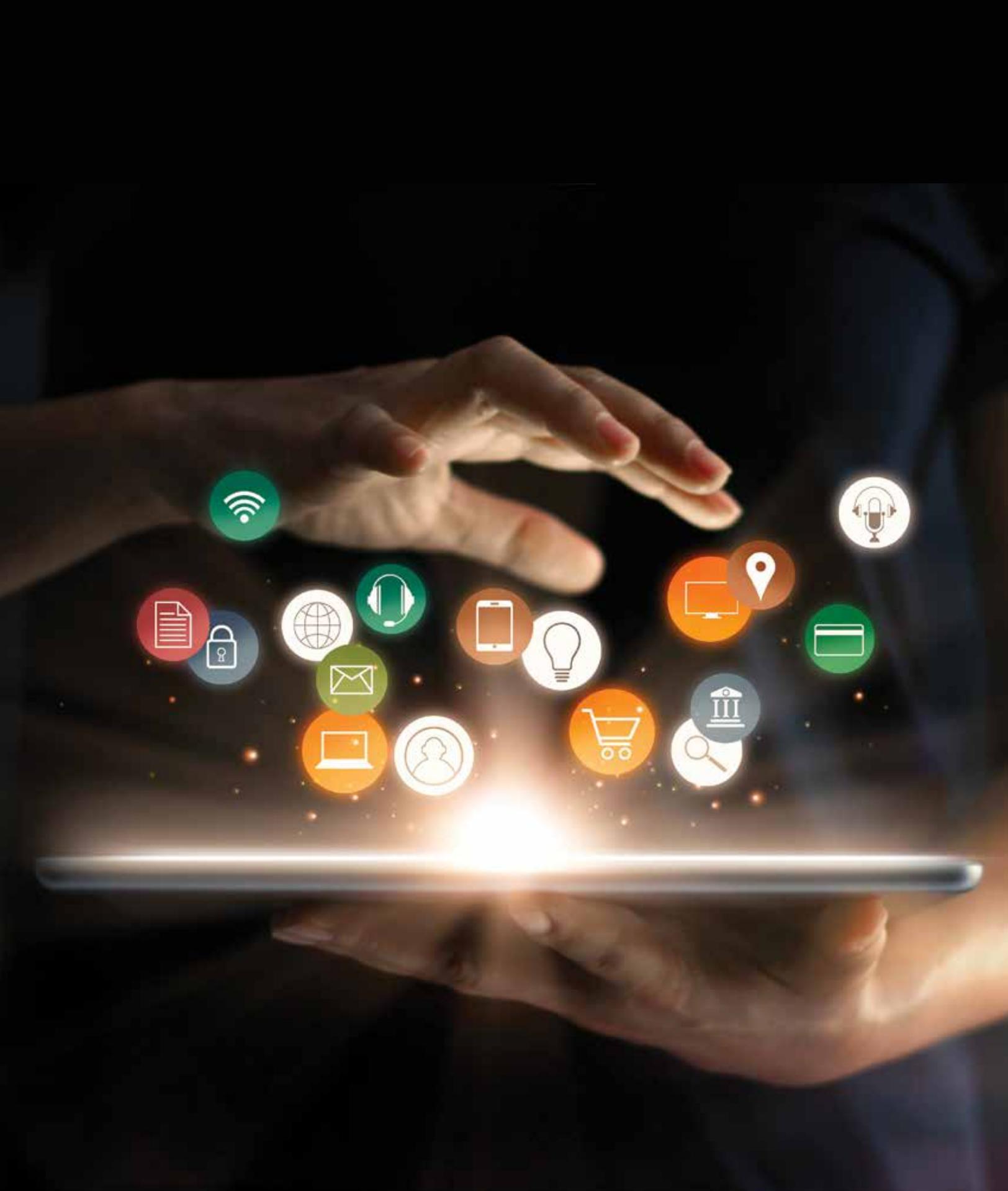


### Foresthill Telephone Company's GRC

In October 2017, Foresthill Telephone Company (Foresthill) filed their GRC application requesting revenues of \$16.8 million for 2019-2021. The Public Advocates Office advocated for lower revenues of \$12.9 million, citing that Foresthill had inflated their estimated costs that should have been allocated to their affiliated companies. The CPUC decision adopted revenues of \$15.1 million

for 2019-2021. The Public Advocates Office saved consumers \$1.7 million over the three-year period.







# OUR POLICY EFFORTS

**The mission of the Public Advocates Office is to achieve the lowest possible utility rates for California consumers consistent with safety, reliability, and the state’s environmental goals. Our goal is to achieve the best value for consumers across the regulated industry sectors (energy, water, and communications) and ensure that all communities have access to affordable utility services.**

The CPUC’s procedures are complex and the average consumer has neither the time nor the resources to navigate these processes on their own. The Public Advocates Office is committed to providing policy advocacy that keeps pace with California’s commitment to safety, equitable access, and environmental policies. We dedicate significant resources, including analysts, engineers, lawyers, auditors, and financial experts to conducting thorough examinations of the benefits and costs of proposed programs and policies. We advocate for outcomes that are both consistent with state policy goals and in the best interests of the consumer.

We successfully represented the interests of California consumers in the following policy areas:

## **SAFETY AND RELIABILITY**

We advocate for safe and reliable utility services by examining the utilities’ safety-related proposals, conducting risk analyses, and assessing utility costs. We also determine whether utility safety proposals are compliant with federal and state laws and regulations.

## **ACCESS AND AFFORDABILITY**

We are committed to advancing universal and affordable access to utility services, especially for those customers most in need. We participate in hundreds of proceedings at the CPUC and in forums at the California Air Resources Board, California Energy Commission, the California Independent System Operator, and the State Water Control Resources Board.

## **ENVIRONMENTAL GOALS**

The Public Advocates Office works to achieve California’s ambitious environmental goals in a cost-effective manner. We work directly with the CPUC, stakeholders, and the public to help implement the state’s goal of reducing greenhouse gas emissions. Among other things, the Public Advocates Office advocates for increased reliance on preferred resources such as renewables, energy efficiency, demand response, and other distributed energy resources such as energy storage and transportation electrification.



Staff inspection at PG&E.



Participating in workshops and hearings are a critical part of our work.

# SAFETY & RELIABILITY

## SAFETY ISSUES

Californians pay for and expect safe and reliable electricity service, which utility management is well compensated to provide. However, what we have seen over the last decade is a litany of utility management failures. Utility companies have not kept their side of the bargain. They have not provided safe and reliable service. This decade opened with the explosion of a PG&E natural gas pipeline in San Bruno that killed eight people, injured 58, and destroyed or damaged 38 homes. As we progressed into the decade, further utility management failures led to injuries of utility employees and contractors, a massive and prolonged natural gas storage leak, and wildfires that ravaged California. The names of several of the wildfires associated with utility infrastructure - Butte, Atlas, Camp, Thomas, and Woolsey - are now etched into the collective memory of California. The total number of injuries and deaths due to utility-caused wildfires now numbers in the hundreds.

More recently, the utilities have resorted to shutting off power to millions of customers to reduce the risk of utility-caused wildfires. These shutoffs have severely impacted residents and businesses, in particular seniors, children and people dependent on life-sustaining medical devices that run on

electricity. Furthermore, the utilities' failures have served to undermine our state's goal to reduce GHG emissions, including the release of massive amounts of carbon emissions and toxic substances resulting from the wildfires.

For these reasons, the Public Advocates Office has continued to advocate for safer and more reliable infrastructure. Safe and reliable utility infrastructure is the engine at the heart of California's economy, the fifth largest in the world. We advocate on the public's behalf to ensure that the utilities design, maintain, and operate their infrastructure commensurate with California's economic might. We work to shed light on and improve utility safety practices and to ensure that the utilities prioritize safety and reliability over profits. We fight to ensure the CPUC holds the utilities accountable when they fail to manage their systems safely and reliably.

This year we have begun to see success with our efforts to ensure reliable communications services. We have urged that the CPUC exercise its authority over communications providers to maintain service during natural disasters and



Inspection of utility poles is critical to prevent overloading.



Ensuring access to communications is vital during emergencies.

other events such as power shutoffs. In November 2019, the CPUC required the major communications companies to explain why they failed to maintain the critical infrastructure necessary for fire fighters, police, and other first responders to communicate effectively when the power is shut-off. In 2020, we will continue to advocate for stronger protections on behalf of Californians.

### **Power Shutoff Protocols and Procedures**

A Public Safety Power Shutoff (PSPS), or de-energization event, occurs when a utility cuts power to lines that may fail in certain weather conditions. A utility's decision to initiate a PSPS is intended to be a last resort measure to reduce the risk that its infrastructure could cause a wildfire. On October 9, 2019, PG&E initiated PSPS events throughout most of its service territory. The October 9, 2019 PSPS event shutoff impacted approximately 738,000 customer accounts, and an estimated 2 million people.<sup>1</sup> This PSPS resulted in significant and widespread disruption of essential services and functions. Medical facilities, school districts, public transportation, rail crossings, and food and water supplies experienced some of the most severe impacts. These impacts exposed the utility's failure to anticipate and plan for the needs of and consequences to its customers and the public. Among its most serious failings was PG&E's lack of communication with its customers, and poor coordination with local government, first responders, and community organizations.

Immediately following the PSPS events, Governor Newsom called for the CPUC to conduct a comprehensive review of the PSPS events to ensure that the use of PSPS is limited and focused. The Public Advocates Office made a similar recommendation in a formal pleading that urged the CPUC to assess the utilities' PSPS decision making processes, including a review of the utilities' operations, maintenance, design, and construction of the impacted infrastructure, and their compliance with their current wildfire mitigation plans.

<sup>1</sup> One or more individuals may be associated with any given customer account. For example, a family of four in a house or apartment with its own meter would represent one account, but four people were without power. Ensuring access to communications is vital during emergencies.



Access to wireless services is a matter of public health and safety.

In November, the CPUC opened both an investigation into the utilities' PSPS practices and threatened sanctions on PG&E for its risks to public safety.

In September, the Public Advocates Office recommended that the CPUC require the utilities to conduct a more detailed examination of vulnerable populations such as customers who depend on medical devices that run on electricity. We also recommended that the utilities immediately ensure the accuracy of their lists of customers who participate in programs for persons with special energy needs due to medical conditions (medical baseline allowance programs) including going door-to-door, if necessary, to these customers. The CPUC adopted our

recommendations, which helps to ensure that the most vulnerable customers receive notifications that their power will be shutoff. We also advocated that early public notification requirements should be extended to entities that provide vital transportation services to the public, in particular to assist with evacuation processes.

### **Emergency Disaster Relief Program**

Access to reliable wireless service is a matter of public health and safety. Based on 2018 data from the California Office of Emergency Service, more than 81% of all calls to 9-1-1 are made from wireless phones, and the use of text-to-9-1-1 is growing as this capability is rolled out to more counties. Californians rely on their wireless service during emergencies, including Public Safety Power Shutoffs (PSPS), to call 9-1-1 for help, receive text message notifications and instructions, check the Internet for the latest developments, and to communicate with loved ones.

In May, the Public Advocates Office urged the CPUC to require wireless service providers to install back-up power in each of their cell sites and critical network nodes. In September, we again recommended that the CPUC order wireless service providers to install back-up power in cell sites and critical network nodes and to employ all means necessary to ensure wireless service is maintained for a minimum of 72 hours from the start of an electrical outage. We reiterated this recommendation in November during a pre-hearing conference ordered by CPUC President Batjer, shortly after learning about the widespread impact of wireless network outages resulting from PG&E's PSPS. The CPUC's decision on our recommendation is pending.

## **IMPLEMENTING WILDFIRE SAFETY LEGISLATION**

In 2018 and 2019, the Legislature passed legislation focused on mitigating the risk of wildfires and assisting potential wildfire victims, which were signed by former Governor Brown and current Governor Newsom. Consistent with our statutory mandate, the Public Advocates Office is actively participating in all CPUC proceedings that focus on implementing these new laws to ensure customers' interests are represented. These proceedings address:

## The 2019 Wildfire Mitigation Plans

In February 2019, the electric utilities and transmission owners<sup>2</sup> filed their first Wildfire Mitigation Plans, pursuant to SB 901 (Dodd, Chapter 626, Statutes of 2018). The plans must contain programs and projects to reduce the risk of catastrophic wildfires. The Public Advocates Office has identified numerous deficiencies and concerns about the plans ranging from unrealistic workload estimates to insufficient data to support the plans' objectives. The CPUC adopted our recommendation for a second phase to assess improvements for the 2020 Wildfire Mitigation Plans.

## 2017 Wildfire Securitization and Cost Recovery

In January 2019, the CPUC opened a rulemaking pursuant to SB 901 to determine the maximum amount a utility could pay for costs associated with the 2017 catastrophic wildfires without impacting its ability to provide safe and reliable service. The Public Advocates Office recommended that the CPUC consider the balance of "material impacts" to utility service and "customer harm" (such as customers paying for costs that were not prudently incurred) in specific utility cost recovery applications, and expand the range of financial outcomes that the stress test would deem sufficient to support a utility's access to capital. Our recommendations focused on fairly assessing a utility's financial condition and limiting the risk that customers would be unfairly burdened with undue wildfire-related costs. The CPUC issued a final decision in June 2019 that adopted our recommendations.

## The Non-Bypassable Wildfire Fund Charge

A non-bypassable charge is a mandatory charge that customers must pay to support programs that broadly benefit all customers and the state, such as low-income assistance and energy efficiency programs. Pursuant to AB 1054 (Holden, Chapter 79, Statutes of 2019), the CPUC opened a rulemaking to consider whether a non-bypassable charge in support of the Wildfire Fund is just and reasonable. Based on our recommendation, the CPUC issued a decision in October 2019 that provided important clarifications regarding the operation of the Wildfire Fund to ensure that customers do not pay more than once for wildfire costs.



<sup>2</sup> Wildfire Mitigation Plans were filed by PG&E, SCE, SDG&E, Liberty Utilities, Bear Valley Electric Service, Pacific Power, Trans Bay Cable LLC, and NextEra Energy Transmission West, LLC.

## **SAFETY INVESTIGATIONS AND OTHER PROCEEDINGS**

### **PG&E 2017 Wildfire Investigation**

In June 2019, the CPUC opened an investigation into the 2017 wildfires that were caused by or occurred near PG&E's electrical infrastructure. This investigation is examining 18 fire incidents. Collectively these fires caused 44 fatalities, destroyed or damaged 3,593 structures, and burned 190,653 acres. The Public Advocates Office recommended the CPUC include four additional fires in the scope of the proceeding: the 37 Fire, the Blue Fire, the McCourtney Fire, and the Lobo Fire. The CPUC included two of the four additional fires, the Lobo and McCourtney Fires in the scope of the proceeding. The CPUC's Safety and Enforcement Division (SED) also requested the addition of the 2018 Camp Fire within the scope of the proceeding, which the CPUC granted in December. The addition of the Camp Fire increases the fatalities to 129, with 22,397 destroyed or damaged structures, and 343,989 acres burned.

### **PG&E Locate and Mark Investigation**

In December 2018, the CPUC opened an investigation into PG&E's practices for its Locate and Mark Program. This program sets forth standard protocols on how the utility will respond to excavators' requests to have the location of underground electric distribution and natural gas infrastructure marked before they begin to dig. CPUC staff and PG&E consultants identified approximately 130,000 late locate and mark tickets that PG&E failed to report between 2010 and 2017. In addition to our showing that PG&E practices were not consistent with standard protocols, we uncovered that some of these late tickets resulted in excavators hitting PG&E's unmarked or improperly marked infrastructure. In addition, it appears that in many instances PG&E failed to assign staff with appropriate electrical experience to this locate and mark work. The Public Advocates Office has raised these and other safety issues in this ongoing proceeding.

In October, a settlement was reached between PG&E, SED, and the California Coalition of Utility Employees. The Public Advocates Office, and other parties, opposed the settlement agreement as not in the public interest. The settlement agreement fails to appropriately penalize PG&E for its failures to accurately identify late tickets, for PG&E's failures to provide adequate staffing, and for PG&E's management failures. The settlement agreement also incorrectly gives PG&E credit for increases in staffing the utility has already hired. The Public Advocates Office has recommended the CPUC deny the settlement agreement unless these problems are corrected. A CPUC decision is expected in 2020.



### **PG&E's Bankruptcy Case and Reorganization Plan**

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection in the United States District Court in Northern California. Among other things, AB 1054 (Holden, Chapter 79, Statutes of 2019) requires that any plan of reorganization must be filed with the CPUC for approval, and be "ratepayer neutral" in order to be approved by the CPUC. The Public Advocates Office is actively participating in the Bankruptcy Court proceeding in order to assist that court's efforts to ensure that the reorganization plan it approves is ratepayer neutral, and to better inform the Public Advocates Office's participation in the myriad related CPUC proceedings. For example, in September 2019, the CPUC opened an investigation to consider the implications for PG&E that will result from a confirmed reorganization plan that would resolve PG&E's voluntary

Chapter 11 Bankruptcy proceeding. This investigation provides parties with the opportunity to comment on such a plan.

In our comments regarding the investigation, we opposed two of PG&E's recommendations. We recommend against re-litigating the Cost of Capital issues such as ROE and the capital structure. The evidentiary record of the Cost of Capital proceeding is extensive and the CPUC, PG&E, and parties had already contemplated that PG&E's bankruptcy might later result in changes to PG&E's capital structure and cost of capital. We also recommend that other matters, such as the need to approve interest rate hedges and other transactions related to a plan of reorganization, not be addressed in the investigation but through a separate proceeding. In addition, we recommend that, consistent with the requirements of AB 1054 (Holden, Chapter 79, Statutes of 2019), the CPUC consider the evidence developed in the investigation into PG&E's safety culture, including our proposal for a periodic review of the utility's ability to serve and protect California.



### **PG&E Safety Culture Investigation**

In response to the 2017 North Bay Fires and the 2018 Camp Fire, the CPUC expanded the scope of the 2015 PG&E Safety Culture Investigation to include consideration of what steps or actions should be taken to improve PG&E's safety culture. Because numerous CPUC actions have failed to improve PG&E's safety performance and protect its customers and the public, the Public Advocates Office recommended a comprehensive examination of PG&E that would align with the bankruptcy court's process and consideration of plans for re-organizing PG&E. Specifically, the Public Advocates Office recommended a process to establish performance requirements to determine whether PG&E should retain its original Certificate of Public Convenience and Necessity (CPCN) and continue to operate as the monopoly utility serving California. As referenced here, a CPCN is a grant of authority that allows a utility to provide service based on its demonstrated ability to operate in the public interest. The performance requirements also would be used to establish a competitive process in which other entities could compete to serve California. Though the CPUC rejected our proposal, we continue to raise concerns about PG&E's ability to safely and reliably serve California, and will pursue our proposal for a periodic transparent CPCN review process as well as other reforms.

### **Investigation into PG&E's Ex-Parte Communications**

In June 2019, the Public Advocates Office, SED, TURN, and the cities of San Carlos and San Bruno entered into a settlement agreement with PG&E regarding the investigation into the utility's unlawful and undisclosed communications with CPUC decision makers between 2010 and 2014. PG&E's communications involved multiple proceedings including investigations into the 2010 San Bruno natural gas pipeline explosion. The settlement, which addresses all issues raised in Phase 2 of the investigation,<sup>3</sup> recommends the CPUC direct PG&E to pay financial remedies of \$10 million, require non-financial remedies such as reducing balances in various cost accounts that would have been recovered from customers, and prohibit PG&E from utilizing outside consultants to lobby the CPUC directly, through the end of 2025.<sup>4</sup> The CPUC adopted the settlement agreement in December, bringing the total financial remedies that PG&E is required to pay to \$107.5 million.

<sup>3</sup> Phase 1 of this investigation was resolved by the CPUC's adoption of a previous settlement in 2018. The Phase 1 settlement agreement required PG&E to pay \$97 million in fines and financial remedies, and to undertake other non-financial remedies.

<sup>4</sup> The \$10 million in financial remedies comprises a \$6 million reduction in cost recovery from customers, \$2 million in fines paid to the state's general fund, and \$1 million each to the cities of San Bruno and San Carlos.

## **Investigation into SoCalGas Company's Aliso Canyon Storage Facility**

In October 2015, SoCalGas's Aliso Canyon Storage Facility suffered a critical failure causing the uncontrolled release of natural gas for nearly a five-month period. More than 8,000 households were relocated resulting in significant disruption and loss to the surrounding community of Porter Ranch, and one of the largest environmental disasters in U.S. history.

The CPUC opened a formal investigation in December 2018 to assess SoCalGas' maintenance of the Aliso Canyon facility. In preparation for our participation in this investigation, the Public Advocates Office has conducted extensive analysis of SoCalGas's storage practices and records and found significant and repeated management failings where SoCalGas did not conduct the necessary analysis that could have uncovered corrosion in one of the wells that leaked. The Public Advocates Office has found that SoCalGas is missing critical safety information. The CPUC's investigation will continue into 2020 and the Public Advocates Office will continue to advocate for the CPUC to hold SoCalGas accountable for its failures in maintaining the Aliso Canyon Storage Facility.

## **SoCalGas/Sempra Energy Safety Culture Investigation**

In June 2019, the CPUC initiated an investigation to evaluate SoCalGas's and Sempra Energy's<sup>5</sup> safety culture. The CPUC initiated this investigation due to significant failures within the SoCalGas system such as the catastrophic 2015 gas leak at its Aliso Canyon Storage Facility, the explosion at one of its major transmission lines, and prolonged outages on two major natural gas transmission lines. A consultant under the CPUC's direction will conduct an examination of SoCalGas's business and systems operations. Once the consultant's report is available, the Public Advocates Office will assess the report, identify additional issues, if any, and make recommendations.

## **SoCalGas and SDG&E's Pipeline Safety Enhancement Program**

In November 2018, SDG&E and SoCalGas requested approximately \$854 million for gas pipeline replacement and \$86.7 million for pressure testing and associated activities that would be completed by mid-2018. The Public Advocates Office recommended an examination of the utilities' in-line inspection program due to evidence of pressure testing failures despite the utilities' inspections finding those lines fit for service. We also recommended the utilities' shareholders pay for approximately \$14 million for pressure testing of certain pipelines that the utilities should have tested at the time of installation. A CPUC decision is expected in mid-2020.

## **SCE's Proposed Grid Safety and Resiliency Program**

In September 2018, SCE filed an application for electrical infrastructure hardening to help reduce the risk of wildfires. Infrastructure hardening includes measures such as enhancing vegetation management practices, installing covered conductors, remote-controlled automatic reclosers and circuit breakers, and installation of weather stations. SCE, the Public Advocates Office, TURN, the Coalition of California Utility Employees, and Small Business Utility Advocates filed a settlement agreement in July 2019. As part of the settlement, SCE agreed to our recommendations that it accelerate removal of utility infrastructure from trees (also known as tree attachments). The CPUC has not yet issued a decision in this proceeding.

<sup>5</sup> Sempra Energy is the parent company of SoCalGas.

## OTHER SAFETY ISSUES

### Proposed Merger of T-Mobile and Sprint

Based on our comprehensive review of the proposed merger of T-Mobile and Sprint, the Public Advocates Office identified potential threats to the protection of customer data and service quality. For example, we identified gaps in T-Mobile's procedures for handling customer data. These gaps could pose severe risks for customers in the event of a data breach. We also argued that the merger would result in a loss of a viable competitive player in the wireless market, which raises significant risks to service quality and reliability, particularly for low-income customers. The CPUC's decision is pending.

### Utility Pole Database Proceeding

In June 2017, the CPUC initiated an investigation to develop better information about utility poles to enhance safety and remove barriers to competition. The Public Advocates Office successfully advocated for the sharing of pole location information, the identification of poles located in high fire threat zones, and visibility into what infrastructure is attached to the poles. We also recommended the creation of interactive maps to be maintained by both electric and communication industry pole owners across California to provide easier access to pole data and to protect against unsafe pole loading conditions. Pole loading analysis requires identifying the forces that can act upon a pole (e.g., from the cables, hardware, the weather, and more) and is intended to ensure the pole's structural integrity. We provided significant input into the design of the pole databases and recommended fair access to utility poles and pole conduits by competing communications providers who seek to attach their equipment to the poles.



Staff inspects  
Booster  
Station so you  
have fresh  
clean water  
when you  
need it.



## WATER SAFETY ISSUES

In general rate case (GRC) proceedings, we advocate for safe drinking water, necessary investment to maintain safety and reliability, and improvements in the utilities' emergency preparedness plans.

- **Great Oaks Water Company GRC** – As a result of a settlement reached between the Public Advocates Office and Great Oaks Water Company, the utility agreed to deploy a new system-wide disinfection process for all water supplied to its customers. The utility agreed to develop a comprehensive plan to track and manage its assets to ensure the continued provision of safe and reliable service. The utility also agreed to update its outdated Emergency Response Plans to better ensure safety preparedness in the future. The CPUC adopted the settlement.
- **Golden State Water Company GRC** – The Public Advocates Office and Golden State Water Company reached a settlement that provides funding to address persistent colored water issues in Regions 2 and 3, and infrastructure renewal needs such as pipeline replacement. The CPUC adopted the settlement.
- **Suburban Water Systems GRC** – The Public Advocates Office and Suburban Water Systems reached a partial settlement that provides funding to support pipeline replacement to reduce service interruptions and water leakage, and to support several reservoir projects that provide additional water storage capacity to meet demand, fire, and emergency supply needs. The CPUC adopted the partial settlement.
- **Liberty Utilities Apple Valley Ranchos and Park Water GRCs** – The Public Advocates Office recommends funding that supports pipeline replacement to reduce service interruptions and water leakage, the installation of new and replacement fire hydrants, and upgrades in Supervisory Control and Data Acquisition (SCADA) to improve the utility's ability to monitor its water system operations. The CPUC's decision is pending.
- **California Water Service Company GRC** – The Public Advocates Office and California Water Service Company reached a partial settlement that provides funding to support the Chromium 6 treatment plants in the Dixon and Willows districts, replacement of aging and high-risk pipelines, and enhancement of water supply reliability. The CPUC's decision is pending.

## RELIABLE ENERGY SERVICES

### Electric Transmission Planning Process

The Public Advocates Office is an active participant in the California Independent System Operator's (CAISO) annual Transmission Planning Process (TPP) to provide input on the need for new transmission infrastructure and non-wire alternatives such as storage, distributed generation, demand response, and energy efficiency. In the most recent TPP, we recommended that the CAISO cancel transmission projects that are no longer needed and consider the value of local generation or other resources such as demand response and storage.

### Electric Transmission Permitting Process

The Public Advocates Office participates in the CPUC's transmission permitting proceedings to ensure that proposed projects are needed, in the public interest, cost-effective and environmentally-sound. For example, in 2019, we participated in the permitting processes for the following transmission projects:

- **SCE's Eldorado-Lugo-Mohave Series Capacitor Project** – SCE filed an application to build the 500 kilovolt (kV) Eldorado-Lugo-Mohave (ELM) Series Capacitor Project at an estimated cost of \$239 million. SCE claims that the project is needed to relieve congestion on its transmission lines to transmit energy from renewable energy resources in support of California's clean energy goals. Based on the fact that SCE has already met its 2020 renewable resource requirements, this \$239 million project is not needed at this time. The CPUC is scheduled to issue a decision in early 2020.



- **SCE's Riverside Transmission Line** – SCE is proposing to construct a 230kV transmission line that would connect to the City of Riverside's (Riverside) municipal transmission system at an estimated capital cost of \$414 million. The Public Advocates Office has determined that there is no need for this project to meet reliability standards. Our analysis shows that Riverside's electrical load forecast used to justify the project differs from the forecast developed by the California Energy Commission and used by the CAISO to determine the need for expansions or new transmission infrastructure. In September, our expert witnesses testified in evidentiary hearings, and we filed legal briefs in September and October. The CPUC is expected to issue a proposed decision in early 2020.

### **Congestion Revenue Rights Reforms**

Congestion Revenue Rights (CRRs) are financial instruments that protect against electric transmission price increases that may result from anticipated congestion on certain transmission lines. Transmission congestion occurs when electricity demand is high on a transmission line and transmission capacity is limited, which results in transmission price increases. CRRs are intended to protect utility customers from fluctuations in real-time electricity prices when the demand for electricity is high. The CAISO is responsible for paying market participants who purchase CRRs (CRR holders) with money generated from the CRR market and from the Transmission Access Charge (TAC), which is funded by utility customers. Between 2009 to 2018 there was a \$860 million revenue shortfall because the revenue generated from the CRR market was less than the price paid by CRR holders during the same period. Subsequently, utility customers paid for the CRR revenue shortfall through the TAC.

The Public Advocates Office sought reforms of the CRR market to improve fairness and reduce ratepayer costs. Our advocacy helped ensure the approval of CRR reform measures, which went into effect in January 2019. Comparing the second quarter 2018 revenue shortfall of \$17 million with the second quarter 2019 revenue shortfall of \$6 million, the CRR cost to ratepayers was reduced by \$11 million. The Public Advocates Office will continue to monitor the CRR market to ensure that ratepayer costs are minimized and to determine if additional changes are needed.



# ACCESS AND AFFORDABILITY

## UTILITY SERVICE AFFORDABILITY

The CPUC's cross-industry Affordability Rulemaking provides an opportunity to assess the impacts of the CPUC's decisions on customers and the affordability of utility services. The Public Advocates Office recommends the CPUC clearly identify the cost impacts on customers' bills for electric, gas, water and communications services. Many of our recommendations (such as measuring affordability for an essential quantity of service, establishing broadband as an essential communications service, and comparing price and customer bill changes over time) were incorporated into the CPUC Staff Proposal. The CPUC's decision is pending.

## AFFORDABLE ELECTRICITY SERVICE

### Electric Rate and Bill Impacts

Similar to our work in the Affordability Rulemaking, the Public Advocates Office continues to advocate for a mechanism to clearly show how the energy utilities' cost recovery requests collectively impact customers' rates and bills. We recommend that the CPUC require the utilities provide a running total of all proposed and approved increases to customer bills. This information will enable the CPUC to identify potential significant increases to customers' rates and bills. We have developed a specific rate and bill tracking tool to support this effort. The tool is designed to calculate the bill impacts of all sources of rate increases. With this tool, the CPUC will be able to proactively intervene to prevent significant rate and bill increases.

As a result of our advocacy, in a May 2019 report to the Legislature, the CPUC indicated that it would develop a rate and bill tracking tool to better evaluate programs mandated by statute for more informed decision-making.<sup>6</sup> In the meantime, we are working with the three largest electric utilities to submit the information using the Public Advocates Office's tracking tool whenever they file proposals with the CPUC.

<sup>6</sup> Actions to Limit Utility Cost & Rate Increases: Public Utilities Code Section 913.1 Annual Report to the Governor and the Legislature: May 2019



## **SDG&E's High Residential Electric Rates**

Over the last few years, SDG&E's residential rates have increased steadily and significantly. The impact of these rate increases is exacerbated by SDG&E's significant rate differences between seasons. The Public Advocates Office has continuously urged the CPUC to reject SDG&E's proposals for seasonal rate differences where customers are charged significantly higher rates during summer months (when they are likely to use more electricity for air conditioning) than rates charged in non-summer months. During the summer of 2018, complaints about SDG&E's high summer bills surged. The key driver of these high summer bills is the seasonal rate differential. In April 2019, our persistent advocacy resulted in the CPUC directing SDG&E to file a proposal to eliminate the seasonal differential for tiered rates. SDG&E filed its proposal in September.



## **AFFORDABLE WATER SERVICE**

The Public Advocates Office advances affordable water service primarily through our work in water proceedings where we seek to ensure that only those costs that are essential in providing safe and reliable service are included in rates. The Public Advocates Office is often the only non-utility party in these proceedings and the only party representing utility customers who would ultimately pay the resulting costs through increased rates. Our focus is to ensure that water rates remain affordable by advocating for reasonable increases, if any, that include only appropriate costs in customer rates.<sup>7</sup>

### **Water General Rate Cases**

The CPUC's final decision in the Suburban Water Systems and Golden State Water Company GRCs adopted the Public Advocates Office's recommendation to ensure customers participating in low-income rate assistance programs receive discounts no less than previously adopted.

In the Liberty Utilities Apple Valley Ranchos and Liberty Utilities Park Water GRCs, the Public Advocates Office recommends an increase in the discount for low-income customers by the same percentage as the increase in overall rates. This will help mitigate the impact of the utilities' proposed rate increases on low-income customers. In addition, we recommend refunding \$1.3 million to Apple Valley Ranchos customers and \$2.4 million to Park Water customers because Liberty over-collected money in various accounts. Finally, we recommend a six-year phase-in of rate increases for Yermo customers to avoid rate shock. The CPUC's decision is pending.

<sup>7</sup>D.19-04-018, p.1.



The Public Advocates Office reached a partial settlement with California Water Service Company in the utility's GRC that maintains an approximate revenue allocation ratio of 30% service charge (fixed charge) and 70% quantity rate (amount of water used) to advance affordability while promoting conservation. The partial settlement would utilize the utility-wide Rate Support Fund to cover the cost of Chromium 6 treatment in Dixon and Willows to help address safety issues while keeping service in these districts affordable. In addition, the partial settlement would restructure the Los Angeles Region tariffs so that costs related to the Palos Verdes Pipeline Project, currently under construction, are borne only by Palos Verdes customers. Finally, to help ensure that service in Stockton is affordable, the utility agreed, in the partial settlement, to withdraw its request to consolidate the Stockton and Dixon districts, which would have resulted in driving up costs for Stockton customers. The CPUC's decision is pending.

### **Water Action Plan and Water Rate Assistance Programs**

The CPUC initiated a rulemaking in June 2017 to evaluate the current Water Action Plan and

low-income rate assistance programs. The Public Advocates Office participated in workshop panels and offered suggestions on how the CPUC can better achieve affordable water service. Chief among our recommendations is for the CPUC to reduce and limit the number of alternative ratemaking mechanisms (such as the Full Water Rate Adjustment Mechanism, multiple Balancing Accounts and Memorandum Accounts) that allow water utilities to increase rates outside of GRC proceedings. These mechanisms shield water utilities from business risk but impose surcharges that can increase customer bills by more than 20%. Because the level of these surcharges is determined outside the GRC process where the CPUC holds public participation hearings and decides rate changes, these alternative ratemaking mechanisms are not fully transparent to customers. The CPUC's decision is pending.

### **Small Water System Acquisitions**

The Public Advocates Office participated in six proceedings<sup>8</sup> where Class A water utilities (large water utilities having more than 10,000 service connections) requested customer rate increases to pay their

<sup>8</sup> Liberty Utilities' application to acquire Mesa Crest Water Company, filed April 24, 2017; California American Water Company's application to acquire Fruitridge Vista Water Company, filed October 23, 2017; California American Water Company's application to acquire Rio Plaza Water Company, filed December 1, 2017; California American Water Company's application to acquire Hillview Water Company, filed April 25, 2018; Liberty Utilities' application to acquire Perris Municipal Water System, filed May 9, 2018; and California American Water Company's application to acquire Bellflower Municipal Water System, filed September 14, 2018.



investors a return for acquiring small water systems for a cumulative total of \$60.4 million. Of these six proceedings, only one, California American Water Company's application to acquire Hillview Water Company, involves a small water system that the State Water Resources Control Board found failed to provide safe drinking water and ordered consolidation with another water system. We support most acquisitions of small water systems but urge the CPUC not to increase customer rates to compensate investors when the utility pays an unreasonably high price for a smaller water system.

California American Water Company (Cal Am) filed applications to acquire four smaller water systems for a total cumulative price of \$47 million -- Fruitridge Vista Water Company (\$20.8 million), Rio Plaza Water Company (\$1.75 million), Hillview Water Company (\$7.5 million), and Bellflower Municipal Water System (\$17 million). In order to pay its investors a return, Cal Am's proposed acquisitions would increase water rates a minimum of 2.8% if averaged across all Cal Am's existing customers statewide. The Public Advocates Office analysis demonstrates that the total price of the acquisitions is inflated and recommends a reduced total price of \$34.8 million, which is \$12.2 million less than what Cal Am offered. Our recommendation would be a 25% savings from Cal Am's proposed request.

Liberty Utilities Park Water (Park Water) filed applications to acquire two smaller water systems for a total cumulative price of \$14.48 million -- Mesa Crest Water Company (\$2.98 million) and Perris Municipal Water System (\$11.5 million). The acquisition prices proposed by Park Water would increase water rates by approximately 5% if averaged across all existing Park Water customers. The CPUC adopted a settlement between the Public Advocates Office, Park Water, and Mesa Crest Water Company which placed the acquisition price of Mesa Crest Water Company at \$2.6 million. It also required Park Water not to increase water rates before its 2022 GRC and to offer a rate assistance program for Mesa Crest Water Company's low-income customers. The Public Advocates Office opposes the acquisition of the Perris Municipal Water System because tangible benefits of the acquisition could not be demonstrated, and customers were not provided with the legally required notification of rate impacts.

## **AFFORDABLE COMMUNICATIONS SERVICES**

### **LifeLine Program**

The California LifeLine Program provides discounts on home phone and cell phone services to qualified low-income households who may otherwise not be able to obtain telephone service.

In the CPUC's rulemaking on LifeLine, the Public Advocates Office supports utilizing pilot programs to improve participation by extending eligibility to youth in foster homes and those who qualify for energy low-income programs with a LifeLine product offering comparable to retail plans.

For customers displaced during disasters, the Public Advocates Office recommends waiving certain deadlines for program re-enrollment and providing LifeLine Service outreach at disaster relief locations.

### **California High Cost Fund A Program**

The Public Advocates Office strives to maintain the integrity of the California High Cost Fund A (CHCF-A) Program. To improve the program's cost effectiveness, we recommend that the CPUC recognize all revenues collected by participating small local telephone companies and their broadband affiliates when establishing the appropriate CHCF-A subsidy amount. We also recommend that the CPUC make it a priority to increase the number of customers who use broadband so that the full benefits derived from CHCF-A Program are realized. In particular, the CHCF-A Program should focus on increasing broadband access and adoption in tribal areas. Moreover, we recommend that the CPUC not adopt policies that deny or restrict customer choice in buying services from competing communications companies. The CPUC's decision is pending.

### **California Advanced Services Fund**

The California Advanced Services Fund (CASF) provides grants to build infrastructure in communities that do not have access to broadband Internet service. In November, the Public Advocates Office submitted comments on CPUC Draft Resolutions approving grants for new projects where the applicants proposed a low-income broadband offering priced at \$45 per month. We argued that \$45 per month is not affordable for low-income customers and recommended that the price be reduced to \$15 per month. Two days after we filed our comments, the applicants agreed to accept our recommendation.

### **The Proposed Merger of T-Mobile and Sprint**

Beginning in 2018 and throughout 2019, the Public Advocates Office participated in the CPUC's assessment of the proposed T-Mobile and Sprint merger to determine whether it is in the public interest. We participated in several public hearings and shared our concerns that the proposed merger would increase prices and reduce both competition and customer choice since the newly combined company would possess nearly 60 percent of the pre-paid wireless market. We served three rounds of testimony on various topics, including the impact of the proposed merger on lower income customers and customers in rural areas.





# ENVIRONMENTAL GOALS

## **FACILITATING THE GROWTH OF DISTRIBUTED ENERGY RESOURCES**

The Public Advocates Office supports the state's goal of deploying Distributed Energy Resources (DERs) through improvements to the utilities' DERs procurement and infrastructure planning processes. DERs include rooftop solar, energy storage, energy efficiency, electric vehicles (EVs) and demand response.

### **Distribution Resource Planning**

The Public Advocates Office supports a transparent electric distribution planning process that effectively deploys DERs and ensures that the utilities' distribution infrastructure expenditures are cost-effective. We focus on maximizing the benefits that DERs can provide to the distribution system, such as reducing the need for costly infrastructure upgrades or enhancements.

In 2019, the Public Advocates Office reviewed and critiqued the first full submission of utility analyses and maps of where DERs can best be integrated. We also reviewed the first utility Grid Modernization Plans aimed at upgrading the grid to better accommodate DERs. We continue to work on developing methodologies that accurately evaluate the impact that DERs have on the grid and methods to compensate owners of DERs for providing distribution grid services.

### **Interconnection Rules for DERs**

DERs must connect to the utilities' distribution systems in a safe, efficient, and cost-effective manner. The interconnection process between DERs and a utility's distribution system is governed by CPUC-authorized rules published in tariffs. Specifically, Tariff Rule 21 sets appropriate procedures for interconnection, helps determine if system upgrades are necessary to accommodate interconnections, and establishes responsibility for the costs associated with those upgrades.

The Public Advocates Office urges the CPUC to establish an interconnection procedure that integrates DERs efficiently and helps move the state towards its GHG emissions reduction goals without increasing customers' costs. We work to utilize the full capabilities of smart inverters, which convert DER electrical output to usable grid electricity. We also focus on improving the process by which electric vehicles (EVs) connect to the distribution grid. We are working to ensure that EV load is managed in a way that does not require distribution upgrades and improves grid sustainability through coordinated EV charging.

## **TRANSPORTATION ELECTRIFICATION**

The Public Advocates Office is focused on ensuring that EV and transportation electrification programs achieve the state's environmental goals while maintaining affordability and equity for electric utility customers.





The Public Advocates Office participated in the following four CPUC transportation electrification proceedings:

- SDG&E proposed a medium-duty and heavy-duty (MDHD) EV infrastructure program with a budget of \$152 million. We entered into a settlement agreement with SDG&E and other parties that resulted in a \$45 million savings for customers while also doubling SDG&E's original program goals. We also successfully

recommended non-utility ownership of EV charging structures, cost allocation methodologies, and increased scrutiny of utility cost estimates, which led to an additional \$15 million in savings for ratepayers. The CPUC adopted the settlement in August 2019.

- SCE requested a budget increase of \$22 million for its Charge Ready Pilot EV Program to bridge the gap between the Charge Ready Pilot and its proposed permanent program, the Charge Ready 2 Program. We recommended that SCE use \$22 million from the Charge Ready 2 Program budget as bridge funding for the Charge Ready Pilot. This bridge funding would allow for increased customer participation in the Charge Ready Pilot, protect all customers from rate increases, and allow the CPUC to take the time necessary to consider SCE's proposal for a permanent program. The CPUC agreed with our recommendation.
- PG&E requested \$4 million to fund its Empower EV rebate and education program for low- and moderate-income customers. The Public Advocates Office supported this request, which the CPUC approved. Our goal in supporting PG&E's request was to promote equitable access to affordable EV charging for all customers.
- PG&E, SCE, SDG&E, and Liberty filed proposals to install EV charging infrastructure at schools, pursuant to AB 1082 (Burke, Chapter 637, Statutes of 2017), and at state parks and beaches, pursuant to AB 1083 (Burke, Chapter 638, Statutes of 2017). We recommended minimum program-wide installation requirements for schools and parks located in disadvantaged communities. The CPUC agreed with our recommendations to have a mechanism that will ensure a minimum number of chargers will be installed and to track installation progress. Our advocacy helped to eliminate unnecessary costs and achieve the construction of affordable EV charging infrastructure in schools and parks.

The Public Advocates Office is evaluating PG&E's and SDG&E's new rate proposals for several piloted services including charging high power MDHD EVs, fleet vehicles, and charging at multi-unit dwellings and public facilities. Our goal in these proceedings is to learn from the pilot programs and apply lessons learned to expand programs that advance the state's environmental goals while maintaining affordability and equity for electric utility customers.

In addition, we are participating in a proceeding focusing on the development of a comprehensive framework to guide the electrification of California’s transportation sector, including the development of policies for submetering, vehicle-to-grid integration, and EV rate design.

## INTEGRATED RESOURCE PLANNING

In May 2019, the CPUC issued a decision for the inaugural 2017-18 Integrated Resource Planning (IRP) cycle. In this decision, the CPUC adopted a Preferred System Portfolio and plan for resources, which the Public Advocates Office supported, to meet California’s GHG-reduction goals. The CPUC did not order any long-term procurement but opened a separate “procurement track” to facilitate additional procurement necessary to meet identified system needs. In November 2019, the CPUC issued a decision recommending that the State Water Resources Control Board extend the once-through-cooling (OTC) compliance deadlines for some OTC units that may be needed for system reliability. In addition, the CPUC required incremental procurement of 3,300 megawatt (MW) to meet system reliability needs. We objected to the procurement of new fossil fuel resources and recommended refinements to the IRP process to better ensure that all load serving entities’ (LSE) resource portfolios are reliable while reducing overall GHG emissions at least cost.



Staff learning about microgrids.

## RENEWABLES PORTFOLIO STANDARD

In 2019, the Public Advocates Office reviewed 47 LSEs' annual Renewables Portfolio Standard (RPS) procurement plans. Consistent with SBX1 2 (Simitian, Chapter 1, Statutes of 2011), we recommended that the CPUC establish the procurement expenditure limitation for renewable procurement. This limitation is intended to contain procurement costs and would apply to renewable resources purchased to comply with the RPS program requirements. We also monitored renewable energy credit (REC) transactions to ensure that the utilities' ease customers' financial burdens by selling excess renewable energy while maintaining compliance with the state's RPS procurement goals. The CPUC adopted our recommendations that help ensure the IOU REC sales frameworks are thoroughly vetted by the CPUC and result in the best REC sales prices. We are reviewing the impact of increased renewables on other state clean energy efforts such as the IRP and the Energy Storage Program.

## ENERGY STORAGE

The Public Advocates Office continues to promote the cost-effective use of energy storage to enhance electricity system reliability and flexibility. AB 2868 (Gatto, Chapter 681, Statutes of 2016) authorized the CPUC to consider utility energy storage plans that propose investments of up to 500 megawatts of distributed energy storage systems.

In 2019, we successfully argued that the majority of the AB 2868 plans submitted by PG&E, SCE and SDG&E be rejected, in part, because their proposals were not cost-effective and the projects largely would be utility-owned instead of third-party owned projects, which conflicted with the intent of AB 2868 and the CPUC's general policy supporting competitive solicitations. The CPUC agreed with our position and authorized the utilities to file new applications within strict parameters, including a showing of cost-effectiveness and competitive solicitation.

## ENERGY EFFICIENCY

The Public Advocates Office is a driving force in ensuring that California's energy efficiency programs reduce customers' bills and spur innovation to enable the state to cost-effectively meet its aggressive GHG reduction goals. California utilities collectively spend about \$700 million per year on customer-funded energy efficiency. We continue to push for increased program benefits, while eliminating wasteful spending on administrative costs. Our efforts include the following:



Staff learning about electric systems.



### **Spurring Innovation and Lowering Costs**

We are promoting greater involvement of non-utility energy efficiency implementers to enable more innovation, foster competition, and reduce costs. We spearheaded the CPUC's adoption of a new procurement framework requiring programs be designed and implemented by non-utility implementers. In 2019, we provided feedback and oversight to utilities on their energy efficiency program solicitation designs and implementation.

### **Promoting Successful Codes and Standards Advocacy**

The Public Advocates Office is a staunch supporter of programs aimed at increasing energy savings through building codes and appliance standards. Codes and standards' programs are proven to be the most cost-effective and reliable approach to energy efficiency and have saved billions of dollars in avoidable and unnecessary energy use. The CPUC recently recognized the success of codes and standards for making highly-efficient, affordable, high-quality light-emitting diode (LED) technologies the statewide standard. As a result, the utilities have reduced their overall budgets by removing programs related to lighting that are now included in codes and standards.

### **Reducing GHG Emissions**

The Public Advocates Office offered substantial recommendations in a policy area that is vital to the future of energy efficiency: helping customers switch from natural gas to efficient electric appliances. Drawing on our comments, the CPUC adopted a policy framework to pay for and measure the value of high-efficiency technologies that replace natural gas with electricity, such as heat-pump space heaters and heat-pump water heaters. This effort could enable customers to move toward an all-electric, highly efficient, carbon-free home.

## **Investigations into SoCalGas Conduct**

In 2019, the Public Advocates Office presented evidence that SoCalGas actively pursued strategies to undermine improvements in energy efficiency codes and standards, subsequently flouted a CPUC order prohibiting SoCalGas from participating in efficiency codes and standards advocacy, and repeatedly violated CPUC rules by providing false and misleading statements about its activities. As a result, the CPUC announced that it is considering what penalties or sanctions may be appropriate in light of the allegations that SoCalGas undermined the state's energy efficiency goals by misusing ratepayer funds intended for promoting higher energy efficiency standards.

In addition, the Public Advocates Office has been investigating whether SoCalGas has used customer funds to create and direct a front group (called Californians for Balanced Energy Solutions, or C4BES) to lobby against the state's decarbonization initiatives. After we found clear evidence that SoCalGas used C4BES to promote its political agenda and deceived regulators about SoCalGas' funding and control of C4BES, the group withdrew its request to participate in the Building Decarbonization proceeding. The Public Advocates Office continues to investigate SoCalGas' use of customer funds for political activities that undermine the state's climate goals, in addition to the troubling managerial and accounting practices uncovered during its initial investigation.

## **WATER CONSERVATION**

In the Golden State Water Company GRC, the Public Advocates Office entered into a settlement agreement with the utility that allows for continued funding of its conservation program to reduce reliance on the state's limited water supply and to defer or eliminate the need to construct costly water supply projects. The settlement also included funding to support infrastructure renewal needs, such as pipeline replacement which reduces water leaks. The CPUC adopted the settlement.

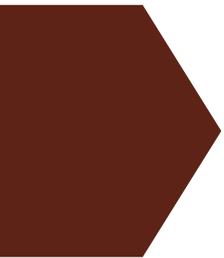


Staff monitors main replacement to ensure reliable water delivery.



The Public  
**ADVOCATES  
OFFICE**

*The Voice of Consumers  
Making a Difference*



# LEGISLATIVE REPORT

On or before January 10 of each year, the Public Advocates Office is required to provide to the Governor and the Legislature three pieces of information:<sup>9</sup>

## STAFFING LEVELS OVER 5 YEARS

The number of personnel years utilized by the Public Advocates Office with a comparison of its staffing levels for a five-year period.

## BUDGET

The total dollars expended by the Public Advocates Office in the prior year and the total dollars proposed for appropriation in the following budget year.

## WORKLOAD

Standards and measures for the Public Advocates Office.

<sup>9</sup> This report is submitted in compliance with section 309.5 (f) and (g) of the Public Utilities Code.



# STAFF LEVELS

The Public Advocates Office is required to report each year on the number of its staff personnel years utilized with a comparison of its staffing levels for a 5-year period. The Public Advocates Office currently has 178 authorized positions.<sup>10</sup>

The Public Advocates Office Staffing Levels for a 5-year period:

Fiscal Year	The Public Advocates Office Authorized Staff
2017-2018	159
2018-2019	165
2019-2020	178
2020-2021	178

<sup>10</sup> This includes the Public Advocates Office's Chief Counsel position which was authorized by Senate Bill 608 (Escutia, Chapter 440, Statutes of 2005). The CPUC Legal Division provides attorneys, and support staff, upon the Public Advocates Office's request, to aid our office in litigation matters. These legal resources, including their overhead, salaries, and benefits are paid for out of the Public Advocates Office's Program Account 3089, but are not Public Advocates Office staff.

# BUDGET

Each year the Public Advocates Office reports the total dollars spent by the office in previous budget cycles, and the total dollars proposed for appropriation in the upcoming budget year. We strive to administer our budget prudently to achieve our mandate.

The Public Advocates Office develops its budget internally and works directly with the Department of Finance on its approval.<sup>11</sup> This includes the cost of shared resources with the CPUC, such as infrastructure, human resources, and information services.

Our budget is statutorily designated as a separate account into which funds are transferred each year via the annual Budget Act to the Public Utilities Commission Public Advocate’s Office Account to be used exclusively by the Public Advocates Office in the performance of its duties.

## The Public Advocates Office Budget

Fiscal Year	Dollars Authorized <sup>12</sup>	Dollars Expended
2018-2019	\$33,957.000 <sup>13</sup>	\$33,957.000
2019-2020	\$44,992.000 <sup>14</sup>	*
2020-2021	\$45,376.000 <sup>15</sup>	**

\* Year-end expenditures will not be available until August 2020 for the fiscal year ending June 2020.

\*\*Year-end expenditures will not be available until August 2021 for the fiscal year ending June 2021.

<sup>11</sup> Public Utilities Code Section 309.5(c): The director shall develop a budget for the office that shall be subject to final approval of the Department of Finance. As authorized in the approved budget, the office shall employ personnel and resources, including attorneys and other legal support staff, at a level sufficient to ensure that customer and subscriber interests are effectively represented in all significant proceedings. The office may employ experts necessary to carry out its functions. The director may appoint a lead attorney who shall represent the office, and shall report to and serve at the pleasure of the director. The lead attorney for the office shall obtain adequate legal personnel for the work to be conducted by the office from the commission’s attorney appointed pursuant to Section 307. The commission’s attorney shall timely and appropriately fulfill all requests for legal personnel made by the lead attorney for the office, provided the office has sufficient moneys and positions in its budget for the services requested.

<sup>12</sup> The Public Advocates Office has additional budget authorization for reimbursable contracts. The Public Advocates Office is reimbursed for these costs by the relevant utilities. For FY2020/2021, the proposed amount for reimbursable contracts is \$3,000,000. Actual expenditures for reimbursable contracts occur only if there are proceedings that allow for reimbursable contracts. Examples include audits, mergers, and major resource additions, such as the construction of a transmission facility for which the Public Advocates Office may need to contract for expert consultant services to assist the Public Advocates Office in analyzing the utility request or application.

<sup>13</sup> Reflects Governor’s 2018/2019 budget prior to fiscal adjustments.

<sup>14</sup> Reflects Governor’s 2019/2020 budget prior to fiscal adjustments.

<sup>15</sup> Reflects Governor’s proposed 2020/2021 budget.

# WORKLOAD

In 2019, the Public Advocates Office's efforts saved ratepayers over \$4.3 billion. These savings were realized in the form of reduced utility revenues and avoided rate increases.

For every dollar customers invested in the Public Advocates Office \$44,992,000 budget in 2019, they saved approximately \$100 on their utility bills.



## Consumer Impact

The amount of dollars consumers saved and the return on their investment in the Public Advocates Office.



## Pleadings

The Public Advocates Office participation in proceedings requires preparation and submission of testimony, formal comments, and legal briefs.



## Proceedings

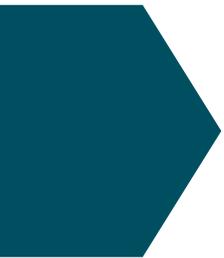
The Public Advocates Office advocates on behalf of consumers in hundreds of CPUC proceedings and in other forums.



## Outreach

The Public Advocates Office enhances its effectiveness through outreach and education.

Consumers  
Saved Over  
**\$4.3  
Billion**



# PROCEEDING WORK

In 2019, the Public Advocates Office participated in 209 formal CPUC proceedings. The Public Advocates Office is often the only voice representing customers' interests in a number of these proceedings. Since the CPUC relies upon a formal, evidentiary record in making its decisions, our participation is essential to ensure that this record reflects the interests of California's customers.

The following charts represent the total number of formal CPUC proceedings in which the Public Advocates Office participated in 2018 in comparison to 2019, as well as broken out by industry group. These numbers do not reflect the greater complexity of the issues being addressed by the Public Advocates Office in omnibus proceedings addressing greenhouse gas emissions, renewable resource development, procurement and transmission working groups, water conservation, and other major initiatives.

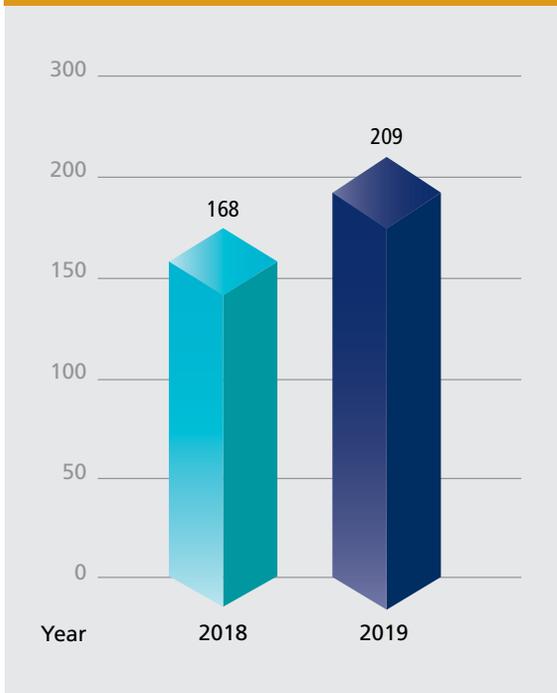
In addition, the Public Advocates Office filed many responses to utility advice letters in which the utilities often seek CPUC authority via a more informal process.<sup>16</sup> Beyond its participation in formal and informal CPUC proceedings, the Public Advocates Office is an active participant in proceedings at the California Energy Commission (CEC), the California Independent System Operator (CAISO), and the California Air Resources Board (CARB), where policy-making will impact ratepayers. The Public Advocates Office also provides consumer representation in other forums related to the CPUC's proceedings, such as meetings to review utility procurement decisions, the Low-Income Oversight Board (LIOB), communications public policy committees, industry committees of the National Association of State Utility Consumer Advocates (NASUCA), and the Pacific Forest and Watershed Stewardship Council.

<sup>16</sup> An advice letter is a filing by a utility seeking authority to spend ratepayer money or set/change policies which may have a significant impact on consumers. Utility requests via advice letters are typically authorized by CPUC decision adopted in a formal proceeding, which sets certain parameters for determining whether the advice letter request is valid and should be granted.

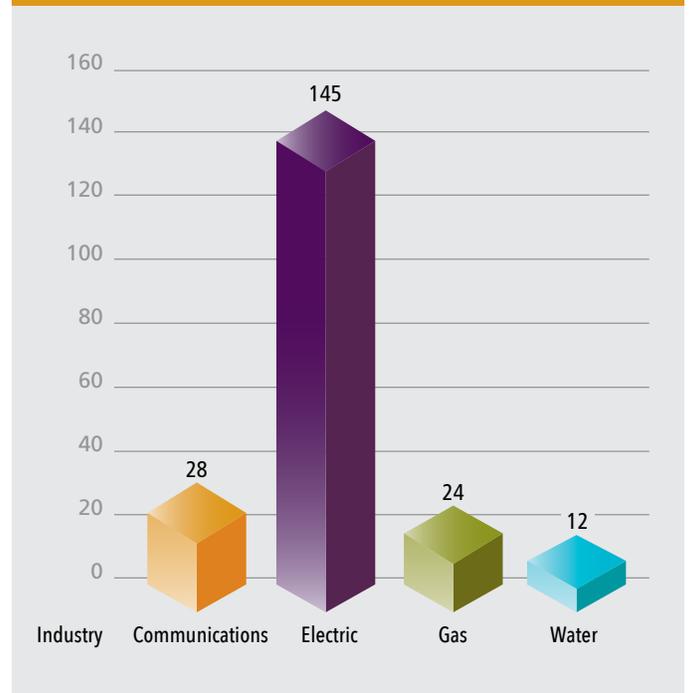
# PROCEEDING WORK Continued

**209** Number of Proceedings  
the Public Advocates  
Office Worked on in 2019  
**TOTAL**

### Participation - 2018 vs. 2019



### 2019 Participation - By Industry

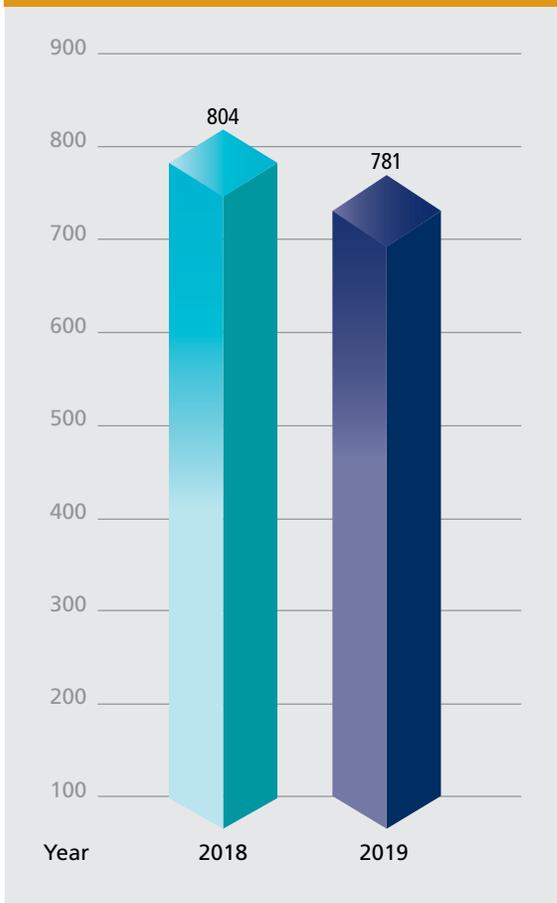


# PLEADING WORK

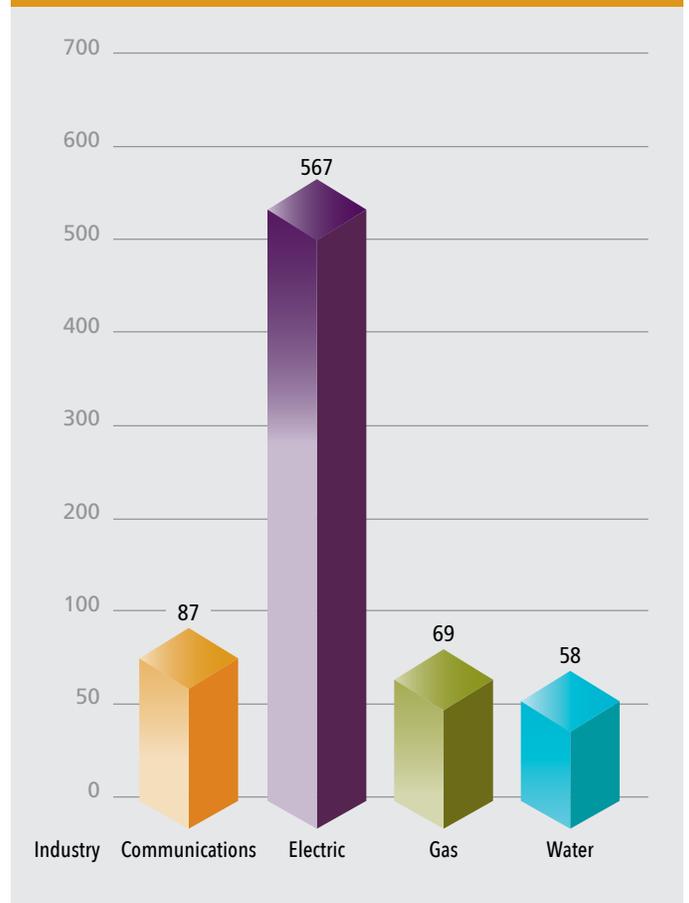
In 2019, the Public Advocates Office filed 781 pleadings in formal CPUC proceedings. Our staff and attorneys file hundreds of pleadings annually on behalf of customers, covering issues related to electricity, natural gas, water, and communications. The following charts represent the comparison of the number of pleadings we filed in 2018 in comparison to 2019.

**781** Number of Pleadings  
TOTAL the Public Advocates  
Office filed in 2019

### Participation - 2018 vs. 2019



### 2019 Participation - By Industry





# OUTREACH & EDUCATION

The Public Advocates Office has measures to improve the quality of its work product and increase the effectiveness of its advocacy efforts. In this regard, we measure our outreach efforts by tracking the number of contacts we have with CPUC commissioners and their advisors, the public, and the press, in connection with our work to provide a strong voice for customers.

As the public's advocate, it is essential for us to participate in CPUC Public Participation Hearings,<sup>17</sup> workshops,<sup>18</sup> public speaking engagements, conferences and other events to explain to consumers in plain language how proposed changes to utility rates, practices, and policies impact them and how the public can make their voices heard. The state's processes are very complex and the average consumer does not have the time or resources to navigate these processes on their own.

It is also equally important for the Public Advocates Office to interact and learn from the public regarding their specific needs and challenges. Consumer stories, perspectives and problems are crucial for helping us craft and advocate for long-term solutions in our work.

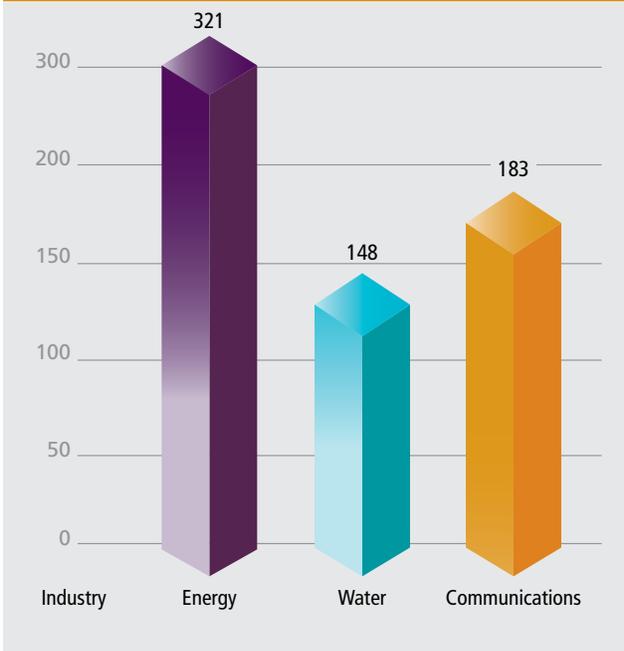
In 2019, the Public Advocates Office participated in hundreds of public meetings, worked with a wide variety of stakeholders, customers, small businesses, community and environmental groups, and other consumer-oriented organizations to advocate for customers before the CPUC and in other forums.

<sup>17</sup> Public Participation Hearings are forums held by the CPUC for the public to participate and learn about various proceedings underway at the CPUC.

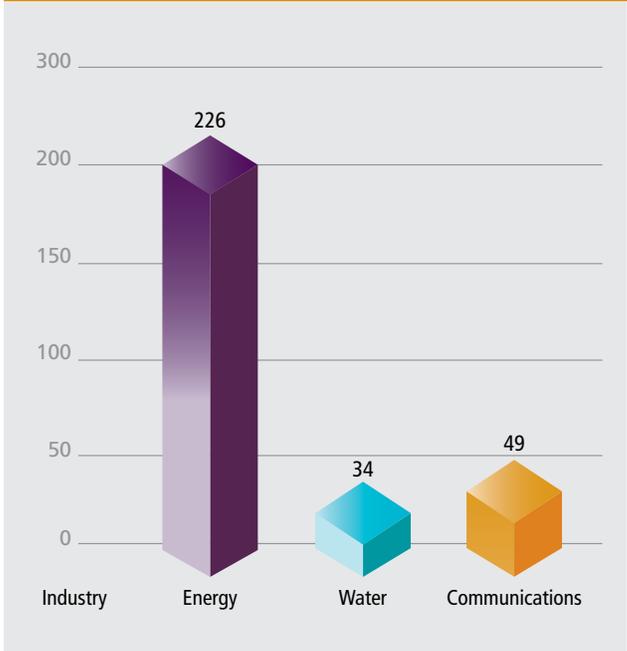
<sup>18</sup> Workshops are forums held by the CPUC for stakeholders or outside parties to address specific issues related to a proceeding or matter before the CPUC.

**652**  
TOTAL  
Number of Public Outreach Activities 2019

Public Outreach Activities - 2019



Public Outreach Activities - 2018 (549)





The Public  
**ADVOCATES  
OFFICE**

*The Voice of Consumers  
Making a Difference*

# THE PUBLIC ADVOCATES OFFICE IN SACRAMENTO

## **GOAL**

Advocate for millions of California's utility customers through our policy efforts at the state capitol.

## **What We Do**

Serve the best interests of utility consumers by proactively providing recommendations and analysis to the Governor's Office, Legislature, Department of Finance, Legislative Analyst's Office, and others.

## **How We Can Help:**

- Research complex utility issues and answer questions
- Provide expertise via our analysts and engineers on complex utility issues
- Write new legislation or bill amendments
- Take positions on legislative bills, present testimony, and answer questions
- Provide educational briefings on complex ratemaking, rate design, and other utility policy issues
- Convene or participate in stakeholder meetings to help resolve the most complex or divisive utility issues
- Assist with constituent issues
- Participate in district town hall meetings or other constituent gatherings
- Provide timely updates on CPUC and Public Advocate Office actions and activities



The Public Advocates Office is led by an executive management team, which oversees the Public Advocates Office's six branches covering the issues of energy, water, and communications. The Director of the Public Advocates Office is appointed by the Governor and confirmed by the California State Senate.

# OUR EXECUTIVE TEAM

## **ELIZABETH ECHOLS**

*Director*

Elizabeth was appointed by Governor Jerry Brown as the Director of the Public Advocates Office in 2016, and her appointment was confirmed by the State Senate. She leads the Public Advocates Office in achieving its mission and directs the activities of 178 staff organized into four energy branches, the Water Branch, the Communications and Water Policy Branch, and the Administrative Branch.

## **CHRIS UNGSON**

*Deputy Director for Water and Communications*

Chris oversees the Public Advocates Office's work on water and communications policy, ratemaking and rate design, infrastructure projects and investments, safety and reliability, as well as water conservation, universal access to voice and broadband services, and service quality.

## **MATTHEW MARCUS**

*Policy and Planning*

Matthew is responsible for the Public Advocates Office's activities in Sacramento and leads our legislative outreach, policy, and educational efforts, as well as responding to inquiries from the California State Legislature and the Office of the Governor.

## **LINDA SERIZAWA**

*Deputy Director for Energy*

Linda oversees the Public Advocates Office's work on energy ratemaking and rate design, infrastructure projects and investments, and safety and reliability measures, as well as programs focusing on electric procurement, GHG reduction, low-income assistance, and demand-side management.

## **DARWIN E. FARRAR**

*Chief Counsel*

Darwin is responsible for overseeing all the Public Advocates Office legal issues and managing the work of the Public Advocates Office attorneys. In addition, the Chief Counsel may serve as the lead attorney in settlement negotiations or supervise negotiation strategies, draft proposed rules, regulations, and legislation, as well as briefs, comments, settlement documents, and other written products.

## **TARA DIAS-ANDRESS**

*Legislative Advisor*

Tara serves in Sacramento's Governmental Affairs Office and is responsible for assisting with the Public Advocates Office's legislative outreach and advice on issues relevant to members and staff of the California State Legislature and the Office of the Governor.

PUBLIC ADVOCATES OFFICE  
California Public Utilities Commission

505 Van Ness Avenue  
San Francisco, California 94102  
Tel: 415-703-1584  
[www.publicadvocates.cpuc.ca.gov](http://www.publicadvocates.cpuc.ca.gov)