

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Tony Mendoza
Senator Jim Nielsen



Thursday, May 11, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultants: Joe Stephenshaw and James Hacker

Vote Only Calendar – Approve as Budgeted

0540	Natural Resource Agency	
Issue 1	San Joaquin River Restoration Settlement	4
Issue 2	Climate Change Scoping Plan Funding: Natural and Working Lands	4
2660	California Department of Transportation	
Issue 1	Claims Payment Increase	4
Issue 2	IT Infrastructure Refresh	5
Issue 3	IT Enterprise Security	5
2720	California Highway Patrol	
Issue 1	Capital Outlay: California Highway Patrol Enhanced Radio System (CHPERS)	5
Issue 2	Privacy and Risk Management Program	5
2740	California Department of Motor Vehicles	
Issue 1	Data Center Cost Increase	5
Issue 2	Capital Outlay Proposals	6
3360	California Energy Commission	
Issue 1	One-time Authority for Unspent PIER Funds	6
Issue 2	Technical Adjustment to PIER Proposal	7
Issue 3	Title 20 Appliance Energy Standard (AES) Enforcement	7
Issue 4	ERPA Expenditure Realignment	7
3540	Department of Forestry and Fire Protection	
Issue 1	Mount Bullion Conservation Camp: Emergency Sewer Replacement – Reappropriation	7
Issue 2	Badger Forest Fire Station: Replace Facility	8

Vote Only Calendar – Approve as Budgeted (continued)

3720	California Coastal Commission	
Issue 1	Protect Our Coast & Oceans Program	8
3780	Native American Heritage Commission	
Issue 1	Sacred Lands File Research and Consultation	8
3860	Department of Water Resources	
Issue 1	Reappropriations, Extension of Liquidation Periods, and Technical Adjustment	9
3940	State Water Resources Control Board	
Issue 1	Funding for Fish Consumption Advisories	9
8660	California Public Utilities Commission	
Issue 1	California High-Cost Fund A Workload	9
Issue 2	California Teleconnect Fund – Compliance Oversight and Administration	10
Issue 3	Internal Audit Positions	10
Issue 4	Safety Assurance of Electric and Communication Infrastructure	10
Issue 5	Extension of Appropriation for Energy Crisis Litigation	10
Issue 6	Federal Trust Fund FTA Grant Appropriation Increase	10
Issue 7	Reimbursement Authority to Contract for Network Engineering Consultants	10
Issue 8	PUC Intervenor Compensation (SB 512)	11
Issue 9	Cybersecurity Defense	11
Issue 10	Enterprise Risk and Compliance Office	11
Issue 11	Office of Ratepayer Advocate: Safe Drinking Water	11

Vote Only Calendar - Reject

8660	California Public Utilities Commission	
Issue 1	Office of Ratepayer Advocate: Communications Office	12
Issue 2	Website Publication of Contract and DGS Audit Information (AB 1651)	12

Vote Only Calendar – Modify Proposals

8660	California Public Utilities Commission	
Issue 1	LifeLine Program: Portability Freeze Rule	13
Issue 2	Expedited Distribution Grid Interconnection Dispute Resolution (AB 2861)	13
Issue 3	Office of Ratepayer Advocate: Climate Change Initiatives	13

Items for Discussion

0521	Secretary for the California Transportation Agency	
Issue 1	Governor’s Transportation Package	15
2660	California Department of Transportation	
Issue 1	Sustainability Program and Zero Emissions Vehicle Pilot	16
Issue 2	Road User Charge Pilot Program	17
2720	California Highway Patrol	
Issue 1	Trailer Bill Proposal – Commissioner Retirement Age	18

Items for Discussion (continued)

2740	Department of Motor Vehicles	
Issue 1	AB 516 Implementation	19
Issue 2	Capital Outlay: Perimeter Fencing	20
3360	California Energy Commission	
Issue 1	SB 350 Implementation	21
Issue 2	Solar Equipment Listing	22
8660	California Public Utilities Commission	
Issue 1	Deputy Director for Safety and Codification of Positions	23
Issue 2	Solar Multifamily Funding Technical Adjustment	24

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Vote-Only Calendar – Approve as Budgeted

0540 Natural Resource Agency

Issue 1 – San Joaquin River Restoration Settlement

Governor’s Proposal. An April 1st Finance Letter proposes \$20.5 million of Proposition 84 funding for the implementation of the San Joaquin River Restoration Settlement (SJRRP). The funds will be used to reimburse interagency agreements with the California Department of Water Resources (DWR) and the California Department of Fish and Wildlife (DFW) for work related to the implementation of the San Joaquin River Restoration Project.

Background. The SJRRP was established pursuant to a settlement, in October of 2006, of litigation related to the long-term water supply contracts in the Friant Division of the Central Valley Project. Proposition 84 allocated \$100 million to the Secretary of Natural Resources for the purpose of implementing the court settlement to restore flows and naturally-producing and self-sustaining populations of salmon to the San Joaquin River between Friant Dam and the Merced River. The Natural Resource Agency administers the Proposition 84 funding through an interagency agreement which reimburses DWR and DFW for work related to implementing the SJRRP.

Issue 2 – Climate Change Scoping Plan Implementation: Natural and Working Lands

Governor’s Proposal. An April 1st Finance Letter proposes \$675,000 from the Cost of Implementation Account to develop a baseline analysis of statewide natural and working lands carbon emissions, carbon sequestration potential, as well as management and biomass utilization activities that can be employed to meet California's target of managing these lands as a resilient net carbon sink.

Background. This proposal will help implement the Air Resources Board’s 2017 Scoping Plan. California does not currently have the analytical tools available or processes in place to produce the business-as-usual carbon emission projections required by the scoping plan. The state also does not have in place a consistent analysis of the effects of various land management strategies on future carbon and emission trends.

2660 Department of Transportation

Issue 1 – Claims Payment Increase

Governor’s Proposal. The budget requests a one-time operating expense increase of \$5,515,000 in State Highway Account (SHA) Funds for fleet insurance costs. The Department of General Services' (DGS) Office of Risk and Insurance Management (ORIM) recently notified Caltrans that the motor vehicle insurance premium assessment cost will increase by \$5.5 million during Fiscal Year 2017-18. This one-time funding increase is necessary for Caltrans to align its insurance budget to actual costs.

Issue 2 – IT Infrastructure Refresh

Governor’s Proposal. The budget requests one-time funding of \$12 million (State Highway Account) to replace outdated information technology infrastructure equipment that has reached its end of life. Caltrans and CDT have both indicated that this refresh is necessary to maintain basic operations in the Caltrans system, regardless of future technology upgrades or changes in system architecture. This item was heard in Subcommittee No. 2 on March 23rd.

Issue 3 – IT Enterprise Security

Governor’s Proposal. The budget requests \$4 million (State Highway Account) and six permanent positions to create, implement, and administer the Information Technology Cyber Security Program. CDT has reviewed the request and determined that it is both an appropriate request and is generally consistent with existing statewide cybersecurity policies. This item was heard in Subcommittee No. 2 on March 23rd.

2720 California Highway Patrol**Issue 1 – Capital Outlay: California Highway Patrol Enhanced Radio System (CHPERS)**

Governor’s Proposal. The budget requests \$1.9 million (Motor Vehicle Account) to for the construction phase of the CHPERS project. Two CHPERS projects, Crestview Peak and Silver Peak, have experienced project delays and cost increases related to design changes required by the US Forest Service to mitigate the impact of the projects on National Forest land, and to preserve views of the peaks.

Issue 2 – Privacy and Risk Management Program

Governor’s Proposal. The budget requests 12 permanent positions, two limited-term positions, and \$1.8 million (MVA) to establish a Privacy and Risk Management Program to protect personally-identifiable information stored in CHP systems. The department is required to maintain the integrity of any personally identifiable information (PII) it collects to protect individuals against identity theft. Recent security assessments have identified significant gaps in CHP’s cybersecurity efforts as they pertain to privacy protections and risk management, and have identified specific areas where improvement is needed.

2740 Department of Motor Vehicles**Issue 1 – Data Center Cost Increase**

Governor’s Proposal. The budget requests \$7 million Motor Vehicle Account in FY 2017-18 and ongoing to cover increased data center costs. Since FY 2012-13, the data centers authorized expenditures has been approximately \$39.6 million. This was sufficient to cover the actual data center costs through FY 2014/15. Beginning in FY 2014-15, the department's data center costs increased significantly to \$46.8 million, and increased again to \$51.7 million in FY 2015-16. While the department has been able to temporarily redirect funds to cover these additional expenditures the DMV

is no longer in a position to continue to do so. The DMV projects a deficit of \$7 million in FY 2017/18 and ongoing for its data center costs.

Issue 2 – Capital Outlay Proposals

Governor’s Proposal: The Governor’s budget provides about \$22 million from the MVA to initiate or continue several DMV field office replacement and renovation projects. Specifically the budget includes:

- 1. San Diego (Normal Street) DMV Field Office Replacement.** The budget requests \$1.5 million (MVA) to continue the previously-approved 2016-17 Capital Outlay BCP to execute an on-site replacement of the San Diego Normal Street Field Office. The planning phase was approved and funded in 2016-17, with the construction phase to be funded in 2018-19. Total project cost is estimated to be \$22 million.
- 2. Inglewood Construction Phase.** The budget requests \$15.1 million (MVA) to fund the construction phase of the Inglewood Field Office Replacement Project. The planning phase was approved and funded in 2015-16 and the working drawings phase in 2016-17. Total project cost is estimated to be \$17.2 million.
- 3. Oxnard Field Office Renovation.** The budget requests \$418,000 (MVA) to fund the preliminary plan phase for a reconfiguration and renovation project at the department’s Oxnard Field Office. The department has indicated that this work is required to address several infrastructure and code deficiencies. The department will request a further \$394,000 in 2018-19 for working drawings and \$5 million in 2019-20 for construction. Total project cost is estimated to be \$5.8 million. Because the project will involve a lengthy closure of the Oxnard Field Office, the department will submit a future request for funding for temporary space in 2018-19.
- 4. Statewide Planning and Site Identification.** The budget requests \$750,000 (MVA) for statewide planning and site selection activities to identify suitable parcels for replacing two field offices, and to fund planning studies for the two replacement projects and three reconfiguration / renovation projects. It also includes a request for provisional language to allow an augmentation of up to \$1 million for purchase options on the identified parcels, should such an option be necessary.
- 5. Reedley DMV Field Office Replacement.** The budget requests \$2.2 million (MVA) to fund the acquisition phase of the previously-approved Reedley Field Office Replacement Project. Following acquisition of the required parcel, the preliminary plan phase will be funded in 2018-19, working drawings in 2019-20, and construction in 2020-21. Total project cost is estimated to be \$18.4 million.

3360 California Energy Commission

Issue 1 – One-time Authority for Unspent PIER Natural Gas Funds

Governor’s Proposal. The budget requested \$5.9 million in one-time expenditure authority from the PIER Natural Gas Subaccount, to be spent in a manner consistent with the Supplementary Reliability and Climate Focused Natural Gas Budget Plan submitted to the PUC earlier this year. The PUC voted to approve the submitted plan on April 27th.

Issue 2 – Technical Adjustment to PIER Proposal

Governor’s Proposal. The Energy Resources Conservation and Development Commission (Energy Commission) requests a technical correction to the Public Interest Research, Development, and Demonstration (PIER) Natural Gas Subaccount appropriation in the amount of \$859,000 ongoing. This correct an inadvertent reduction of \$859,000 related to Pro Rata assessments.

Issue 3 – Title 20 Appliance Energy Standards Enforcement

Governor’s Proposal. The Energy Resources Conservation and Development Commission (Energy Commission) requests three permanent positions and \$411,000 from the Appliance Efficiency Enforcement Subaccount (AEES) to support the Title 20 Appliance Efficiency Standards Compliance Assistance and Enforcement Program. SB 454 (Pavely), Chapter 591, Statutes of 2011 authorized the Energy Commission to establish an administrative enforcement program for violations of the Energy Commission’s appliance efficiency standards, with penalties up to \$2,500 per violation. The requested staff resources will conduct manufacturer test laboratory audits, provide compliance assistance and education to the regulated industries on how to comply with the Energy Commission’s regulations, and support the growing program infrastructure. The CEC estimates that these positions will generate an uncertain, but potentially significant, level of additional revenue in the form of additional fines levied on non-compliant appliance manufacturers.

Issue 4 – ERPA Expenditure Realignment

Governor’s Proposal. The budget requests a reduction of \$15.4 million from the Energy Resources Programs Account (ERPA), offset by increases to a number of other funds, to better balance ERPA expenditures and align funding with program activities. The proposed budget changes take important steps towards ensuring its long-term financial stability. However, the proposed budget still results in a structural deficit of roughly \$8 million per year. At the current rate, the ERPA is projected to have a negative fund balance by 2019-20. As such, smaller budget fixes are no longer sufficient to ensure the long-term viability of the fund. Staff will work to develop reporting language asking CEC to produce a plan to bring the ERPA into balance in time for consideration as part of the 2018-19 budget.

3540 Department of Forestry and Fire Protection**Issue 1 – Mount Bullion Conservation Camp: Emergency Sewer Replacement – Reappropriation**

Governor’s Proposal. An April 1st Finance Letter proposes the reappropriation of funding for the preliminary plans, working drawings, and construction phases of the Mount Bullion Conservation Camp Emergency Sewer System Replacement Project.

Background. This project will replace the sewage disposal system at Mount Bullion Conservation Camp in Mariposa County. The project is delayed due to the length of time it took for the Regional Water Quality Control Board’s review of the preliminary plans. The 2016 budget act appropriated \$833,000 for the three phases of the project identified in this request.

Issue 2 – Badger Forest Fire Station: Replace Facility

Governor’s Proposal. An April 1st Finance Letter requests the reinstatement of provisional language that was omitted in the Governor’s budget to align the encumbrance expiration date of the project with the project’s other chaptered schedules and adds standard provisions related to the issuance of lease-revenue bond funds for state projects.

3720 California Coastal Commission**Issue 1 – Protect Our Coast & Oceans Program**

Governor’s Proposal. The Governor’s budget proposed a one-time appropriation of \$271,000 from the Protect Our Coast and Oceans Fund for local assistance to support the Whale Tail Grant Program (\$206,000) and to promote the Protect Our Coast and Oceans Fund (\$65,000).

Background. The Coastal Commission’s Public Education Program has been operating the Whale Tail Grants Program since 1998. Types of projects that have been funded by Whale Tail grants include school programs emphasizing stewardship of the coast and ocean, marine science summer camps, community and student-led coastal habitat restoration, trips to the beach for children from inland and underserved communities, coastal and waterway cleanups, ocean-related museum exhibits, water pollution prevention programs, and beach wheelchair purchases.

The Protect our Coast and Oceans check box on the California state tax return form was created pursuant to AB 754 (Muratsuchi), Chapter 323, Statutes of 2013. Besides administrative expenses, money from the Protect our Coast and Oceans goes to the California Coastal Commission to support eligible programs awarded grants under the selection criteria established by the California Coastal Commission for the Whale Tail Grants Program. Statute requires that the check box funds on the state tax return obtain contributions exceeding \$250,000 per year (adjusted annually for inflation) in order to continue to exist. The consequence of not investing in outreach and marketing is not only the lost opportunity for additional contributions, but the potential loss of this fund altogether.

3780 Native American Heritage Commission**Issue 1 – Sacred Lands File Research and Consultation**

Governor’s Proposal. An April 1st Finance Letter proposes \$254,000 General Fund and three positions in 2017-18, and \$485,000 ongoing, to address increased work load of Sacred Lands File (SLF) research and consultation, and trailer bill language to authorize the Native America Heritage Commission (NAHC) to establish fee to recover the costs of providing services.

Background. AB 52 (Gatto), Chapter 532, Statutes of 2014, amended the California Environmental Quality Act (CEQA) to create a separate category of cultural resources, tribal cultural resources, to be considered when determining environmental impacts of CEQA projects on resources. As a result of AB 52, the NAHC has seen a drastic increase in requests for assistance, particularly requests for searches of the SLF and for tribal consultation contact lists. Between 2014-15 and 2015-16, the NAHC experienced an increase of over 67 percent in SLF searches. Additionally the implementation of AB 52

has elevated the profile and importance of the NAHC in the CEQA process, which has only served to accent both the need for the adoptions of formal regulations for the SLF as well as the NAHC's workload challenges in the corresponding areas of compliance and non SLF regulation development.

The trailer bill language would allow the NAHC to establish a fee to offset the costs of the program, which it has determined would begin at \$150 per SLF. The NAHC projects annual revenues to be approximately \$862,000.

3860 Department of Water Resources

Issue 1 – Reappropriations, Extension of Liquidation Periods, and Technical Adjustment

Governor's Proposal. An April 1st Finance Letter proposes the reappropriation of previous appropriations from the Greenhouse Gas Reduction Fund, Proposition 13, Proposition 84, and Proposition 1. Reappropriations of the funds are critical for completion of various studies and projects with funding that cannot be completely committed by June 30, 2017. Allowing additional time for commitment will ensure that the progress made and investment to date of will not be lost.

The proposal also request for extension of the liquidation period of a couple of previously appropriated General Fund, Environmental License Plate Fund, Prop 13, Prop 50, and Prop 84 dollars. For these, the agreements are already in place, but more time is needed for recipients to complete work, submit invoices, have those processed by the state, and then to have the state make payments.

The proposal also requests the reversion of unused balances from previously appropriated Proposition 13 and Proposition 50 funds.

3940 State Water Resources Control Board

Issue 1 – Funding for Fish Consumption Advisories

Governor's Proposal. An April 1st Finance Letter proposes a funding shift of \$381,000 from the State Water Quality Control Fund - Cleanup and Abatement Account to Waste Discharge Permit Fund to pay for fish consumption advisory services provided by the Office of Environmental Health Hazard Assessment.

Background. This Finance Letter corrects a technical error in a related budget change proposal included in the Governor's budget, which identified the wrong funding source for the proposed activities.

8660 California Public Utilities Commission

Issue 1 – California High-Cost Fund A

Governor's Proposal. The budget requests an increase of \$6.1 million in local assistance funding for the California High Cost Fund A to provide ten small Local Exchange Carriers (LECs) with the financial support necessary to keep rural telephone service rates affordable and comparable to rates

paid by customers who live in urban areas. This increase is due to greater projected support for telephone corporations related to Generate Rate Case increases due to inflation and labor costs, increased broadband investment, and increased funding requirements due to reductions in federal subsidies. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 2 – California Teleconnect Fund – Compliance Oversight and Administration

Governor’s Proposal. The budget requests an increase of \$3.6 million from the California Teleconnect Fund Administrative Committee Fund to implement recently-adopted program reforms and to better enforce program eligibility requirements. This includes \$240,000 per year for two new permanent positions and \$3.4 million for consulting costs. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 3 – Internal Audit Positions

Governor’s Proposal. The budget requests \$266,000 (Public Utilities Commission Utilities Reimbursement Account) for two permanent audit positions to augment existing staff in the PUC’s Internal Audit unit. PUC has provided additional workload justification for these positions, and CDT has indicated that the proposed IT auditing workload is appropriate and a necessary complement to CDT’s annual IT audits. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 4 – Safety Assurance of Electric and Communication Infrastructure

Governor’s Proposal. The budget requests \$716,000 (Public Utilities Commission Utilities Reimbursement Account) per year for six permanent engineering positions in the PUC’s Electric Safety and Reliability Branch. This item was first heard by Subcommittee 2 on March 9th.

Issue 5 – Extension of Appropriation for Energy Crisis Litigation

Governor’s Proposal. The budget requests budget bill language to reappropriate funds in the Public Utilities Commission Utilities Reimbursement Account for two years to continue contracts for legal services from outside counsel to represent the PUC in ongoing Federal Energy Regulatory Commission proceedings related to the 2000 energy crisis.

Issue 6 – Federal Trust Fund FTA Grant Appropriation Increase

Governor’s Proposal. The budget requests a budget year augmentation of \$2.7 million in Federal Trust Fund authority to allow CPUC to utilize federal formula grant funding authorized through the Moving Ahead for Prosperity in the 21st Century (MAP-21) Act and the Federal Transit Administration (FTA). Additionally, CPUC requests an out-year baseline budget increase of \$3.2 million in Federal Trust Fund authority to allow continued use of grant funding.

Issue 7 – Reimbursement Authority to Contract for Network Engineering Consultants

Governor’s Proposal. The budget requests a reappropriation of \$500,000 (Public Utilities Commission Utilities Reimbursement Account) to obtain consulting services to assess local exchange carrier service quality, as directed by PUC Decision 13-02-023 (2013). PUC was given \$500,000 for this purpose in the 2016-17 budget, but delays in the contracting process have put PUC’s ability to complete the work

before budget authority expires in question. PUC is requesting to reappropriate the budgeted funds to allow PUC to perform the required work by June 30, 2018.

Issue 8 – PUC Intervenor Compensation (SB 512)

Governor’s Proposal. The budget requests \$322,000 from the Public Utilities Commission Utilities Reimbursement Account for three permanent positions to implement SB 512 (Hill), Chapter 808, Statutes of 2016, which expands the obligation of a public utility to pay intervenor fees to an eligible local government entity and makes a variety of transparency-focused changes to PUC procedures. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 9 – Cybersecurity Defense

Governor’s Proposal. The budget requests \$665,000 (Public Utilities Commission Utilities Reimbursement Account) for four new permanent positions to establish a Cyber Security Utility Regulatory Group at the PUC. SB 17 (Padilla), Chapter 327, Statutes of 2009 required the PUC to work with stakeholders to determine requirements for utility Smart Grid deployment plans. The deployment plan requirements included cyber security and cyber security strategy. Subsequently, SB 1476 (Padilla), Chapter 497, Statutes of 2010, provided rules to protect the privacy and security of customer data generated by advanced meters. The PUC has indicated that their existing regulatory and IT units lack the technical knowledge necessary to establish standards for utility cybersecurity and to review these requests for reasonableness and feasibility. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 10 – Enterprise Risk and Compliance Office

Governor’s Proposal. The budget requests \$696,000 (Public Utilities Commission Utilities Reimbursement Account) for five permanent positions, including one Career Executive Assignment B (CEA-B), to establish an Enterprise Risk and Compliance Office (ERCO).

Issue 11 – Office of Ratepayer Advocate (ORA): Safe Drinking Water

Governor’s Proposal. The ORA requests two positions and \$230,000 (PUCORA) to evaluate the treatment of emerging water contaminants, the cost-effectiveness of new water treatment technologies, and the ratepayer impact of water utility acquisitions. State policy requires that all Californians have access to safe, clean, affordable drinking water. ORA plays an important role in ensuring that the largest water utilities in the state provide such a service.

Staff Recommendation:

Approve All Items Above as Budgeted

Vote-Only Calendar – Reject

8660 California Public Utilities Commission

Issue 1 – Office of Ratepayer Advocate: Communications Office

Governor’s Proposal. The ORA requests two positions (including one CEA-B) and \$299,000 (PUCORA) to establish a communications office to provide media outreach and ratepayer information services. ORA currently has no dedicated resources to provide information and assistance to the public, media and other interested stakeholders. Existing staff cover this function upon request, redirecting time away from their core responsibilities as engineers, economists, and other technical positions. While ORA has a responsibility to represent ratepayers in regulatory proceedings, they have no such statutory responsibility to attend the workshops, public hearings, and similar events that ORA has indicated the positions will attend. ORA should seek statutory authority to do so if they intend to expand their public-facing role. This item was first heard by Subcommittee No. 2 on March 9th.

Issue 2 – Website Publication of Contract and DGS Audit Information (AB 1651)

Governor’s Proposal. The budget requests \$107,000 per year from a variety of special funds for one permanent Associate Governmental Program Analyst position to publish contract information and audit results on the public PUC website as required by AB 1651 (Obernolte), Chapter 815, Statutes of 2016. The workload justification provided by PUC does not support an additional position. The work appears minor and can be done by existing PUC staff. This item was first heard by Subcommittee No. 2 on March 9th.

Staff Recommendation:

Reject the proposals.

Vote-Only Calendar – Modify

8660 California Public Utilities Commission

Issue 1 – LifeLine Program: Portability Freeze Rule Implementation

Governor’s Proposal. The budget requests \$82,000 (Public Utilities Commission Utilities Reimbursement Account) for one permanent position to process the anticipated increase in contacts from consumers due to changes made in the California LifeLine program by AB 2570 (Quirk), Chapter 577, Statutes of 2016, which requires the PUC to adopt a rule that LifeLine enrollees cannot switch telephone providers within 60 days after beginning the service, subject to certain exceptions. PUC data has indicated that the rule change is likely to generate a significant, though limited-term, workload surge. The long-term workload implications are uncertain. As such, limited-term resources are appropriate for this request. This item was first heard by Subcommittee No. 2 on March 9th.

Staff Recommendation:

Approve \$82,000 per year for one two-year limited term position to implement the requirements of AB 2570.

Issue 2 – Expedited Distribution Grid Interconnection Dispute Resolution (AB 2861)

Governor’s Proposal. The budget requests \$796,000 (Public Utilities Commission Utilities Reimbursement Account) for three permanent positions and four limited-term consultant positions to establish and administer an expedited interconnection dispute resolution process, as required by AB 2861 (Ting), Chapter 672, Statutes of 2016. AB 2861 requires the PUC to establish a streamlined dispute resolution process that operates within timelines that are more closely aligned with existing interconnection timelines; provides more technical expertise to the PUC and gives the PUC leverage in reviewing and resolving interconnection disputes; and issues binding resolutions on a dispute after bilateral negotiations between developers and utilities have resulted in an impasse. While much of this work will be ongoing, the initial work of setting up the dispute resolution process is limited-term in nature. As such, a combination of permanent and limited-term positions is appropriate. This item was first heard by Subcommittee No. 2 on March 9th.

Staff Recommendation:

Approve \$796,000 for two permanent positions and one two-year limited-term PURA V positions.

Issue 3 – Office of Ratepayer Advocate: Climate Change Initiatives

Governor’s Proposal: The budget requests eight permanent positions and \$890,000 (PUCORA) to perform work associated the ORA climate change efforts driven by a variety of recent legislation. The request includes: two Utilities Engineers, two Public Utilities Regulatory Analyst (PURA) V’s, one PURA IV, and three PURA I’s. This item was first heard in Subcommittee No. 2 on March 9th.

AB 327 (Perea), Chapter 611, Statutes of 2013, calls for the building and interconnection of 12,000 megawatts of localized electricity generation (also known as distributed energy resources, or DERs). SB 626 (Kehoe), Chapter 355, Statutes of 2009, requires implementation of infrastructure upgrades necessary for the widespread use of hybrid and plug-in electric vehicles. SB 350 (de León), Chapter 547, Statutes of 2015, expands the scope of the PUC’s involvement in the state’s Renewable Portfolio

Standard (RPS) by requiring renewable electricity procurement be increased from 33 percent by 2020 to 50 percent by 2030.

It is reasonable to believe that the legislation cited in this request will create new workload for ORA. ORA's workload depends in large part on how the PUC structures its proceedings related to each piece of legislation. This creates significant uncertainty around ORA's workload. However, the workload data provided by ORA suggests that there is potentially significant overlap in the planned tasks for several of the requested positions.

Staff Recommendation:

Approve two Utilities Engineers, two PURA V's, and two PURA I's, with associated funding.

0521 SECRETARY FOR THE CALIFORNIA TRANSPORTATION AGENCY**Issue 1 – Governor’s Transportation Package**

Governor’s Proposal. The January budget incorporates a transportation funding package similar to the one the Governor proposed during the transportation special session. The budget proposes to provide new funding of \$1.9 billion in 2017-18, and \$4.3 billion on an annual ongoing basis. The annual funding package provides \$2.1 billion from a new \$65 fee on all vehicles; \$1.1 billion by setting the gasoline excise tax at 21.5 cents (with future adjustments for inflation); \$425 million from an 11-cent increase in the diesel excise tax; \$500 million in additional cap-and-trade proceeds; and \$100 million from cost-saving reforms to be implemented by Caltrans. The \$1.9 billion of additional funding in 2016-17 includes \$235 million from the acceleration of General Fund loan repayments over the next three years (\$706 million in total repayments), rather than repaying these loans over the next 20 years.

The Legislature recently approved, and the Governor signed, SB 1 (Beall), Chapter 5, Statutes of 2017, which increases several taxes and fees to raise roughly \$5.2 billion in new transportation revenues annually and makes adjustments for inflation every year. The enactment of SB 1 renders the Administration’s initial proposal moot.

Staff Recommendation:

Reject the proposed transportation funding package, and associated positions, to conform to actions taken in the Assembly.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION**Issue 1 – Sustainability Program and Zero-Emission Vehicle Pilot**

Governor’s Proposal: The Governor’s budget includes provisional language to allow Caltrans to spend up to \$40 million (\$20 million from the State Highway Account (SHA) and \$20 million from federal funds) to construct direct current (DC) fast charging stations at seven locations in 2017-18. Specifically, the provisional language provides this funding from the State Highway Operation and Protection Program (SHOPP)—the state’s program for rehabilitating and operating state highways. The seven locations would provide a total of fourteen charging stations, or an average of two charging stations at each location. The proposal is the first year of a two-year effort to build charging stations at 30 locations as stated in the Zero Emission Vehicle Action Plan. Caltrans plans to request funding for the remaining 22 locations as part of the 2018-19 budget process.

This item was heard in Subcommittee No. 2 on March 23rd.

Staff Comments: While the Governor’s Zero Emission Vehicle Action Plan and its proposed activities are consistent with statewide priorities on climate and clean energy, the SHOPP is an inappropriate funding source. The SHOPP is the state’s primary program for rehabilitating and operating state highways. It is not intended to be used for sustainability-related pilot projects, such as that proposed here.

However, there are a variety of other potential funding sources Caltrans could utilize. Specifically, the three largest Investor-Owned Utilities (IOUs) in the state are proposing to spend a combined \$197 million over the next several years to install ZEV charging infrastructure for public use. Similar programs exist at the California Energy Commission (CEC) and Public Utilities Commission (PUC). Caltrans should pursue funding from one of these sources for the proposed electric charging stations.

Staff Recommendation: Reject the proposed provisional language and adopt language requiring Caltrans to report to the Joint Legislative Budget Committee (JLBC) on the proposed funding source for construction of the proposed electric charging stations. Proposed language is below:

The Department of Transportation may expend up to \$20 million in state funds (matched with up to \$20 million federal funds) on zero emission vehicle charging infrastructure upon authorization of the Department of Finance. The Department of Finance may authorize (the expenditure of funds from the proposed sources) not less than 30 days after notification has been provided to the Joint Legislative Budget Committee, or whatever lesser time after that notification the chair of the joint committee, or his or her designee, may determine. The notification shall include an explanation of the sources of funding that were pursued to fund EV and ZEV charging infrastructure, why the proposed source was selected, and why other identified sources were not selected.

Issue 2 – Road User Charge Pilot Program

Governor’s Proposal: The budget requests one-time funding of \$737,000 (State Highway Account) and \$750,000 (federal funds) to utilize federal funding made available under Section 6020 of the federal Fixing America’s Surface Transportation (FAST) Act to further study the use of a road charge mechanism as an eventual replacement of the currently existing system of fuel taxes.

Background: SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014, required the California Transportation Commission (CTC), in consultation with the California State Transportation Agency (CalSTA), to create a Road Usage Charge Technical Advisory Committee to guide the development and implementation of a road charge pilot project. SB 1077 required CalSTA to implement a Road Charge Pilot Program, guided by the Technical Advisory Committee, by January 1, 2017, and to submit a report on its findings by June 30, 2017. The Administration accelerated the pilot, and has now committed to delivering a report on pilot outcomes with the CTC’s annual report by December 15, 2017.

In December 2015, the United States Congress passed the FAST Act, which included the Surface Transportation System Funding Alternatives (STSFA; Section 6020 of the FAST Act). STSFA is a five year \$95 million grant program, with the initial Federal fiscal year 2016 funding availability of \$15 million, followed by four years each funded at \$20 million. Caltrans applied for and was awarded an STSFA grant in December of 2016 to explore the eventual demonstration of pay-at-the-pump mileage reporting technology.

Staff Comments: SB 1077 directed CalSTA, the CTC, and Caltrans to implement a road charge pilot program in 2016-17, and to report on it by December of 2017. Caltrans and the CTC have indicated that the pilot program has proceeded as planned, and that they plan to deliver the required report on pilot outcomes to the Legislature by December 15, 2017.

Caltrans has indicated that the activities they propose to fund through this request will not impact the currently-existing pilot program, nor will it be included in the pilot program report. Much of the proposed funding is directed at communication, outreach, and education efforts, rather than planning for an actual demonstration of pay-at-the-pump technology. Caltrans has already explored the public’s understanding and acceptance of user fees such as the road charge in the current pilot. It is unclear what additional information further exploration would provide.

However, Caltrans has already applied for, and won, an STSFA grant from the Federal Highway Administration (FHWA) to perform the proposed pre-implementation work for an eventual demonstration of pay-at-the-pump technology. The grant requires a state match, as requested in this proposal. Reducing or eliminating the requested state match could potentially result in cancellation of the grant award.

While it was inappropriate for Caltrans to apply for the STSFA grant, knowing it would require state match, without first requesting the relevant funds from the Legislature, there is likely some value in pursuing further studies of the feasibility of implementing mileage-based user fees in California. This request is broadly in line with that approach. However, steps should be taken to prevent Caltrans from preempting the Legislature in future funding rounds.

Staff Recommendation: Approve as budgeted.

2720 CALIFORNIA HIGHWAY PATROL (CHP)**Issue 1 – Commissioner Retirement Age**

Proposal: The proposed trailer bill language would extend the sunset date exempting the California Highway Patrol Commissioner from mandatory retirement at age 60 from January 1, 2018 to April 1, 2019.

Background: California Government Code Section 21130 requires every CHP patrol member to retire at age 60. SB 215 (Beall), Chapter 778, Statutes of 2013, allowed for a one-time exception for the Commissioner of the California Highway Patrol from the age 60 mandatory retirement age. However, the provisions of the bill expire on January 1, 2018, prior to the end of Governor Brown’s term.

Staff Comments: Under current law, the sitting CHP commissioner would retire prior to the end of Governor Brown’s term. This would create a vacancy for the new Governor, elected in 2018, to fill upon assumption of office in January of 2019. Extending this deadline would allow the sitting CHP commissioner to stay on until replaced by the new Governor. The proposed language does not require the Governor to keep the current commissioner.

Staff Recommendation:

Approve as Proposed.

2740 DEPARTMENT OF MOTOR VEHICLES (DMV)**Issue 1 – AB 516 Implementation**

Governor’s Proposal: The budget requests a total of two positions and \$2.4 million in FY 2017-18, three positions and \$748,000 in 2018-19, and \$225,000 in ongoing funding (all from the Motor Vehicle Account) to implement AB 516 (Mullin), Chapter 90, Statutes of 2016. Out-year resources will be partially offset by savings resulting from the new electronic report of sale system required by AB 516.

Background: AB 516 (Mullin), Chapter 90, Statutes of 2016 (AB 516, Mullin) requires the DMV, on or before January 1, 2019, to develop, or contract with a private industry partner, for the development of a system that allows a dealer or lessor-retailer to electronically report the sale of a vehicle and provide temporary license plates at the time of sale.

In FY 2014-15, as reported by the Metropolitan Transportation Commission, the Bay Area's eight toll bridges lost approximately \$11 million in uncollected tolls from drivers who evaded tolls by driving vehicles without license plates. Additionally, the current manual report of sale (ROS) process is cumbersome and time-consuming, and has changed little over the past several years, despite huge advances in technology and software that would allow complete automation of the process. Adding an electronic ROS process will create cost-saving efficiencies for new vehicle dealers, lessor-retailers, used vehicle dealers, wholesale vehicle dealers, and the department by eliminating the paper ROS forms.

Staff Comments: As noted above, the existing ROS system is cumbersome and costly to administer. Additionally, the Metropolitan Transportation Commission has identified a lack of temporary license plates as a small but significant drag on toll revenues. The implementation of AB 516 would take important steps towards addressing both of those issues. During the consideration of AB 516, DMV provided cost estimates for the implementation of the bill that align closely with this proposal.

Beginning January 1, 2018, the department has indicated that they intend to promulgate regulations to increase the administrative service fee charged to parking authorities, bridge operators, and toll operators for the collection of unpaid fines by \$1 for a period estimated not to exceed 15 months to generate revenue sufficient to cover the costs incurred by the department in FY 2018-19 and FY 2019-20, then, reduce the service fee to an amount to be determined by a departmental costing, on an ongoing basis, to generate revenue sufficient to cover any ongoing costs associated with maintaining the systems.

Staff Recommendation

Approve as budgeted.

Issue 2 – Capital Outlay: Perimeter Security Fencing


Governor’s Proposal. The budget requests \$3.95 million (MVA) for the design and construction of perimeter fences at nine DMV-owned facilities across the state. These facilities have had frequent issues with unauthorized after-hours access to DMV facilities, which have at times threatened the health and safety of DMV employees. DMV has identified 18 total structures with such issues, and plans to build perimeter fencing, at comparable cost, for the nine facilities not covered by this request in 2018-19. The total cost for this work is estimated to be roughly \$8 million over two years (including the \$3.95 million in this request).

This item was first heard by Subcommittee No. 2 on March 23rd.

Staff Comments. While unauthorized after-hours access to DMV offices is a serious and growing problem, staff believes that permanent, unwelcoming perimeter fencing is not an appropriate solution. In subsequent discussions, the department has agreed to hire overnight security guards and provide regular cleaning services at the impacted sites over the next two years, at which point the issue will be revisited.

Staff Recommendation:

Approve \$3.5 million per year (Motor Vehicle Account) for two years for security and cleaning services at the impacted DMV sites.



3360 CALIFORNIA ENERGY COMMISSION**Issue 1 – SB 350 Implementation**

Governor’s Proposal. The budget requests eight permanent positions and \$9,060,000 (Cost of Implementation Account - COIA) to support the implementation of SB 350 (de León), Chapter 547, Statutes of 2015, which requires the Commission administer the state Renewable Energy Standard, implement and enforce building energy retrofit standards, and establish consumer protection guidelines for energy efficient appliances. The requested funding includes \$305,000 annually for two two-year limited-term positions and \$7.6 million for 29.5 positions and associated contract funding approved as part of the 2016-17 budget.

This item was first heard in Subcommittee No. 2 on March 9th.

Staff Comments. This request includes resources for related renewable energy and energy efficiency work, including positions to implement a data system to establish a market baseline for contractor work standards on energy efficiency retrofits and track compliance with required permits. This closely parallels the requirements of SB 1414 (Wolk), Chapter 658, Statutes of 2016, that the CEC work with relevant stakeholders to develop a plan to promote compliance of building air conditioning and heat pumps with statewide Building Energy Efficiency Standards. SB 1414 was the subject of a second BCP, which was approved by this subcommittee.

The HVAC industry expressed concern with this proposal due to a misstatement in the Energy Commission’s SB 350 BCP: “The [tracking] system will also promote ongoing compliance by tracking heating, ventilating, and air conditioning (HVAC) units that are acquired by contractors for sale and installation in homes.” The Energy Commission has indicated that it will continue to evaluate tracking along with other strategies and alternatives as part of the SB 1414 plan. The HVAC industry was assured that the Energy Commission will not preempt the process, and it is the Energy Commission’s understanding that the HVAC industry’s concerns have been addressed.

Staff Recommendation:

Approve as Budgeted.

Issue 2 – Solar Equipment Listing

Governor’s Proposal: The budget requests three permanent positions and \$196,000 from the Renewable Resource Trust Fund (RRTF) to maintain, update, and expand the official listings of solar energy system equipment receiving ratepayer funded incentives, initially established pursuant to SB 1 (Murray), Chapter 132, Statutes of 2006.

Background: SB 1 directs the Energy Commission to establish eligibility criteria, conditions for incentives, and rating standards for projects installing solar energy systems and applying for ratepayer-funded incentives. SB 1 requires the Energy Commission to set rating standards for equipment, components, and solar energy systems for reasonable performance and to develop standards that provide that incentives support only equipment that complies with the minimum ratings. To do this, the Energy Commission has established a process under which manufacturers of photovoltaic (PV) modules, inverters, meters, and other solar equipment apply for listing of their equipment on official lists that identify their equipment as incentive-eligible. The Energy Commission solar equipment lists are used by many other state, federal, local government, and utility solar programs across the country, which rely on the list information for the installation of safe and reliable solar equipment.

Government Code Section 19130 codifies the conditions under which departments may contract with external vendors for personal services. Amongst other provisions, it allows contracting for personal services only when the required skillset is not available in the existing civil service. Due to the technical nature of the work, a majority of the original program administration, including the development and maintenance of the equipment lists, was conducted by contractors during the initial implementation of SB 1. Over time, many of this program's administrative activities have transitioned to Energy Commission staff; however, the management of the equipment lists continued to be conducted by contractors. Staff determined in late Fall 2016—after the normal budget cycle ended—that the work to maintain the equipment lists being performed under contract could not be continued through contract agreements because it could not be justified under Government Code Section 19130.

Staff Comments: Much of the initial work of implementing SB 1 required a highly technical skillset that required external contractors to perform. The contract, when executed in 2014, included a task for technical assistance that could not be performed by civil service staff, as the anticipated activities required an advanced knowledge of the solar industry and solar equipment technology that staff did not possess. Consequently, as originally envisioned, this contract met the requirements of Government Code Section 19130 (b) (3) and could be contracted out. Without this technical requirement, the services are available within civil service so a contract cannot meet the exemptions under Government Code Section 19130. As the contract progressed, it became clear that there was little to no need for activities under this task. Staff therefore removed this task while updating the scope for continued contract support. With the removal of the task, there was no longer a reason to seek consultant services as the management of the equipment lists could be conducted by civil service staff.

Staff Recommendation: Approve as Budgeted.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)**Issue 1 – Deputy Director for Safety and Codification of Positions**

Governor’s Proposal: The budget requests \$191,000 (from various special funds) and one permanent CEA-B position for a dedicated Deputy Executive Director for Safety to direct the work of PUC staff in that area. This request includes trailer bill language codifying the Deputy Director for Safety and Chief Internal Auditor into the structure of the PUC’s executive management.

Background: California’s public utilities have experienced several serious accidents in recent years, including the 2010 San Bruno explosion, the 2015 Long Beach outage, and the 2015 Aliso Canyon gas leak. As a result, both the PUC and the Governor have acknowledged the need for increased safety oversight from the PUC. The Legislature subsequently passed several safety-related and reform bills.

In May 2016, the Governor appointed a Deputy Executive Director responsible for safety. This position is serving as the Safety Ombudsman for the PUC, and has handled several PUC employee safety concerns with regulated utilities, as well as directing the work of the various safety-focused professionals across the PUC organization. The PUC paid for this position through salary savings realized by leaving the Deputy Executive Director for Policy position open. PUC has indicated that they intend to fill the policy position by June 30, 2017.

An additional reform bill, AB 2903 (Gatto), failed to pass the Legislature. AB 2903 included language that was substantially similar to this proposal, which codified the position of Chief Internal Auditor and Deputy Executive Director for Safety as part of the PUC’s executive management structure.

Staff Comments: The Legislature’s passage of numerous reform bills demonstrates the Legislature’s intent to improve the PUC’s safety programs. The Governor’s appointment of a Deputy Executive Director for Safety is clearly in line with this intent. However, the decision to pay for this position by holding the Deputy Executive Director for Policy position open has created a significant and ongoing vacancy within the Commission’s management. The PUC has indicated that they are unable to continue this practice, or to administratively create the position by redirecting funds from elsewhere, without negatively impacting Commission operations.

The requested trailer bill language is substantially similar to prior legislation that failed to pass the Legislature. The budget is not the appropriate venue to make the statutory and policy changes requested here. The PUC should therefore return to the policy process to pass the requested changes.

Staff Recommendation:

Approve the requested position and \$191,000 (various funds). Reject the requested trailer bill language.

Issue 2 – Solar Multifamily Funding Technical Adjustment

Proposal: This request includes trailer bill language to provide a technical correction to AB 693 (Eggman), Chapter 582, Statutes of 2015, which created the Multifamily Affordable Housing Renewables Program. This program provides financial incentives for qualified renewable energy installations at multifamily affordable housing properties funded from investor-owned utility's greenhouse gas allowances.

Background: With the passage of the Global Warming Solutions Act of 2006, the Air Resources Board (ARB) has implemented regulations to achieve the goal of reducing GHG emissions to 1990 levels by 2020. Under the cap-and-trade regulations, the ARB allocates GHG emission allowances to capped sectors, including electric IOUs. These allowances are given to IOUs to reduce the impact of the cap-and-trade regulations on ratepayers. ARB requires that the IOUs sell these allowances at the quarterly auctions and that the proceeds be used for the ratepayer benefit, subject to oversight by the PUC. Specifically, existing law (Public Utilities Code §748.5(c)) allows the CPUC to allocate up to 15 percent of the proceeds to fund clean energy and energy efficiency projects that are administered by the IOU. Any remaining proceeds must be credited directly to residential, small business, and emission-intensive trade-exposed retail IOU customers.

AB 693 intended to require the CEC to annually allocate \$100 million or 10 percent of total funds from the sale of GHG allowances on behalf of ratepayers, whichever is less, for the Multifamily Affordable Housing Renewable Programs for 10 years from FY 2016-17 through FY 2025. However, a drafting error in the bill restricted the grant program to receiving 10 percent of "available funds" from revenues described in Public Utilities Code §748.5(c), which is 15 percent of allocation revenues, rather than 10 percent of total funds from IOU consignment allowances. This results in a much lower level of available funding for the program than originally intended.

Staff Comments: AB 693 intended to make a significant amount of funding available for the Multifamily Affordable Housing Renewables Program. However, the drafting error in the statute significantly undercuts this goal. The technical fixes in the proposed language have been agreed upon by the PUC and various involved stakeholders, and would close the unintentional loopholes in AB 693.

Recommendation: Approve as proposed.