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9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: James Hacker

PART B

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VOTE-ONLY CALENDAR

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 1: Electric Vehicle Charging Infrastructure Assessment (AB 2127)

Governor's Proposal. The budget requests two permanent positions and \$283,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund (3117) to implement the requirements of Assembly Bill 2127 (Ting), Chapter 365, Statutes of 2018. AB 2127 requires the Energy Commission, working with the California Air Resources Board (ARB) and the California Public Utilities Commission, to prepare and biennially update a statewide assessment of the Electric Vehicle charging infrastructure needed to support the levels of EV adoption required for the state to meet its zero-emission vehicle and greenhouse gas goals.

Issue 2: The 100 Percent Clean Energy Act (SB 100)

Governor's Proposal. The budget requests five permanent positions and \$739,000 from the Cost of Implementation Account (COIA) to implement the provisions of the 100 Percent Clean Energy Act of 2018, SB 100 (De León), Chapter 312, Statutes of 2018. SB 100 sets aggressive targets for the increased use of renewable energy to serve California consumers, resulting in significant reductions in GHG emissions, and establishes a planning goal to ultimately eliminate GHG emissions from the electricity sector. This request includes resources in two distinct program areas within the Energy Commission: Renewable Energy and Energy Assessments.

SB 100 brings about additional workload in the Energy Commission's Renewable Portfolio Standard (RPS) administrative functions. The creation of new targets and provisions necessitates a new formal rulemaking for RPS enforcement procedures, and a separate public process to incorporate relevant changes to the RPS Eligibility Guidebook. SB 100 establishes the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045. For the Energy Commission this policy will impact modeling and forecasting activities, integrated resource planning, and data collection and analysis efforts. SB 100 also requires the Energy Commission, PUC, and ARB, in consultation with all California balancing authorities, must issue a report to the Legislature by January 1, 2021, and at least every four years after that, on the impacts, barriers, and additional pathways to reaching the goals of the bill.

Issue 3: Transportation Electrification (SB 1000)

Governor's Proposal. The budget requests authority for one permanent position and \$150,000 from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF, 3117) to implement the requirements of Senate Bill 1000 (Lara), Chapter 368, Statutes of 2018. SB 1000 requires the Energy Commission, in consultation with ARB, to assess whether charging station infrastructure is disproportionately distributed by population density, geographical area, or population income level, including low-, middle-, and high-income levels, and whether access to these charging stations is disproportionately available. This assessment includes distribution and access to direct current (DC)

fast charging stations. Because the state is not the only entity investing in infrastructure in the state, this assessment will require coordination with order public and private sector entities. If the assessment results in a finding that charging station infrastructure has been disproportionately deployed, the bill requires the Energy Commission to use funding provided through Advanced Renewable Fuel and Vehicle Technology Program (ARFVTP), as well as other mechanisms, to more proportionately deploy new charging station infrastructure, unless the Energy Commission finds the disproportionate deployment reasonable and furthering of state policies and objectives. If this occurs, the Energy Commission will need to conduct additional activities to target any disproportionate distributions.

Issue 4: Zero Emission Buildings and Sources of Heat Energy (AB 3232)

Governor's Proposal. The budget requests one permanent positions and \$220,000 from the Cost of Implementation Account (3237) to implement the provisions in Assembly Bill 3232 (Friedman), Chapter 373, Statutes 2018. Beginning November 1, 2021, AB 3232 requires the Energy Commission to include within the Integrated Energy Policy Report (IEPR) a report on the GHG emissions associated with the supply of energy to residential and commercial buildings by fuel type and by geographic area, as appropriate. The Energy Commission is also required to make this information available on its website. By January 1, 2021, AB 3232 requires the Energy Commission to assess the potential for the state to achieve its goal of reducing GHG emissions from the residential and commercial building stock by at least 40 percent below 1990 levels by January 1, 2030.

Issue 5: Energy End Use Surveys

Governor's Proposal. The budget requests \$529,000 in one-time contract funding from the Petroleum Violation Escrow Account (PVEA) to augment existing funding for the Commercial End-Use Survey. The requested funds will be used to survey areas and end-uses that other funds cannot cover, namely natural gas end-uses and publicly owned utility services areas.

8660 PUBLIC UTILITIES COMMISSION (PUC)

Issue 6: Building Electrification (AB 3232 and SB 1477)

Governor's Proposal. The Governor's budget requests \$1.2 million (\$3.2 million beginning in 2020-21) from Public Utilities Commission Utilities Reimbursement Account (PUCURA) to implement AB 3232 (Friedman), Chapter 373, Statutes of 2018, and SB 1477 (Stern), Chapter 378, Statutes of 2018. The request includes funding for 5.5 permanent positions; one limited-term Administrative Law Judge II position for two years; and \$2.0 million annually for four years (beginning in 2020-21) for consulting services to measure the effectiveness of building electrification technologies.

These bills require the PUC to create and implement for five years two building electrification programs, specifically 1) the Technology and Equipment for Clean Heating Initiative, and 2) the Building Initiative for Low-Emissions Development Program, and to support the Energy Commission's assessment of the potential to reduce greenhouse gas emissions from building stock by 40 percent. The requested positions will perform analysis to make the program effective, manage third-party contracts, provide necessary legal and judicial support, and collaborate with other state agencies.

Issue 7: Electric Microgrid Commercialization (SB 1339)

Governor's Proposal. The Governor's budget requests 10.5 three-year limited-term positions, and \$1.96 million from the PUCURA to implement SB 1339 (Stern, Chapter 566, Statutes of 2018). The bill requires the PUC to work with the Energy Commission, and California Independent System Operators (CAISO), to take necessary actions by December 1, 2020 to facilitate microgrid commercialization.

Issue 8: Electricity-Direct Access (SB 237)

Governor's Proposal. The Governor's budget requests one permanent position and one one-year limited-term position, and \$200,000 for one-time consulting services for a total of \$545,000 PUCURA to address the requirements of SB 237 (Hertzberg), Chapter 600, Statutes of 2018.

SB 237 expands retail choice in California's electricity market by raising the amount of electric load that can be served by Electric Service Providers in the Direct Access program and requires the PUC to produce recommendations for the Legislature on a pathway for further expansion of direct access. The bill requires PUC to do the following: (1) implement a 4,000-gigawatt hour increase to the Direct Access load by June 1, 2019, and (2) provide the Legislature with recommendations on a pathway for further opening Direct Access by June 1, 2020.

Issue 9: Energy Efficiency Custom Projects (SB 1131)

Governor's Proposal. The Governor's budget requests one permanent position and three-year limited-term funding for three positions, and \$789,000 from the PUCURA to revise and implement changes to the energy efficiency custom project program as directed by SB 1131 (Hertzberg), Chapter 562, Statutes of 2018.

SB 1131 requires the PUC to develop and maintain eligibility criteria and other metrics for custom energy efficiency projects by July 1, 2019, and identify what information should be included in the project archive, among other requirements.

Issue 10: Fluorinated Refrigerants (SB 1013)

Governor's Proposal. The Governor's budget requests \$1.2 million PUCURA implement SB 1013 (Lara), Chapter 375, Statutes of 2018. The request includes \$153,000 limited-term funding annually for two years for one position, and \$1.0 million annually for two years to contract for technical expertise on low-global-warming-potential refrigerants and their availability in the markets.

SB 1013 requires the PUC to develop a strategy for energy efficiency programs to incorporate low-global-warming-potential refrigerants in equipment. The staff persons would perform research, author a strategy paper, and manage a consultant performing a technical assessment. The consultant's technical assessment will review select refrigerants for efficiency, global-warming-potential, safety, workforce training requirements, and market availability.

Issue 11: Resources to Support New Transportation Electrification Initiatives (AB 2127 and SB 1000)

Governor's Proposal. The Governor's budget requests one permanent position and \$180,000 from the PUCURA to implement AB 2127 and SB 1000.

AB 2127 (Ting), Chapter 365, Statutes of 2018, directs the PUC to support the CEC in regularly assessing the availability of charging infrastructure across California. SB 1000 directs the PUC, within an existing proceeding, to develop policies to support electric grid integration technologies, review electric transit bus specific utility rate design proposals, and evaluate and oversee implementation of utility programs to increase access to electric vehicle charging infrastructure to support the state goal of five million zero-emissions vehicles (ZEV) on the road by 2030.

Issue 12: 100 Percent Clean Energy Act of 2018 (SB 100)

Governor's Proposal. The Governor's budget requests 2.5 permanent positions and \$1.5 million from the PUCURA to implement SB 100 (de León), Chapter 312, Statutes of 2018. In addition to the positions, the requested amount includes \$1.1 million annually through 2021 for consultants.

SB 100 requires the PUC to implement more aggressive timeframes and maintain ongoing program oversight for its Renewable Portfolio Standards (RPS) and Integrated Resource Programs (IRP) in regards to California's greenhouse gas reduction efforts.

Issue 13: Biomethane Procurement and Interconnection (SB 1440 and AB 3187)

Governor's Proposal. The Governor's budget requests limited-term funding for five positions for three years and \$966,000 from the PUCURA to implement AB 3187 (Grayson), Chapter 598, Statutes of 2018 and SB 1440 (Hueso), Chapter 739, Statutes of 2018.

AB 3187 directs the PUC to adopt policies and programs that promote the in-state production and distribution of biomethane for the energy and transportation needs of the state. SB 1440 directs the PUC to consider adopting specific biomethane procurement targets or goals for gas corporations. PUC staff will be responsible for conducting an analysis of potential biomethane production and interconnection to the natural gas transportation system and of state electric and transportation needs; providing advice to policy makers; evaluating program results; and meeting regular reporting requirements to implement both bills.

Issue 14: Automatic Door Opener Project

Governor's Proposal. The Governor's budget requests \$358,000 from various funds to transfer to the Architecture Revolving Fund at the Department of General Services to complete an automatic door opener project at the 505 Van Ness Avenue, San Francisco office.

This project will make all restroom doors in the building compliant with the Americans with Disabilities Act (ADA).

Issue 15: Federal Transportation Agency Grant Funding Appropriation

Governor's Proposal. The Governor's budget requests \$937,000 in increased Federal Transportation Agency expenditure authority to fully utilize State Safety Oversight Agency Formula Grant Fund Program funding.

These funds will be used for rail transit safety oversight, and allow for a \$561,000 reduction in the expenditure of Public Transportation Account funds from the State Transportation Fund.

Issue 16: Expand Accessibility for Person with Disabilities Using Transportation Network Company Platforms (SB 1376)

Governor's Proposal. The Governor's budget requests \$987,000 from the Public Utilities Commission Transportation Reimbursement Account to implement SB 1376 (Hill), Chapter 701, Statutes of 2018. The request includes funding for three positions for two years and 400,000 ongoing to fund intervenor compensation.

SB 1376 requires the PUC to establish a program in a new or existing proceeding to improve accessibility for persons with disabilities, including wheelchair users who need a wheelchair accessible vehicle (WAV), on the applications and platforms used to provide Transportation Network Company (TNC) service. The program sunsets in 2026.

8660 PUC: PUBLIC ADVOCATES OFFICE**Issue 17: Water Utility Mergers and Acquisitions**

Governor's Proposal. The budget requests one Public Utilities Regulatory Analyst (PURA) V position and \$178,000 Public Utilities Commission Public Advocates Office Account (3089) to support the Public Advocates Office's advocacy in Class A water utility requests to acquire other water systems/companies.

Water corporations must obtain PUC approval to merge with or buy another public utility or to sell useful utility property. The Public Advocates Office represents the interests of customers in Class A water utility acquisition and other PUC proceedings. In recent years, the state has enacted additional legislation to encourage or require acquisition/consolidation of water systems to improve access to safe and affordable water service. From 1998 through 2016, Class A water corporations sought approval to acquire 19 water systems. Thirteen of these requests were made by application (an average of 0.68 per year), while six were made via advice letter (0.32/yr.). However, since 2017, Class A water corporations sought approval of six acquisitions by application (3.0/yr.), while one was made via advice letter (0.63/yr.). The number of applications filed since 2017 is more than four times the rate of filings prior to 2017.

Staff Recommendation: Approve all Vote Only items as budgeted.

ISSUES FOR DISCUSSION

8660 PUBLIC UTILITIES COMMISSION (PUC)

OVERVIEW The California Public Utilities Commission (PUC) is responsible for the regulation of privately-owned telecommunications, electric, natural gas, and water companies, in addition to overseeing railroad/rail transit and moving and transportation companies. The PUC's primary objective is to ensure safe facilities and services for the public at equitable and reasonable rates. The PUC also promotes energy conservation through its various regulatory decisions.

Budget Overview: The Governor's budget proposes \$1.6 billion and 1,150 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of roughly 70 positions and a decrease of roughly \$20 million from the enacted 2018-19 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
6680	Regulation of Utilities	419.4	415.9	461.9	\$598,432	\$767,573	\$773,000
6685	Universal Service Telecommunications Programs	33.0	38.6	38.6	631,682	731,116	687,455
6690	Regulation of Transportation	148.6	148.3	148.3	31,814	39,589	43,871
6695	Public Advocate's Office	159.0	164.9	182.9	30,046	38,421	47,992
9900100	Administration	289.4	311.4	319.4	56,008	63,771	70,783
9900200	Administration - Distributed	-	-	-	-56,008	-63,771	-70,783
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		1,049.3	1,079.1	1,151.1	\$1,291,974	\$1,576,699	\$1,552,318
FUNDING					2017-18*	2018-19*	2019-20*
0042	State Highway Account, State Transportation Fund				\$5,188	\$6,692	\$7,548
0046	Public Transportation Account, State Transportation Fund				6,054	8,224	7,731
0412	Transportation Rate Fund				1,866	-	-
0461	Public Utilities Commission Transportation Reimbursement Account				15,400	20,830	23,713
0462	Public Utilities Commission Utilities Reimbursement Account				117,569	141,869	147,192
0464	California High-Cost Fund-A Administrative Committee Fund				40,155	49,256	49,291
0470	California High-Cost Fund-B Administrative Committee Fund				15,045	22,333	22,348
0471	Universal Lifeline Telephone Service Trust Administrative Committee Fund				372,090	386,060	362,177
0483	Deaf and Disabled Telecommunications Program Administrative Committee Fund				54,786	64,403	64,515
0493	California Teleconnect Fund Administrative Committee Fund				80,986	128,041	108,018
0890	Federal Trust Fund				7,047	9,646	10,786
0995	Reimbursements				20,907	60,844	60,844
3015	Gas Consumption Surcharge Fund				456,215	562,057	562,057
3089	Public Utilities Commission Public Advocate's Office Account				30,046	35,421	44,992
3141	California Advanced Services Fund				68,620	81,023	81,106
TOTALS, EXPENDITURES, ALL FUNDS					\$1,291,974	\$1,576,699	\$1,552,318

Issue 18: Strengthen Administrative Core

Governor's Proposal. The budget requests eight new permanent positions, limited-term funding for three positions, and \$1,448,000 from various funds to strengthen the administrative core, which supports the PUC Budget Office; Accounting Office; Non-IT Contracts and Procurement Office; Business Services Office; and Public Records Act (PRA) response team.

Background. The PUC's responsibilities have expanded over the years to include new technologies, industries, mandates, programs, and goals. This has resulted in increases in staff and administrative complexity. However, staffing in Administrative functions, such as Budgets, Accounting, Contracts and Procurements, and Business Services has not kept pace with these staffing increases. Additionally, a series of audits have identified shortcomings in various internal processes and policies, which have resulted in additional internal workload for Business Services and Public Records Act staff.

The 2018-19 budget included \$2,565,000 from various funds for 23 permanent full-time positions, training, and travel to strengthen the administrative core of the department, which supports Safety, Contract and Procurement Services, Human Resources (including hiring and training), and Business Services in the areas of Facilities, Records Management, Forms Management, Fleet Management, and Facilities.

Staff Comments. It is reasonable to believe that the PUC's administrative functions have been understaffed for several years, particularly given the increase in the scope and complexity of the Commission's workload. For example, the PUC is currently supported by 14 funds and comprised of 14 divisions with over 1,289 authorized positions and a total budget of \$1.6 billion. This budget is managed by five full-time budget staff – far fewer than at other comparable departments. Additionally, since 2012, the PUC has seen 200 percent growth (199 in 2012 to 594 in 2017) in the number of records requests submitted annually. The State Auditor, in its report 2016-104, noted deficiencies in the PRA process and made recommendations to bring the program's policies into compliance with state law and develop procedures to track and review requests.

However, the exact level of additional resources remains an open question. While the Commission has indicated that much of the current unmet workload is absorbed within staff overtime, quantifying this workload has proven difficult. Absent this workload data it is difficult to assess the appropriateness of this request.

Staff Recommendation. Hold open.

Issue 19: Extend Energy Division Positions in Support of Energy Policy Statutes

Governor's Proposal. The budget requests to extend funding for six expiring limited term positions for an additional three years and \$1,145,000 from Fund 0462 in 2019-20 and \$1,093,000 in 2020-21 and 2021-22, including software costs to continue implementing a number of recent statutes concerning multiple elements of California's forest safety and greenhouse gas reduction efforts.

Background. SB 859 (Committee on Budget and Fiscal Review), Chapter 368, Statutes of 2016, supports biomass procurement from high hazard zone areas and interagency actions to mitigate wildfires threat to life and property. SB 859 required implementation of a new, expedited renewable energy purchasing program directing California's electric utilities to purchase 125 megawatts (MW) of biomass energy that uses state agency-designated high hazard zone (HHZ) areas. Additionally, it required the establishment of a new process to track and distribute contract costs, as well as interagency actions to mitigate wildfires threatening life and property.

SB 1383 (Lara), Chapter 395, Statutes of 2016, and AB 2313, (Williams), Chapter 571, Statutes of 2016, support efforts to meet the state goal to reduce the emissions of the short-lived climate pollutant methane to 40 percent below 2013 levels by 2030; development of biomethane, renewable natural gas, a substitute for fossil fuel natural gas, to be used to generate electricity, pipeline quality natural gas, low carbon fuel, renewable hydrogen in the trucking, bus, and fleet vehicle sectors.

AB 33 (Quirk), Chapter 680, Statutes of 2016, and AB 2868 (Gatto), Chapter 681, Statutes of 2016, are related to the effective use and accelerated deployment of energy storage. AB 33 directed the PUC to evaluate and analyze the potential for all types of long duration bulk energy storage resources to help integrate renewable generation into the electrical grid. The PUC has conducted an initial analysis of some types of long duration bulk storage, particularly pumped hydro storage, as part of the Integrated Resource Planning (IRP) process. AB 2868 directed the PUC to review applications from the three largest electric utilities and approve and fund new programs and investments to accelerate deployment of distribution level energy storage systems. The first utility application cycle began in 2018 and will repeat in 2020.

Staff Comments. The PUC was originally resources for these statutes as follows:

- SB 859: One limited-term Utilities Engineer (UE); and one limited-term Public Utilities (PU) Counsel III.
- SB 1383 and AB 2313: One limited-term Public Utilities Regulatory Analyst V (PURA V), and 0.5 limited-term PU Counsel IV to continue implementing biomethane pilot programs, and advising decision-makers on incentives, interconnection standards, and policy considerations surrounding growth and development of the renewal gas industry.
- AB 33 and AB 2868: Two limited-term PURA Vs and 0.5 limited-term PU Counsel II.

The PUC has indicated that the nature of this work requires senior attorney level expertise which allows for independent work with minimal supervision. The PUC has further indicated that they will continue evaluating data to identify an ongoing need. For these positions past the three year period of funding requested.

This request also includes \$40,000 for Geographical Information System (GIS) modeling software related to the continued implementation of SB 859. This software was not provided with for the initial

implementation of SB 859, but the Commission has indicated that it will allow the requested resources to better meet the requirements of that statute.

While it is reasonable to believe that the requested positions are needed beyond 2018-19, the proper timeframe for which to extend these positions is an open question. AB 2313, for example, sunsets in 2021. Other statutes have no sunset date. As such, a three year extension period across the board seems arbitrary.

Staff Recommendation. Hold Open.

Issue 20: Increase Oversight of Natural Gas Policy and Reliability

Governor's Proposal. The budget requests one permanent Program and Project Supervisor (PPS) position and \$227,000 from the PUCURA for increased workload in the Gas Section.

Background. The Gas Section provides ratemaking advice to PUC decision makers (including both Commissioners and Administrative Law Judges) and implements policy on all matters involving natural gas. The Gas Section has a broad mandate within the Energy Division (ED). There are 19 sections in ED focusing primarily on electricity-related regulatory issues and only one section focusing on all regulatory issues pertaining to natural gas. Each of the 19 sections has a specific regulatory focus such as costs, rate design, reliability, or renewable procurement. In contrast, the Gas Section handles these same issues (cost, rate design, etc.) related to gas within one branch.

Staff Comments. Since 2011, the Gas Section has grown from five full time staff to 11 full time staff. The Gas Section is the largest of all 20 sections in ED. The average size of other ED sections is eight staff (including the supervisors).

The Commission has indicated that the requested position will provide a second manager to the section and allow the creation of two gas sections. The existing Gas Section would be divided into a new Gas Policy and Reliability Section to focus gas policy and reliability work, where the new PPS will develop staff to specialize in these highly complex areas and a Gas Costs and Rates team to enhance knowledge of ratemaking, cost allocation, rate design, and other accounting topics relevant to gas. Dividing the Gas Section would allow increased focus and coordination with PUC energy efficiency and demand response teams, to develop and implement policies to reduce gas usage (e.g., electrification of space and water heating in buildings, gas demand response, and gas energy efficiency).

Staff Recommendation. Approve as Budgeted.

Issue 21: Office of the Safety Advocate Statutory Authority

Governor’s Proposal. The budget includes Trailer Bill Language (TBL) to eliminate the January 1, 2020 sunset date for the Office of the Safety Advocate (OSA) established in Public Utilities (PU) Code Section 309.8(d), pursuant to SB 62 (Hill), Chapter 806, Statutes of 2016.

Background. In reaction to events like the 2010 San Bruno pipeline explosion and the 2015 Aliso Canyon gas leak, the Legislature created OSA to improve utility safety and hold utilities accountable for safe operations. SB 62 mandates that OSA, among other things: (1) advocate for improvements to public utility safety management systems, safety culture, and aging infrastructure; (2) recommend improvements to the PUC’s own safety management systems and safety culture; (3) advocate as a party in proceedings to assist the Commission in its efforts to hold public utilities accountable for their safe operation.

Since its inception, OSA has been involved in a minimum of two General Rate Cases (GRCs) per fiscal year—including the (1) PG&E 2019 Gas Transportation; (2) Storage GRC; and (3) Sempra's 2019 GRC. OSA has participated in numerous smaller proceedings as well. On or before January 10 of each year, CSA provides the Legislature with a detailed report of its prior year's accomplishments.

PU Code 309.8, which authorizes the existence of OSA, expires at the end of 2019.

Staff Comments. OSA has worked to effectively meet the requirements of SB 62, and has served a valuable purpose in the state’s regulation of the IOUs. Because of its central role in the state’s regulatory structure, the extension of this work is an appropriate subject for the policy process.

Staff Recommendation. Reject the proposal without prejudice for consideration in the appropriate policy committee.

Issue 22: Wildfire Prevention and Recovery (SB 901)

Governor's Proposal. The budget requests 34 positions and \$6,632,000 ongoing from the PUCURA to address workload associated with implementation of SB 901 (Dodd), Chapter 626, Statutes of 2018.

Background. In September 2018, a comprehensive wildfire prevention and recovery package was enacted to strengthen California's ability to prevent and recover from catastrophic wildfires. The bills make a number of changes to (1) remove barriers to facilitate increases in the rate of forest health and fire prevention activities, (2) improve fire safety standards across the state, and (3) set more rigorous requirements for utility wildfire mitigation plans and the maintenance and improvement of utility infrastructure.

The 2019-20 Governor's Budget proposes a total of \$234.5 million to implement the various requirements of the legislation and build the state's resilience to climate change-driven wildfire activity.

SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Six investor-owned electric utilities (IOUs) are required to meet the mandates of SB 901. They include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), PacifiCorp, Bear Valley Electric, and Liberty Utilities.

Staff Comments. Broadly speaking, SB 901 creates three new workload drivers for the PUC:

- **Analysis of wildfire costs:** Electric corporations must file applications for costs of the 2017 wildfires, and the PUC must determine whether the costs and expenses arising from a catastrophic wildfire are just and reasonable, as well as the maximum amount the electric corporation could pay without harming ratepayers and maintaining adequate and safe service. Electric IOUs seeking cost recovery for wildfires ignited in 2019 or later must pass PUC review of utility conduct. Lastly, if an electric corporation applies to the PUC for recovery of costs and expenses related to a catastrophic wildfire and the PUC finds some or all of the costs and expenses to be reasonable, then the electrical corporation may file an application requesting that the PUC issue a financing order to authorize these costs and expenses to be recovered through fixed recovery charges.
- **Wildfire Mitigation Plans (WMPs):** Electric corporations must submit WMPs annually and the PUC must approve them within three months. The PUC must review whether the cost of implementing the plan is just and reasonable in each electric corporation General Rate Case (GRC) application. Each electric corporation must establish a Memorandum Account to track costs incurred for fire risk mitigation that are not otherwise covered in the electric corporation revenue requirement. The PUC is to review the costs and disallow recovery of costs the PUC deems unreasonable. The bill requires the PUC and CAL FIRE to enter into an MOU to develop consistent approaches and share data related to fires. Lastly, SB 901 establishes new requirements for biomass contracts, changing the amount of biomass to be utilized from high hazard zones and expanding the types of fuel that may be used from those zones.
- **Enforcement and Compliance:** Electric corporations must submit reports three months after the end of their initial WMP compliance period as established by the PUC and annually thereafter. The PUC must complete its compliance review within 18 months after the submission of the

reports. The PUC must assess penalties on an electric corporation that fails to substantially comply with its plan. The bill also requires independent evaluation of each utilities WMP and overall safety culture, to be completed on a schedule determined by the PUC.

It is reasonable to believe that SB 901 will create numerous additional proceedings at the PUC which will in turn create increased workload on both a regular schedule (for the WMPs) and on an ongoing basis (for the enforcement and compliance workload). However, the appropriate resources necessary to address this workload is uncertain given the relative novelty of these proceedings to the PUC. It is also unclear how this work is likely to evolve in out years.

Staff Recommendation. Hold Open.

8660 PUC: PUBLIC ADVOCATES OFFICE

OVERVIEW Per Public Utilities Code Section 309.5, the PUC Public Advocate's Office (PAO) is a statutorily-defined and independent entity within the PUC that represents and advocates on behalf of public utility customers and subscribers in all significant proceedings within the PUC's jurisdiction, as well as in relevant proceedings before the California Energy Commission, Air Resources Board, California Independent System Operator, and the State Legislature. The PAO is required to represent and advocate in order obtaining the lowest possible rate for service consistent with reliable and safe service levels. This entity is funded entirely by the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA).

Issue 23: Greenhouse Gas Reduction Programs and Transmission Infrastructure Projects

Governor's Proposal. The budget requests an increase of \$566,000 Public Utilities Commission Public Advocates Office Account (PUCPAOA) and three positions to address increased workload in the areas of distribution infrastructure programs and transmission infrastructure projects.

Background. AB 327 (Perea), Chapter 611, Statutes of 2013, established Public Utility Code §769, which required the electric Investor-Owned Utilities (IOUs) to submit Distribution Resource Plans (DRP) to the PUC. On an ongoing basis, the DRPs are to identify optimal locations for the deployment of low or no GHG-emitting distributed energy resources (DERs) onto the IOUs' electric distribution systems.

Pursuant to PU Code §1001, transmission owners are required to file an application with the PUC requesting either a Certificate of Public Convenience (CPCN) or a Permit to Construct (PTC), depending on the size and scope of their proposed projects. Each application initiates a separate PUC proceeding. If approved, the costs of these permitting projects are borne by California ratepayers.

Staff Comments. The Public Advocate's Office participates in PUC proceedings to ensure that IOU-proposed expenditures are (1) necessary and (2) cost-effective for ratepayers. They do this by entering their analysis and recommendations into the record of formal PUC proceedings for use in PUC decision making. As such, PAO workload is driven by the number and complexity of PUC proceedings.

The PUC has adopted a new annual DRP implementation process which began in mid-2018 and incorporates the IOUs' existing annual distribution system planning process. Additionally, in early 2018, the PUC and stakeholders identified new issues that resulted in the broadening of the scope of the DRP proceedings. The PAO intends to participate in the development of protocols and procedures to address these new issues as part of the overall DRP process. It is unclear how these new processes will impact PAO workload in the long run.

In 2016-17, PAO participated in 30 transmission-related proceedings. The PAO has indicated that work will be ongoing on five to eight of these existing proceedings. In 2018-19, the three largest electric IOUs are expected to file approximately 14 new transmission applications with the PUC for new transmission and infrastructure developments or improvements. If a project is exempt from filing a formal application for PUC review, then the IOU can file an advice letter which the Public Advocates Office will analyze to determine if the project is needed and cost effective. The number of advice

letters filed by the IOUs has increased steadily. In 2016, the Public Advocates Office reviewed 13 transmission infrastructure advice letters and in 2017, 33 advice letters. In 2018, the Public Advocates Office reviewed 41 transmission infrastructure advice letters.

Staff Recommendation. Hold Open.

Issue 24: Wildfire Prevention and Recovery (SB 901)

Governor's Proposal. The budget requests \$2,529,000 Public Utilities Commission Public Advocates Office Account (PUCPAOA) and 14 positions to address additional utility safety-related, financial-related, and legal workload arising from the adoption of SB 901 (Dodd), Chapter 626, Statutes of 2018.

Background. In September 2018, a comprehensive wildfire prevention and recovery package was enacted to strengthen California's ability to prevent and recover from catastrophic wildfires. The bills make a number of changes to (1) remove barriers to facilitate increases in the rate of forest health and fire prevention activities, (2) improve fire safety standards across the state, and (3) set more rigorous requirements for utility wildfire mitigation plans and the maintenance and improvement of utility infrastructure. The 2019-20 Governor's Budget proposes a total of \$234.5 million to implement the various requirements of the legislation and build the state's resilience to climate change-driven wildfire activity.

SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Six investor-owned electric utilities are required to meet the mandates of SB 901. They include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), PacifiCorp, Bear Valley Electric, and Liberty Utilities. The PAO will participate in each of these proceedings.

Staff Comments. SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Specifically, it requires that each electric utility submit annual wildfire mitigation plans in consultation with the Department of Forestry and Fire Protection (Cal FIRE). It requires that the PUC provide parties with 30 days to review and comment on each mitigation plan and a 30-day period for each utility to subsequently amend its plan. The PUC must review and approve of the plans within three months of the utilities filing their applications, unless the PUC issues a written determination and extends the deadline. SB 901 also allows electric utilities, upon a showing of reasonable costs, to finance costs and expenses via fixed recovery charges borne by utility customers. These changes would remain on customers' bills until the costs are paid-in-full by the financing entity. The financing orders by the PUC can be issued any time on or before December 31, 2035.

At minimum, SB 901 will result in 12 wildfire mitigation plan application and compliance report reviews. SB 901 requires each of the six electric IOUs to file applications with the PUC each year proposing a wildfire mitigation plan, followed by a review of each utility's compliance to its plan for a total of at least 12 applications per year. In addition, the six IOUs will be filing recurring utility advice letters (informal requests) as well as non-recurring applications requesting wildfire mitigation programs associated with special projects.

The PAO has indicated that SB 901 results in an increased workload in three primary areas - wildfire mitigation, the utilities' recovery of costs from their customers, and the need for financing those costs. This proposal would result in the creation of two new branches within the PAO - the Wildfire Safety Section and the Securitization and Financial Impacts Section. Ten of the requested positions will be organized into these two new sections within the existing Energy Safety and Infrastructure Branch. The four requested Public Utilities Counsel positions will support the work of and be funded by the Public Advocates Office but will reside in the PUC's Legal Division.

It is reasonable to believe that SB 901 will create additional proceedings at the PUC, which will lead to increased workload at the PAO. However, the appropriate resources necessary to address this workload is uncertain given the relative novelty of these proceedings to the PAO. It is also unclear how this work is likely to evolve in out years.

Staff Recommendation. Hold Open.