Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Henry Stern
Senator Jim Nielsen

Thursday, May 3, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultants: James Hacker and Joanne Roy

OUTCOMES

Items Proposed for Discussion

Public Comment

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LEGISLATIVE REQUESTS

Issue 1 – Legislative Requests

The following requests have been submitted by member offices:

Natural Resources and Environmental Protection:

1) **Watershed Protection/Midpeninsula Regional Open Space District.** $10 million Habitat Conservation Fund to help facilitate the sale of San Jose Water Company's land holdings in the Upper Guadalupe, Los Gatos Creek, and Saratoga Creek to the district.

2) **Reconstruction of the City of San Fernando's Reservoir 4.** $5 million for major reconstruction of the city's reservoir, which was originally constructed in 1965 and is located in Sylmar. The reservoir suffered cracking during the Northridge earthquake, no longer meets modern seismic design codes, and leaks. As a result, the reservoir cannot be filled to full capacity.

3) **State Lands Commission (SLC): Martins Beach Subaccount.** Creation of the Martins Beach Subaccount within SLC's Kapiloff Fund to accept moneys from public, private, and nonprofit sources. This request also authorizes SLC to transfer up to $1 million into the subaccount from the Kapiloff Fund. The purpose of the subaccount and funding is to acquire a right-of-way or easement at Martins beach to provide public access to the beach and to offset costs associated with the acquisition such as environmental studies, analyses, and assessments.

4) **Coastal and Bay Flood Prevention Funding.** $18 million Proposition 1 funding for coastal and San Francisco Bay flood protection. Last year, $27 million was proposed to address this issue, of which $9 million was allocated. The $18 million would serve to fill the remainder of the $27 million for Bay Area for funding repairs and prevention.

5) **Tunitas Creek Beach.** $5 million for necessary improvements to property adjacent to Tunitas Creek Beach, to provide safe, responsible, and managed public access to a state-owned beach. The proposed funding would be used by San Mateo County and its local partners to do the following: 1) Construct emergency access improvements as first priority within the first year; 2) Complete feasible infrastructure for ranger facilities, restrooms, parking, trails, and other public access improvements; and, 3) Initiate environmental restoration activities concurrently or as conditions allow as the county opens Tunitas Creek Beach County Park within the next three years.

6) **Ellwood Mesa Habitat Management Plan and Restoration.** $3.9 million General Fund to the State Coastal Conservancy to cover costs associated with restoration of the Ellwood Mesa Monarch Butterfly Grove in the City of Goleta. The funding would help facilitate the development of an Ellwood Mesa Habitat Management Plan and for remediation of the mesa site. This proposal represents costs of approximately $50,000 per acre for restoration of $73.6 acre of eucalyptus, $200,000 for plan development and implementation costs, a coastal permit, and public recreational features such as trail markers, benches, and signage.

7) **City of Downey: Infrastructure for Parks.** A total of $350,000 for infrastructure improvements at three local parks in the City of Downey, as follows:

   a) **Rio San Gabriel Park.** $50,000 for Americans with Disabilities Act compliance resurfacing.

   b) **Apollo Park.** $165,000 for new playground equipment and drinking fountains.

   c) **Independence Park.** $135,000 for new playground equipment and drinking water fountains.

8) **California Science Center.** Extension of a lease agreement with the California Science Center Foundation for an annual lease payment of $2.43 million for 30 years beginning in 2022.

9) **California African American Museum (CAAM).** $6.45 million for deferred maintenance and $325,000 ongoing for an increase in staff. Over the past two years, CAAM's attendance and visibility have dramatically increased due to a radical change in exhibition and education programming, outreach efforts and rebranding. The attendance increase requires CAAM to address needs related to security, staffing, and deferred maintenance issues that will prepare the museum for formal accreditation in the future and avoid potential code violations and ensure safety and security.

10) **Maritime Museum of San Diego**. $1.5 million to the California Coastal Conservancy for purpose of design, engineering, and preliminary permitting for redevelopment of the Maritime Museum site in the San Diego Harbor.

11) **Museum of Tolerance, Los Angeles.** $10 million to help refurbish the Museum of Tolerance in Los Angeles, which is the educational arm of the Simon Wiesenthal Center. The estimated cost to rebuild and update the museum is $20 million, of which the center intends to raise $10 million from the private sector.

12) **Italian American Museum of Los Angeles.** $250,000 General Fund for the Italian American Museum of Los Angeles. The museum is located in the Italian Hall, which was constructed in 1908 and is listed on the National Register of Historic Places. The museum opened in 2016 and is jointly operated by the Historic Italian Hall Foundation and the City of Los Angeles.

13) **Museum of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) History and Culture.** $2 million Proposition 68 for a proposed Museum of LGBTQ History and Culture in San Francisco for exhibitions, archives, and programs where stories and cultures of LGBTQ communities can be gathered, preserved, studied, and made widely available.

14) **Stories: The AIDS Monument.** $250,000 for Stories: The AIDS Monument, a permanent installation that will be built to symbolize the past, present, and future of the fight against AIDS and HIV, and memorialize and honor those who have died since the crisis began. The monument is proposed to be built on San Vicente Boulevard in West Hollywood Park on a 12,000 square foot parcel of land donated by the City of West Hollywood. The $5.2 million campaign goal is 80 percent complete.

15) **San Francisco Seawall.** An initial $50 million for the San Francisco Seawall Earthquake Safety and Disaster Prevention Program. The program will invest $2 to $5 billion over the next two

decades to protect the San Francisco waterfront from imminent seismic risk and increasing flood risk due to sea level rise. The initial $50 million is intended to help enable San Francisco to fund estimated initial project design, environmental clearance, and permitting, which is projected to cost $100 million.

16) **California Mutual Aid Funding: CalFire Emergency Response Engines.** $84 million to purchase 31 CalFire engines and hire personnel to staff the emergency response rigs; and $65 million ongoing for staffing costs of the engines. Since 1975, due to a number of budget reductions, CalFire has had a gradual decrease in the number of fire engines, totaling 31 engines. In 1975, CalFire had 374 engines, compared to 343 engines today. This request is part of an umbrella request for California Mutual Aid System. The other part will be heard in Senate Budget Subcommittee 4, which requests $100 million as follows: $87 million ongoing for reimbursements to local governments for costs to pre-position resources in high-risk areas prior to the onset of extreme weather conditions; and, $13 million ongoing for modernizing and improving communication and dispatch technologies and to hire additional trained personnel to allow for more efficient and effective resource deployment.

17) **Bee Safe Program**. Unspecified augmentation of the Governor's budget proposal implementing the Bee Safe Program to support a comprehensive approach to maintaining the health of honeybees across the state. The request for additional funding include: an increase in funding for: the Rural Rimes Task Force; bee habitat on state and federal lands; an increase in in efficiencies at the state and local border inspection stations; and support for additional research on the Africanized Honey Bee, which continues to be a threat to the European Honeybee throughout the state.

18) **Citrus Pest and Disease Prevention Program.** At least $10 million for CDFA for the purpose of preventing the spread of the invasive insect, Asian citrus psyllid (ACP), and Huanglongbing (HLB), an incurable plant disease that eventually causes trees to die The Governor's budget proposes $2.5 million General Fund and $2.5 million CDFA authority in FY 2018-19 and ongoing to enhance ACP and HLB suppression activities.

19) **Food Dye Study.** $485,000 to the Office of Environmental Health Hazard Assessment (OEHHA) to conduct a literature review and risk assessment on the potential impacts of synthetic food dyes on children.

20) **Emergency Pipeline and Barge to Ensure Drinking Water Supply.** $3.1 million to the State Water Resources Control Board and the Department of Water Resources for the purpose of administering emergency drinking water supply funds to Santa Barbara County water agencies. In addition to remaining in a severe to extreme drought, Santa Barbara County has since experienced unprecedented wildfires and debris flows that have damaged critical water infrastructure, and that significantly threaten the integrity of current water supplies.

21) **Stormwater Quality Objectives.** Unspecified amount of state funding for the State Water Resources Control Board to consider opportunities to convey stormwater to a regional site within the watershed in which the stormwater originated for capture and infiltration for the purposes of improving water quality and enhancing local water supply in multi-objective projects.

22) Site Remediation Task Force. $5 million to provide additional staff for the Los Angeles Regional Water Quality Control Board to conduct a focused effort, over a three-year period, to identify contaminated sites within a specified region, and to take measures to require the cleanup of such sites.

23) Consolidation of Climate Adaptation Funding. Currently, funding is spread amongst a multitude of state entities. Consolidation would provide applicants a "one-stop shop" for funding opportunities, while also creating synergy amongst both applicants and agencies. A centralized portal would increase cross-collaboration and promote regional efforts throughout the state. Language would declare, "the Natural Resources Agency, in coordination with the Office of Planning and Research, shall develop and implement the Safeguarding California grant program to support the development and implementation of innovative climate beneficial projects that provide California with the ability to adapt and be resilient in the face of unavoidable climate change…"

24) Greenhouse Gas Reduction Fund (GGRF): Hydrofluorocarbon (HFC) Emission Reductions and Woodstove Replacements. $45 million GGRF for the HFC reduction incentive program and $30 million GGRF for Woodstove incentive program. An incentive program for low-global warming potential (GWP) was identified and recommended as a key strategy for achieving emission reduction goals in the Air Resources Board's Short-Lived Climate Pollutants Strategy and the Cap-and-Trade Auction Proceeds Second Three-Year Investment Plan for Short-Lived Climate Pollutants.

25) GGRF: Low Carbon Transportation. Unspecified increase in the amount of GGRF proposed in the Governor's budget for low carbon transportation programs that phase out diesel engines, promote clean trucks and buses, and expand access to electric vehicles for middle- and low-income families. Last year, the Legislature passed the Clean Air Initiative, which provided approximately $900 million towards programs to reduce air pollution from mobile sources; among the allocations included: $250 million to the Carl Moyer program, $140 million to incentivize cleaner emissions vehicles at ports, and $180 million towards the Clean Bus and Truck program.

26) GGRF: Clean Technology Innovation Park. This proposal would help create the Clean Technology Innovation Park in the Riverside region. The purpose of the park is to combine UC Riverside's air quality research group with the Air Resources Board's field testing site. The park would consist of a multi-floor building housing a comprehensive set of specialized laboratories and a central space to meet and engage, co-located across from the Air Resources Board facilities. The park would also include testbeds throughout the Riverside region and the mobility facility located on the Center for Environmental Research & Technology (CE-CERT) campus at the University of California, Riverside. This request includes a total of $100-102 million GGRF as follows:

a) $10-12 million GGRF to fund a needs assessment study for the relocation and projected expansion of the Clean Technology Innovation facility, and an upgrade of the CE-CERT Vehicle dynamometer training facilities for preparation of the local workforce including Air Resources Board contractors and employees.

b) $50 million GGRF for field testing and the creation of testbeds in disadvantaged regions of Riverside and San Bernardino.

c) $40 million GGRF for multi-functional laboratories for research, workforce development, and private sector investment.

27) **GGRF: Migrant and Seasonal Farmworker Agencies.** Unspecified amount GGRF to the California Association of Migrant and Seasonal Farmworker agencies and other organizations that have a track record serving migrant and seasonal farmworkers to insure that farmworkers continue to receive the benefits provided by these organizations.

28) **GGRF: Regional Climate Resilience Program.** Creation of the Regional Climate Resilience Program, which would be implemented by the ten state conservancies and Wildlife Conservation Board. The program would provide for planning, adaptation, and mitigation for regional climate resiliency in accordance with Executive Order B-30-15, Safeguarding California – California's Climate Adaptation Strategy and the 2017 Climate Change Scoping Plan.

29) **GGRF: Alternative Fuel Infrastructure.** 20 percent of the allocation for the Alternative Fuel Infrastructure to fund DC fast chargers in highly congested traffic corridors with a Level of Service of "F" or heavier.

30) **GGRF: Clean Vehicle Rebate Project (CVRP).** Within the CVRP, authorize ARB to prioritize people with high Vehicle Miles Traveled.

31) **GGRF: Healthy Soils.** $10 million for the Healthy Soils Program. The Governor's budget proposes $5 million GGRF for Healthy Soils Program.

32) **Los Angeles Cleantech Incubator (LACI).** $2 million to fund LACI for workforce development training to increase access to environmental technology jobs and increase access to zero emissions mobility for disadvantaged communities in the Los Angeles area.

Energy:

33) **Funding for Disability Access Prioritization within the Public Utilities Commission**. $200,000 for two positions within the California Public Utilities Commission to evaluate disability access concerns in transportation services under PUC jurisdiction, particularly Transportation Network Companies (TNCs).

Transportation:

34) **North Coast Rail Agency Restructuring.** $4.1 million over two years to fund planning and construction activities necessary to complete the dissolution of the North Coast Rail Authority and the transfer of the Authority's right-of-way to the California Department of Transportation (Caltrans) and a successor agency as called for in SB 1029 (McGuire).

35) **Marin Sonoma Narrows: Marin Section Design Work.** $3 million in one-time funds for design, right of way, and permitting work on the Marin section of the Marin Sonoma Narrows project.

36) **Sabercat Trail Bridge.** $5 million in one-time funds for a scoping report for the Sabercat Trail Bridge in Fremont. The I-680 currently divides the Sabercat Creek open space from the East Bay Greenway and future Irvington BART station. The proposed pedestrian and cycling bridge over I-680 in Fremont will forge a critical link in both the city and region-wide active transportation network.

37) **Shinn Station Feasibility Study.** $5 million in one-time funding for a feasibility study, to be completed by the Metropolitan Transportation Commission (MTC), on the potential for an intermodal transit station connecting BART, ACE, and AC Transit in the Shinn Park region of Fremont.

38) **Del Amo Bridge Replacement.** $2.75 million in one-time funds for planning activities related to the Del Amo Bridge Replacement project in the city of Cerritos. The bridge was constructed in 1965 and was taken off the National Highway System in 1998. It is currently listed on the Eligible Bridge List of the Local Federal Highway Bridge Replacement and Rehabilitation program.

39) **ECO-Rapid Transit.** $3 million in one-time funds for land use planning and related matters in (and around) transit stations by nine cities between Artesia and Los Angeles Union Station.

40) **Transit-Oriented Development.** $3.5 million to create the foundation to assist in the funding of a transit line/build a 20 mile sustainable corridor TOD form Artesia to Union Station. Will be used for predevelopment and planning a multi-jurisdictional corridor with 13 stations. This includes $200,000 to integrate access projects that will provide First/Last Mile planning for the upcoming Eco-Rapid Transit (West Santa Ana Branch Corridor under Measures R and M), and $300,000 study the feasibility of capping I-105 to provide enhanced station access, a superior bus/rail interface opportunity and community oriented green space as well as possible bike-share facility."

Staff Recommendation: Hold open.

VOTE-ONLY CALENDAR

2660 – California Department of Transportation

1. **Road Repair and Accountability Act Implementation.** The budget requests $1.82 billion from the Road Repair and Maintenance Account funding ($863 million in capital outlay, $633 million in state operations, and $324 million in local assistance) for transportation projects under SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Repair and Accountability Act of 2017, as well as 400 new Maintenance positions
2. **Personal Services Adjustment.** The Governor's budget requests a permanent increase of $58 million from the State Highway Account to correctly align resources to fund all currently authorized positons. The proposed augmentation would fully fund about 340 positions that Caltrans otherwise would have to hold vacant. Caltrans plans to allocate the augmentation across its programs based on their historical compensation expenditures and position history. Most of the increase would go to the Highway Maintenance Program ($20.5 million) and administration ($16.1 million).
3. **Privacy and Enterprise Security Enhancements.** The budget requests four positions and a one-time increase of $10.4 million in State Highway Account (SHA) funds ($699,000 for consulting services and $9.2 million for software and hardware purchases) in 2018-19 and an ongoing increase of $2.1 million SHA (for the four positions, $60,000 for consulting services, and $1.6 million for software and hardware purchases) to improve the Information Technology Cybersecurity Program, address Payment Card Industry compliance gaps and to develop an Enterprise Privacy Office.
4. **Tort Fund Augmentation.** The Governor's budget requests a permanent increase of $7.0 million SHA funds for Caltrans' tort litigation costs and settlement awards. Additionally, the Administration requests budget bill language allowing the Department of Finance the ability to increase funding by up to an additional $20 million following notification to the Legislature.
5. **Vehicle Insurance Increase.** The Governor's budget requests a two-year increase of $4.9 million in SHA funds for fleet insurance costs. For the last three fiscal years, Caltrans has lacked adequate funding to cover the cost of its annual insurance premium. In the 2018 Budget Act, Caltrans received a one-time augmentation of $5.5 million SHA to partially cover the cost of the deficiency. In past years, the deficiency was paid for by Caltrans redirecting funding from other activities. This request would cover the shortfall for two years and Caltrans would no longer need to redirect funding from other activities.
6. **Bay Area Stormwater Permit Violation.** In December 2016, the San Francisco Bay Regional Water Quality Control Board issued a Notice of Violation ("NOV") to Caltrans. The NOV required "prompt submittal by Caltrans of an acceptable trash reduction workplan" to the Regional Board. To date, no such acceptable plan has been submitted. The Regional Board has repeatedly rejected Caltrans Trash Load Reduction Workplans for failing to include appropriate plans or schedules for timely implementation of actions. While Caltrans has not disputed that it is in violation, it still has not provided a plan or identified funding to implement compliance actions. Staff proposes supplemental reporting language requiring Caltrans to report on the development of a workplan to address these issues, and to identify other stormwater issues that exist elsewhere in the state.

3360 – California Energy Commission

1. **On-Call Delegate Chief Building Official Contract Funding.** The budget requests $1,000,000 in increased expenditure authority from the Energy Facility License and Compliance Fund (EFLCF) to provide contract funding for an On-Call Delegate Chief Building Official (DCBO). This contract will provide DCBO support for modifications to jurisdictional power plants resulting from project owner filed amendments, emergency responses, such as power plant fires, and other small modifications. The Energy Commission has indicated that they seek to change from the current MOU approach to a contracted approach to eliminate potential conflicts of interest between the selected DCBO firms and the project owners. This approach requires additional contract authority to execute.
2. **Title 20 Appliance Energy Efficiency Standards – Compliance Assistance and Enforcement Program Contract Funding.** The budget requests a $100,000 increase in expenditure authority for baseline contract funding from the Appliance Efficiency Enforcement Subaccount (AEES) to support the Title 20 appliance efficiency enforcement testing contract. This requested $100,000 augmentation in additional contract authority will increase the testing capacity at the contracted test laboratory and its contract funding from $200,000 per fiscal year to $300,000 per fiscal year.

8660 – California Public Utilities Commission

1. **Communications Licensing and Compliance Program.** The budget requests $295,000, PUC Utilities Reimbursement Account (0462), ongoing, for two permanent positions for the Licensing and Compliance Program (L&C) to address expanded work obligations that have resulted in work backlog issues.
2. **Supporting Statewide Presence.** The budget requests $1,004,000 in 2018-19, with additional ongoing costs, from various funds, to lease two additional office spaces in Sacramento County for the placement of new PUC staff and the relocation of existing employees. The budget requested $1,056,000 in January, which was subsequently modified by an April Finance Letter that reduced the request by $52,000 in 2018-19 and $124,000 ongoing. The savings come from the expiration of an existing PUC office lease.
3. **Water and Utility Program Audit Compliance.** The budget requests $929,000 per year from the Public Utility Commission Utilities Reimbursement Account (0462) to convert seven limited term positions to permanent positions. These positions were originally provided on a limited-term basis to address gaps in PUC's oversight of utilities through a State Auditor report. The workload to ensure the PUC continues to address the audit findings is likely permanent. As such, it is appropriate to extend these positions.
4. **Water Affordability for Low-Income Communities.** The budget requests $294,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for two two-year limited-term positions to analyze and identify potential solutions to the growing water affordability issue in rate-setting proceedings as part of the PUC's recently-opened rulemaking R. 17-06-024.
5. **Gas and Electric Service Disconnections.** The budget requests $336,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two permanent positions to implement the requirements of SB 598 (Hueso), Chapter 362, Statutes of 2017. These positions will support the development and administration of decisions and a rulemaking proceeding on disconnections, as well as ongoing work to incorporate potential impact on disconnections into

all future General Rate Case (GRC) proceedings. These are new tasks for the PUC that cannot be absorbed by existing staff, and will continue into the foreseeable future.

6. **Residential Solar Energy Storage System Consumer Protection (AB 1070).** The budget requests $592,000 (Public Utilities Commission Utilities Reimbursement Account) for one two-year limited-term position to implement the requirements of AB 1070 (Gonzalez Fletcher), Chapter 662, Statutes of 2017. This request includes $450,000 in contractor funding. AB 1070 directs the PUC to develop and adjust, on an ongoing basis, a methodology that estimates electric utility bill savings for residential customers who install solar energy systems, and to create a uniform disclosure document the solar industry is required to present to residential customers before the purchase or lease of a solar energy system. Developing this new methodology and disclosure requirement is new, limited-term workload that the PUC cannot absorb with current resources.
7. **Safety and Enforcement Division: Fortify Gas Safety Reliability, Rail Crossings and Engineering, and Rail Operations Branches.** PUC requests $2,205,000 from the State Transportation Fund (0042) and the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for additional operational support and field staff in the Safety and Enforcement Division (SED). Specifically, the request includes 12 new permanent full-time positions, classification upgrade of five existing permanent full-time positions, and equipment, training, and travel necessary to facilitate inspections and audits, and to ensure staff safety.
8. **California Advanced Services Fund – Internet for All Now Act (AB 1665).** The budget requests $76,554,000 from the California Advanced Services Fund (3141) for the following:
   - Permanent funding for two Senior Telecommunications Engineers to address staffing shortfalls in the program.
   - The conversion of five limited-term positions set to expire on December 31, 2020, to permanent positions.
   - The addition of five new, permanent positions; one new permanent half-time position; and two new limited-term positions to implement the mandates of Chapter 851.
   - Funding of $2.5 million per year for consultant services for the statutorily required California Environmental Quality Act (CEQA) review of projects in the program.
   - Ongoing funding of $72,611,000 for local assistance for the CASF program—an additional seven years beyond the last approval, or until 2029.
   - Budget bill language authorizing a three-year encumbrance period and two-year liquidation period for local assistance funding prospectively and extension of liquidation for current appropriations.
9. **California Advanced Services Fund – Spring Finance Letters.** The Administration further proposed budget bill language via a Spring Finance Letter to extend the liquidation period of appropriations made in 2015, 2016, and 2017 for this program to ensure uninterrupted operations.
10. **Building Administrative Infrastructure Core.** The budget requests $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.
11. **Electric Vehicle Charging Infrastructure at Public Parks, Public Beaches, and Schools (AB 1082 and AB 1083).** The budget requests $546,000 (Public Utilities Commission Utilities Reimbursement Account) for three one-year limited-term positions to implement the

requirements of AB 1082 (Burke), Chapter 637, Statutes of 2017, and AB 1083 (Burke), Chapter 638, Statutes of 2017. These bills created an expedited review process for applications to install charging stations at certain public properties that requires additional work at the PUC.

12. **Loan Repayment Extension.** The Administration requests the creation of a new budget item to reflect the extension of a loan repayment from the Regional Railroad Accident Preparedness Immediate Response Fund (Fund 3260) to the California High-Cost Fund-B Administrative Committee Fund (Fund 0470). The Governor's budget reflected a loan extension for two loans between these funds, but the proposed budget bill language only reflected one loan. This is a technical correction to address this oversight.

8660 – California Public Utilities Commission Office of Ratepayer Advocates

1. **Electric Safety Analysis.** The Office of Ratepayer Advocates requests $334,000 from Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) and two positions, one Public Utilities Regulatory Analyst (PURA) III and one Senior Utilities Engineer, to address utility safety-related workload arising from expansion of existing and new PUC proceedings. The PURA III will provide technical support and assistance to an existing PURA V on federal and state safety regulations and project coordination. The PURA III also will work with the existing engineering staff to provide further policy, technical, and economic insights into electric safety work. The Senior Utilities Engineer will be the technical lead for ORA on safety-related issues, particularly for electric safety and also be ORA's lead on the risk accountability reports and risk spending reports. The ORA is adequately staffed to review and integrate findings into natural gas reports, but not electric safety reports. Increased staff in electric safety will help inform safety model assessment proceeding and assess the accuracy of the utilities' risk management. As a result, ORA will be able to mitigate safety risk as much as possible without compromising cost-effectiveness (lowest service rate).
2. **Analysis of Community Choice Aggregation and Other Departing Load Programs.** The budget requests $167,000 per year from the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) for one permanent Public Utilities Regulatory Analyst (PURA) V position to perform expanding workload associated with the recent increase in departing load programs, specifically the Community Choice Aggregation (CCA) program. The CCA program enables cities and counties to pool resources to develop or purchase power—with an emphasis on renewable energy. Customers are beginning to depart investor owned utilities (IOUs) for CCAs. SB 350 (de León), Chapter 547, Statutes of 2015, mandates new requirements that support the state's goals to increase renewable resources, reduce GHG emissions, and enhance system reliability in the most cost effective manner apply to all load serving entities (LSEs). Both IOUs and CCAs are defined as LSEs. The CCA-related requirements of SB 350 have a direct and significant impact on all residential customers' rates and ultimately their monthly bills. As CCAs grow, workload associated with reviewing CCAs' compliance with SB 350 requirements increases. Participation by various cities and counties throughout the state is estimated to grow significantly. The PURA V will provide complex technical analyses on how to ensure that cost allocation is fair and nondiscriminatory, prepare written reports and testimony, and testify in evidentiary hearings. The PURA V also will lead CCA project teams and coordinate with other ORA staff regarding ORA's positions on issues involving CCA-related issues.
3. **Electric Resource Modeling.** The budget requests two Public Utilities Regulatory Analyst (PURA) IV positions and $307,000 from the Public Utilities Commission Office of Ratepayer

Advocates Account, to perform mission critical work associated with new complex computer simulation and modeling efforts required by the PUC's implementation of the integrated resource planning mandates contained in SB 350 (de León), Chapter 547, Statutes of 2015. Two new PURA IV positions are necessary for ORA to participate in the development and implementation of the computer simulations and models needed to identify the optimal portfolios of resources for the state's load-serving entities to procure, in light of the environmental, cost, and reliability requirements established in SB 350.

4. **Geographical Information Systems Analysis.** The budget requests a Research Program Specialist III (Geographic Information Systems) position and $142,000 from the Public Utilities Commission Office of Ratepayer Advocate Account (PUCORA) to perform geographical spatial analysis work associated with evaluating investor-owned utility (IOU) applications and programs across industry areas, and measure program outcomes that impact disadvantaged communities and low-income households.
5. **Trailer Bill Proposal: Public Advocate's Office.** The Office has requested that the Legislature update and rename the Office as the "Public Advocate's Office" so that its name more accurately conveys its public interest mission. The Office has indicated that there will be no budget impact related to this name change.

Extensions of Liquidation: Local Park Projects.

1. **Extensions of Liquidation: Local Park Projects.** Requests have been made by various local entities for liquidation extensions of state funding they have received for individual park projects as follows:

   a. **Fall River Mills Community Center Park.** Extend liquidation date to June 30, 2020, for $273,984 Proposition 84 Statewide Park Program (SPP) to grantee, Fall River Community Service District.

   b. **New Park – Western/Gage.** Extend liquidation date to June 30, 2020, for $422,323 Proposition 84 SPP to grantee, Los Angeles Neighborhood Initiative.

   c. **Earth & Space Sciences Center.** Extend liquidation date to June 30, 2021, for $6.245 million Proposition 84 SPP to grantee, Powerhouse Science Center.

   d. **Slausen Wall Park.** Extend liquidation date to June 30, 2022, for $5 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

   e. **Ord & Yale Park.** Extend liquidation date to June 30, 2020, for $5 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

   f. **Nevin Avenue Elementary School Park.** Extend liquidation date to June 30, 2020, for $2.898 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

g. **West Lakeside Street Park.** Extend liquidation date to June 30, 2020, for $4.961 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

h. **WAYS Reading and Fitness Park.** Extend liquidation date to June 30, 2020, for $842,472 Proposition 84 SPP to grantee, Heal the Bay.

i. **Rainbow Recreation Center Expansion.** Extend liquidation date to June 30, 2019, for $2.501 million Proposition 84 SPP to grantee, City of Oakland, Public Works Department.

j. **California Trail.** Extend liquidation date to June 30, 2019, for $1.4 million Proposition 84 Nature Education Facilities (NEF) to grantee, East Bay Zoological Society.

k. **Looking Into Nature.** Extend liquidation date to June 30, 2019, for $197,713 Proposition 84 NEF to grantee, City of Torrance.

l. **Jackie Robinson YMCA Teen and Family Recreation Center.** Extend liquidation date to June 30, 2019, for $997,987 Proposition 84 NEF to grantee, YMCA of San Diego County.

Staff Comment. It seems that requests for liquidation extensions happen frequently, however causes for delay are not always clear. Staff proposes approving these requests and requiring the Department of Parks and Recreation to provide information regarding the status of each of the projects listed above, any further causes for delay, and estimated time of completion for phase when the current appropriation will be expended.

Staff Recommendation:
Approve as proposed.

Issues Proposed for Discussion

2660 California Department of Transportation

The California Department of Transportation (Caltrans) designs and oversees the construction of state highways, operates and maintains the highway system, funds three intercity passenger rail routes, and provides funding for local transportation projects. Through its efforts, Caltrans supports a safe, sustainable, integrated, and efficient transportation system to enhance California's economy and livability.

Budget Overview: The budget proposes $13.6 billion to support 19,500 positions at Caltrans. This is an increase of nearly $2.3 billion, mostly due to the allocation of funds provided by the Governor's Transportation Package. The budget includes $2.8 billion in SB 1 funding for a variety of transportation programs at Caltrans. This includes $1.2 billion for highway maintenance and repairs, $400 million for the repair of state-owned bridges and culverts, $330 million for local transit projects, $250 million for congestion relief on commuter corridors, $200 million in matching funds for the Local Partnership Program, $100 million for active transportation projects, $25 million for freeway service patrols, and $25 million for local planning grants, as well as associated support costs.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	**2017-18**	**2018-19**	**2016-17***	**2017-18***	**2018-19***
1830019	Aeronautics	23.1	24.0	24.0	$7,710	$7,226	$7,299
1835010	Capital Outlay Support	7,188.5	8,029.6	8,029.6	1,665,594	1,853,814	1,859,641
1835019	Capital Outlay Projects	-	-	-	3,370,041	3,263,445	4,600,380
1835020	Local Assistance	246.4	269.5	268.5	1,714,935	2,727,700	3,392,979
1835029	Program Development	188.4	224.2	223.2	61,421	79,498	81,938
1835038	Legal	251.3	276.6	276.6	122,312	130,381	141,100
1835047	Operations	1,065.0	1,091.2	1,091.2	251,601	257,554	271,106
1835056	Maintenance	6,890.3	6,117.5	6,521.5	1,445,856	1,993,189	2,188,089
1840019	State and Federal Mass Transit	59.7	62.7	62.7	151,388	277,624	200,862
1840028	Intercity Rail Passenger Program	44.1	43.7	43.7	212,207	451,457	578,292
1845013	Statewide Planning	650.5	703.9	702.9	131,848	153,220	160,859
1845022	Regional Planning	41.5	38.5	38.5	16,586	126,915	127,037
1850010	Equipment Service Program	698.6	634.6	634.6	206,270	205,441	207,276
1850019	Equipment Service Program - Distributed	-	-	-	-206,270	-205,441	-207,276
1870	Office of Inspector General	-	58.0	64.0	-	9,761	11,375
9900100	Administration	1,519.5	1,535.5	1,536.5	374,646	392,277	423,228
9900200	Administration - Distributed	-	-	-	-374,646	-392,277	-423,228
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**18,866.9**	**19,109.5**	**19,517.5**	**$9,151,499**	**$11,331,784**	**$13,620,957**

Issue 1: Information Technology Infrastructure Replacement

Governor's Proposal: The Governor's budget requests a one-time increase of $2 million in State Highway Account (SHA) funds to develop an Information Technology Applications Roadmap. Additionally, the Governor proposes budget bill language authorizing up to $12 million (one-time SHA) to continue replacement of outdated IT infrastructure, contingent upon approval of the Roadmap by the California State Transportation Agency (CalSTA), the California Department of Technology (CDT), and the Department of Finance (DOF).

This request was first heard in subcommittee on April 11, 2018.

Background: The 2017 Budget Act provided Caltrans $12 million on a one-time basis to replace its most outdated IT infrastructure that was at greatest risk of failure. Caltrans is on track to complete the replacement of 1,081 devices by June 30, 2018.

LAO Comments: The LAO recommends the Legislature approve the proposed $2 million to develop the roadmap. However, the LAO finds the proposed budget bill language puts the Legislature in the position of approving funds to start implementing the Roadmap without providing the Legislature an opportunity to first review it. Therefore, the LAO recommends the Legislature reject the proposed budget bill language and adopt language that requires Caltrans to submit a copy of the roadmap to the Legislature, and then Caltrans could submit a 2019-20 budget request after the Legislature has had an opportunity to review the roadmap.

Staff Comments: Caltrans has previously developed an IT Roadmap identifying critical devices that need replacement. This year it is developing a roadmap for its IT Applications. Caltrans has been working closely with CDT and expects to complete the IT Application Roadmap during 2018-19. Caltrans would not make any purchases until the roadmap is approved by CalSTA, CDT, and DOF.

Staff Recommendation: Approve as Budgeted. Adopt budget bill language requiring JLBC notification prior to any budget augmentation for the replacement of IT infrastructure.

Issue 2: Indirect Cost Rate Proposal (ICRP)

Proposal: The Self-Help Counties are seeking an exemption from full cost recovery by Caltrans for work that Caltrans does on their behalf and instead have Caltrans only charge Self-Help counties for direct costs or functional overhead.

Background: Caltrans does work on behalf of Self-Help Counties who develop projects on the state highway system, in addition to cities, regional transit and transportation agencies, certain state agencies, and private entities. Caltrans recovers the cost of these services and charges these entities a rate that covers the cost of both administrative and program functional rates.

Several external entities have been exempt from full cost recovery for various reasons. These include the Bay Area Toll Bridge Seismic Retrofit, project initiation documents funded by local agencies (part of a compromise when local agencies were given funding for this work), and work done for the High-Speed Rail Authority.

The Self-Help Counties are 24 local county transportation agencies that have passed a countywide sales tax measure to fund transportation projects. These counties are seeking an exemption from full cost recovery for the Caltrans' services they receive, and are requesting to only pay the direct costs. According to Caltrans, an exemption from the administrative portion of the indirect costs would reduce Caltrans' cost recoveries by $15.2 million. This would be a loss of funding for the State Highway Account that funds the State Highway Operation and Protection Program, which provides funding for major rehabilitation of the State Highway System.

Staff Comments: Partnerships with local transportation agencies are necessary for the success of maintaining and developing the state highway system. It is important to ensure that the entities that partner with the state are fairly charged for the services Caltrans provides. Staff recommends the Subcommittee adopt Supplemental Reporting Language directing the LAO to examine and make recommendations regarding the ICRP rates charged, the basis for charging these rates, the appropriateness of these rates, and the rationale for exemptions.

Staff Recommendation:
Adopt Supplemental Reporting Language.

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers and protects consumers by issuing vehicle titles and regulating vehicle sales.

Budget Overview: The budget requests $1.16 billion and 8,308 positions for 2017-18. This is an increase of roughly $36.5 million and 37 positions.

The DMV, along with the Department of the California Highway Patrol (CHP), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The Department of Finance's five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be narrowly balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2130	Vehicle/Vessel Identification and Compliance	3,579.6	3,880.4	3,903.9	$566,602	$590,535	$612,287
2135	Driver Licensing and Personal Identification	2,612.5	2,171.0	2,183.0	303,159	335,484	350,477
2140	Driver Safety	1,088.9	1,182.7	1,184.7	128,258	133,025	133,422
2145	Occupational Licensing and Investigative Services	415.0	448.8	448.8	55,430	57,137	57,373
2150	New Motor Vehicle Board	9.8	13.0	13.0	1,468	1,704	1,707
9900100	Administration	531.1	574.3	574.3	93,174	109,112	111,612
9900200	Administration - Distributed	-	-	-	-93,174	-109,112	-111,612
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**8,236.9**	**8,270.2**	**8,307.7**	**$1,054,917**	**$1,117,885**	**$1,155,266**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$3,888	$1,750	$3,188
0042	State Highway Account, State Transportation Fund	11,522	6,565	7,314
0044	Motor Vehicle Account, State Transportation Fund	1,008,004	1,065,017	1,096,257
0054	New Motor Vehicle Board Account	1,468	1,696	1,707
0064	Motor Vehicle License Fee Account, Transportation Tax Fund	13,723	16,421	18,876
0516	Harbors and Watercraft Revolving Fund	2,434	5,317	2,764
0890	Federal Trust Fund	28	2,810	2,780
0995	Reimbursements	13,850	14,549	14,549
3290	Road Maintenance and Rehabilitation Account, State Transportation Fund	-	3,760	7,831
TOTALS, EXPENDITURES, ALL FUNDS		**$1,054,917**	**$1,117,885**	**$1,155,266**

Issue 1: Front End Sustainability Project

Governor's Proposal: The budget requests $15 million MVA in 2018-19 to support the implementation of the Front End Applications Sustainability (FES) project. The annual amount requested over each of the next four years will fluctuate and total $89 million, which includes funding for three permanent positions beginning in 2018-19 and funding for seven limited-term positions from 2018-19 through 2022-23. The budget also proposes $14.9 million annually beginning in 2023-24 for system maintenance and operation.

In addition, the Governor proposes trailer bill language to authorize DMV to charge an additional $1 fee per transaction to the private industry partners that work with the department to collect registration fees. The revenue from the fee would fund the business partner's portion of the project.

This proposal was first heard in subcommittee on April 11, 2018.

Background: Each year, the DMV issues about seven million drivers licenses and registers roughly 35 million vehicles, and collects $3.5 billion in associated fees. In addition, the department collects and distributes various fees (such as unpaid parking penalties) on behalf of local authorities and other state agencies. According to DMV, its current vehicle registration and fee collection system, referred to as the legacy system, is dependent on approximately 45-year old technology, which is inflexible and fragmented leading to significant challenges.

Following the termination of the project, DMV and CDT initiated efforts to complete the unfinished upgrades to DMV's legacy system. This project, the Front End Applications Sustainability (FES) project, is currently proceeding through the state's IT project approval process and its four stages—known as the Project Approval Lifecycle (PAL). DMV completed Stage 1 for the FES project in 2016 and Stage 2 at the end of 2017. The department is currently entering Stage 3 and expects to complete Stage 4 in January 2019. As part of the 2017-18 budget, the Legislature approved up to $3.4 million to support pre project activities related to Stage 3, including the preparation of a Request for Procurement.

LAO Comments: The LAO finds it is premature to approve funding for the remainder of the project prior to completion of the planning process, specifically Stage 4, which DMV currently expects to complete in January 2019. The LAO recommends the Legislature adopt supplemental reporting language requiring that DMV provide a status report on the FES project to the Legislature within 45 days following CDT's approval of Stage 4. At a minimum, this report should include (1) an updated project cost and completion date; (2) terms of the vendor contract (such as key vendor responsibilities, what options are available should the vendor fail to perform, and first year project milestones); and (3) how the department plans to prepare employees for use of the new system. This report would provide the Legislature with the necessary baseline information to hold DMV accountable as the project progresses.

Staff Comments: According to CDT moving forward with this request would not circumvent its review process. The intent of providing funding in 2018-19 is to ensure that the procurement for this project is not delayed assuming it clears Stage 4 mid-year.

The proposed trailer bill language allows DMV to charge a $1 transaction fee to recoup a portion (25 percent) of the estimated one-time project costs that benefit private industry business partners. DMV estimates the business partners' share of costs would be approximately $19.2 million, and with a $1 fee this would be recouped in about three years. Currently this language does not have a sunset. According to DMV, this flexibility permits DMV to collect the appropriate share of the project's cost from business partners should project cost change.

Staff Recommendation

Approve the requested funding and positions through 20-21-22. Reject the $14.9 million ongoing beginning in 2022-23. Adopt trailer bill language with a sunset date of 12/31/2023 for the private industry partner transaction fee.

Issue 2: Information Technology Infrastructure Refresh

Governor's Proposal: The Governor's budget requests a one-time operating expense increase of $3.1 million MVA funding for the replacement of outdated critical information technology (IT) infrastructure equipment that has reached its end of life (EOL) and has been identified as a priority to ensure continuity of business operations.

Background: DMV has a 2016-21 IT Strategic Plan that emphasizes the importance of replacing IT to keep pace with ever-evolving technology. This request supports IT asset management through routine replacement of EOL equipment, promotes most effective use and maintenance of assets throughout the lifecycle, and ensures their proper upgrading, replacement and disposal. This funding is expected to replace 113 network, servers, and storage devices. The DMV will also have a vendor complete an analysis (estimated cost of $250,000 using existing budget authority) of all the IT infrastructure components and develop a replacement plan that DMV will use to submit a request in 2018-19 for a permanent augmentation for the ongoing replacement needs of IT infrastructure equipment.

Staff Comments: The department has indicated that IT hardware assets lifecycle is about five years. As devices on the network, server, or appliance age, refresh expenditures will be needed. Many of DMV's assets were deployed over five years ago and have accommodated significant growth. The department has also indicated that this request will enable DMV to continue replacement of its most critical aging infrastructure. DMV has prioritized the replacements to mitigate the risk of failure for the most critical and aged devices included in the current backlog of EOL network, server and storage infrastructure. The department has indicated that there will likely be future funding requests as additional IT hardware reaches EOL.

Staff Recommendation:
Approve as Budgeted.

Issue 3: Perimeter Fencing

Governor's Proposal: The Governor's budget requests $6.1 million MVA, for the second year of funding for the design and construction of perimeter fences at state-owned DMV field office locations.

This item was first heard in subcommittee on April 11, 2018.

Background: 66 DMV field offices (of 170) report regular problems with afterhours trespassing, and 20 of those offices report serious and ongoing health and safety concerns resulting from these activities.

Nine fencing projects were funded in 2017-18 at $4.0 million MVA; however, because the estimates overlooked certain overhead costs the funding was only sufficient for seven fencing projects. As a result, the remaining two fencing projects need to be funded in 2018-19. Also, since the approval of the 2017-18 proposal, an additional office was determined to be in critical need of fencing and an office for which a replacement was proposed in the 2017-18 five year plan is now eligible and in need of perimeter fencing. In total, 13 projects are proposed in the 2018-19 request. Upon completion, the 2017-18 and 2018-19 appropriations are expected to fund fencing projects at 20 offices.

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 $2.3 million ongoing for a security contract at the identified office locations.

3360 CALIFORNIA ENERGY COMMISSION

The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand; developing and implementing energy conservation measures; conducting energy-related research and development programs; and siting major power plants.

Governor's Budget: The Governor's budget includes $384 million for support of the CEC, a decrease of approximately $300 million from the enacted 2017-18 budget, predominantly due to a decline in funding for the Electric Program Investment Charge Fund.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2380	Regulatory and Planning	139.2	131.0	131.0	$30,996	$38,543	$37,864
2385	Energy Resources Conservation	125.9	164.3	164.3	42,742	52,941	48,491
2390	Development	171.7	193.1	193.1	324,266	592,398	297,722
9900100	Administration	180.9	180.9	180.9	27,235	28,259	-
9900200	Administration - Distributed	-	-	-	-27,235	-28,259	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**617.7**	**669.3**	**669.3**	**$398,004**	**$683,882**	**$384,077**

FUNDING		**2016-17***	**2017-18***	**2018-19***
0001	General Fund	$-	$18,000	$-
0033	State Energy Conservation Assistance Account	-6,261	-616	359
0044	Motor Vehicle Account, State Transportation Fund	150	161	162
0115	Air Pollution Control Fund	1,405	-	-
0381	Public Interest Research, Development, and Demonstration Fund	1,233	1,257	751
0382	Renewable Resource Trust Fund	23,119	25,750	4,748
0465	Energy Resources Programs Account	74,180	79,924	79,021
0497	Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account	5,067	1,606	1,548
0853	Petroleum Violation Escrow Account	183	5,825	-
0890	Federal Trust Fund	15,271	13,497	13,464
0942	Special Deposit Fund	301	58	-
0995	Reimbursements	42	2,050	800
3062	Energy Facility License and Compliance Fund	3,527	3,576	4,577
3109	Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	32,076	45,769	24,000
3117	Alternative and Renewable Fuel and Vehicle Technology Fund	102,456	177,512	107,858
3205	Appliance Efficiency Enforcement Subaccount, Energy Resources Programs Account	125	1,402	1,497
3211	Electric Program Investment Charge Fund	143,234	234,735	136,021
3228	Greenhouse Gas Reduction Fund	-	66,000	-
3237	Cost of Implementation Account, Air Pollution Control Fund	-	9,286	9,271
9330	Clean and Renewable Energy Business Financing Revolving Loan Fund	1,896	-1,910	-
TOTALS, EXPENDITURES, ALL FUNDS		**$398,004**	**$683,882**	**$384,077**

Issue 1: Implementation of the School Bus Retrofit and Replacement Program (SB 110)

Governor's Proposal: The budget requests authority for three-year funding of $900,000 annually for six temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to develop and implement the new school bus retrofit and replacement activities under the Clean Energy Job Creation Program.

This item was first heard in subcommittee on March 8, 2018.

Background: The California Clean Energy Jobs Act, an initiative approved by the voters as Proposition 39 at the November 6, 2012, statewide general election, made changes to corporate income taxes and, except as specified, provides for the transfer of $550,000,000 annually from the General Fund to the Clean Energy Job Creation Fund for five fiscal years beginning with the 2013-14 fiscal year. Moneys in the fund are available, upon appropriation by the Legislature, for purposes of funding eligible projects that create jobs in California improving energy efficiency and expanding clean energy generation.

SB 110 (Committee on Budget and Fiscal Review), Chapter 55, Statutes of 2017, established the Clean Energy Job Creation Program with the purpose of funding specified projects in public schools and community colleges that create jobs in California improving energy efficiency and expanding clean energy generation. The bill provides $75 million to the Energy Commission to provide grants or loans to school districts and county offices of education for school bus retrofit or replacement.

Staff Comments: The state has aggressive policies for expediting the development of clean, alternative, and renewable fuels and vehicle technologies to help in meeting the state's environmental goals. Cleaner school buses are a top priority for the state. Exposure to diesel particulate matter is a health hazard, particularly to children whose lungs are still developing and the elderly, who may have other serious health concerns.

CEC has indicated that existing staff resources are not currently sufficient to effectively implement both ongoing responsibilities and new school bus retrofit and replacement activities. CEC has also indicated that school districts (especially small school districts and school districts within disadvantaged communities) lack the resources and expertise necessary to effectively apply for, administer and implement school bus retrofit and replacement activities.

Staff Recommendation:
Approve as Budgeted.

Issue 2: Zero Emission Vehicle Infrastructure Initiative Trailer Bill Language

Governor's Proposal: The Administration has proposed trailer bill language transferring $88 million in one-time funds from the New Solar Homes Partnership funding source for the ZEV initiative, bringing the total available funding for the program to $235 million. The proposed trailer bill language also makes a number of substantive changes to the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP).

The proposal for the remainder of funds for the program was first heard in subcommittee on March 8, 2018.

Background: AB 118 (Núñez), Chapter 750, Statutes of 2007, created the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program. The statute, subsequently amended by Assembly Bill 109 (Núñez), Chapter 313, Statutes of 2008, and Assembly Bill 8 (Perea), Chapter 401, Statutes of 2013, authorizes the Energy Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change policies.

Executive Order B-16-12, issued in 2012, directed state government to help accelerate the market for zero-emission vehicles (ZEVs) in California by calling for 1.5 million ZEVs in California by 2025 and establishes several milestones on the pathway toward this target. Executive Order B-48-18 updated these goals, calling for five million ZEVs by 2030, as well as 250,000 vehicle charging stations and 200 hydrogen charging stations by 2025.

CEC administers the New Solar Homes Partnership (NHSP) program, which provides financial incentive rebates for the installation of solar energy systems in new homes. SB 1 (Murray), Chapter 132 of 2006, authorized $400 million for the NSHP program with the goal of achieving 360 megawatts (MW) of solar capacity installed by 2016. According to the Administration, the state has not yet met the 360 MW goal established in Chapter 132. Current law authorizes CEC to spend the NSHP funds through June 2018. The Administration estimates that there will be roughly $88 million available to the program when the program's authorization expires.

Staff Comments: The current ARFVTP includes a wide range of activities, including low carbon fuel production, workforce training, and alternative fuel vehicles, among other uses. The proposed trailer bill language would remove many of these activities in favor of a tighter focus on ZEV fueling and support infrastructure and related spending. The subcommittee may want to consider the proposed changes in the context of the numerous other statewide programs that fund ZEV deployment and infrastructure.

Additionally, staff notes that it is unclear how much money will be available in the NSHP to transfer by June. The final amount may be less than the estimated $88 million, which would limit funds available for the revamped ARFVTF.

Staff Recommendation:
Hold open

Issue 3: Building Energy Efficiency Compliance Software Updates and Maintenance Funding (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter proposes a $1.5 million increase in baseline contract authority from the Cost of Implementation Account for the continual enhancement, maintenance, and support of the Energy Commission's residential and nonresidential Building Energy Efficiency Standards (Standards) compliance software (CBECC).

Background: Energy efficiency compliance software enables contractors, builders, architects, engineers, and governmental officials to estimate the energy consumed by residential and nonresidential buildings, and demonstrate compliance with the performance standards. The Energy Commission is responsible for both the development of energy efficiency standards and maintenance of the software to measure compliance with the Standards. As software sophistication and functionality has grown, this has resulted in more resources being directed towards maintenance of the software, and fewer resources to develop standards that keep abreast of current advancements, and actively encourage innovations in building energy efficiency. Both the California Air Resources Board (ARB) and the Energy Commission have recognized energy efficiency as a critical component of reducing greenhouse gas (GHG) emissions.

Staff Comments: The Commission has indicated that the requested $1.5 million in ongoing contract authority will be committed to maintaining the software and addressing the ongoing diversion of resources so that the existing resources of $2 million can be used for the development of energy efficiency standards.

Staff Recommendation:
Approve as Proposed.

Issue 4: Implementation of Electric Program Investment Charge (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests a baseline increase of $12 million in Electric Program Investment Charge (EPIC) program and administration funds. The Energy Commission also requests the conversion of existing technical support funds to fund four permanent positions to manage the increased program funding.

Background: The EPIC program is the state's primary electricity research program to evaluate, demonstrate and deploy new and emerging clean energy technologies so the state can continue to meet its aggressive clean energy goals. These goals to reduce greenhouse gas emissions and increase renewable generation require a transformation of the electricity system. Investments in energy innovations and creativity are critical to implement this transition.

The Energy Commission submitted the Third EPIC Triennial Investment Plan to the PUC on May 1, 2017. The PUC adopted the investment plan, including the budget adjustment for the inflation escalation, at its January 11, 2018 business meeting. Table 1 below summarizes the proposed budget authority for funding of the EPIC Third Triennial Investment Plan 2018-2020, and Table 2 shows the proposed expenditures:

TABLE 1

Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
EPIC Program Funding	$121.668	$121.668	$121.668	$365.004
EPIC Administration Funding	$14.353	$14.353	$14.353	$43.059
EPIC Funding	**$136.021**	**$136.021**	**$136.021**	**$408.063**
Inflation to Increase EPIC Program Funding	$11.532	$11.532	$11.532	$34.596
Inflation to Increase EPIC Administration Funding	$.447	$.447	$.447	$1.341
Net Increase to Existing Funding	**$11.979**	**$11.979**	**$11.979**	**$35.937**
Total EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
Total EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

TABLE 2

Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
Applied Research & Development	$53.267	$53.267	$53.267	$159.80
Technology Deployment & Demonstration	$57.733	$57.733	$57.733	$173.20
Market Facilitation	$22.20	$22.20	$22.20	$66.60
EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

Staff Comments: The Commission has indicated that the proposed four permanent positions will be paid for by converting existing technical support dollars, currently used for consultant contracts, to funded positions. As the EPIC program continues to grow the CEC's workload is likely to increase as well. The requested staff will allow the CEC to more effectively manage the increased program funding.

Staff Recommendation: Approve as Proposed.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

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 1,070 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of 38 positions and a decrease of roughly $220 million from the enacted 2017-18 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
6680	Regulation of Utilities	432.2	412.3	411.9	$670,692	$755,238	$761,631
6685	Universal Service Telephone Programs	36.2	33.0	38.6	725,421	996,279	773,873
6690	Regulation of Transportation	168.5	148.6	143.3	30,999	36,866	36,228
6695	Office of Ratepayer Advocates	128.4	159.0	164.9	28,144	36,263	36,957
9900100	Administration	235.1	289.4	311.4	54,166	62,242	61,470
9900200	Administration - Distributed	-	-	-	-54,166	-62,242	-61,470
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**1,000.4**	**1,042.3**	**1,070.1**	**$1,455,256**	**$1,824,646**	**$1,608,689**

FUNDING		2016-17*	2017-18*	2018-19*
0042	State Highway Account, State Transportation Fund	$4,840	$5,360	$6,415
0046	Public Transportation Account, State Transportation Fund	6,432	7,774	7,878
0412	Transportation Rate Fund	1,692	2,539	-
0461	Public Utilities Commission Transportation Reimbursement Account	14,563	17,887	18,171
0462	Public Utilities Commission Utilities Reimbursement Account	104,235	129,691	136,089
0464	California High-Cost Fund-A Administrative Committee Fund	36,880	49,247	49,256
0470	California High-Cost Fund-B Administrative Committee Fund	17,041	22,330	22,333
0471	Universal Lifeline Telephone Service Trust Administrative Committee Fund	429,684	630,173	428,817
0483	Deaf and Disabled Telecommunications Program Administrative Committee Fund	51,182	64,428	64,403
0493	California Teleconnect Fund Administrative Committee Fund	94,269	153,001	128,041
0890	Federal Trust Fund	5,726	8,952	9,405
0995	Reimbursements	41,670	60,844	60,844
3015	Gas Consumption Surcharge Fund	522,533	562,057	562,057
3089	Public Utilities Commission Ratepayer Advocate Account	28,144	33,263	33,957
3141	California Advanced Services Fund	96,365	77,100	81,023
TOTALS, EXPENDITURES, ALL FUNDS		**$1,455,256**	**$1,824,646**	**$1,608,689**

Issue 1: Aliso Canyon Update

Background: On October 23, 2015, Aliso Canyon began to leak natural gas from its underground storage facility located near Porter Ranch, Calif. Upon discovery and reporting of the leak, multiple agencies began to work with Southern California Gas Company to remedy the situation and investigate its cause. On January 6, 2016, the Governor declared the gas leak an emergency and set forth several orders to mitigate damage, including requiring Southern California Gas Company to maximize daily withdrawals of gas for use or storage elsewhere, a prohibition of any further injection into the storage facility until comprehensive review of the safety of the wells and the air quality of the surrounding community was completed, and ensuring that Southern California Gas Company bears responsibility for the costs related to the natural gas leak and strengthening oversight.

On February 11, 2016 SoCalGas temporarily controlled the leak by injecting mud from a relief well intersecting the bottom of the leaking well. Gaining control of the leak has drastically reduced the amount of leaking methane. A permanent seal of the well was announced by the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) on February 18, 2016.

On February 9, 2017, the PUC opened a proceeding (called an Order Instituting Investigation; I.17-02-002) to determine the feasibility of minimizing or eliminating the use of Southern California Gas Company's Aliso Canyon Natural Gas Storage Facility while still maintaining energy and electric reliability for the Los Angeles region. A final decision in this proceeding is expected in mid-2018, but the PUC has slated a 24-month timeframe from opening of the proceeding in February 2017 to complete all work.

The purpose of the proceeding is to examine the long-term viability of the Aliso Canyon gas storage facility. The scope of the proceeding does not include the question of whether the facility should be reopened for injections, but rather the long-term feasibility of minimizing or eliminating the use of the facility while still maintaining energy and electric reliability for the Los Angeles region, consistent with maintaining just and reasonable rates.

During this proceeding the facility's operator, Southern California Gas Company (SoCalGas), can only withdraw from the facility for specific purposes. SoCalGas must maximize usage of the other fields, and there is a cap on what can be stored in Aliso. The end result is Aliso will only be used as a last resort for reliability purposes. Specifically:

- SoCalGas cannot inject above 23.6 billion cubic feet.
- There are specific protocols in effect defining when SoCalGas can withdraw. SoCalGas must limit withdrawals to times when gas is needed for reliability and only after all the other fields are at full usage and steps have been taken to reduce or shift demand.
- SoCalGas has been directed by the PUC to maintain storage capacity in their other storage facilities to a level that maximizes the ability of those fields to meet demand in the Los Angeles Basin.

On March 2, 2018, due to lower-than-average temperatures and heavy use of non-Aliso storage facilities, SoCalGas requested permission to immediately begin using Aliso Canyon to manage gas storage inventory and preserve withdrawal deliverability at non-Aliso storage fields. The PUC authorized use of the Aliso facility on March 5, 2018.

Issue 2: Military Institutions and Net Energy Metering

Proposal: This proposal includes trailer bill language to allow military installations with eligible distributed generation to utilize the Net-Energy Metering (NEM) 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

Background: Customers who install small solar, wind, biogas, and fuel cell generation facilities, to serve all or a portion of onsite electricity needs, are eligible for the state's net metering program. NEM allows customers who generate their own energy ("customer-generators") to serve their energy needs directly onsite, and to receive a financial credit on their electric bills for any surplus energy fed back to their utility. Participation in the NEM does not limit a customer-generator's eligibility for any other rebate, incentive, or credit provided by an electric utility.

The current NEM program was adopted by the Commission on January 28, 2016, and is available to customers of PG&E, SCE and SDG&E. The current NEM program went into effect in SDG&E's territory on June 29, 2016, in PG&E's territory on December 15, 2016, and in SCE's territory on July 1, 2017. The program provides customer-generators full retail rate credits for energy exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs, such as a one-time interconnection fee and non-bypassable charges.

Currently, military installations with on-site eligible distributed generation are excluded from utilizing the NEM 2.0 tariff. The proposed trailer bill language would allow military installations with eligible distributed generation to utilize the NEM 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

Staff Comments: Staff has no concerns with this proposal and PUC has raised no concerns.

Staff Recommendation:
Approve as Proposed.

Issue 3: California Public Utilities Commission Governance, Accountability, Training, and Transportation Oversight Act of 2017 (SB 19), and Strengthening the Transportation Enforcement Branch (Spring Finance Letter)

Governor's Proposal: The budget requests the elimination of ongoing appropriations in the Transportation Rate Fund (TRF, Fund 0412) and 11 related positions, as well as the transfer of $750,000 from the TRF to the Household Movers Fund (HMF), in the Professions and Vocations Fund to fund new responsibilities at the Department of Consumer Affairs (DCA). These changes are intended to enact the requirements of SB 19 (Hill), Chapter 421, Statutes of 2017. The Administration has also proposed trailer bill language making several technical changes required to implement the provisions of SB 19.

Additionally, a Spring Finance Letter requests $2.4 million from the PUC Transportation Rate Account (PUCTRA) for:

- Five new permanent positions ($975,000) to enhance enforcement and leadership of the branch.
- $1.4 million that will be spread across 40 existing staff that previously worked on both transportation and household goods movers-related issues.

Background: Under SB 19 (Hill), Chapter 421, Statutes of 2017, regulation of household goods movers will be transferred from PUC to the Department of Consumer Affairs (DCA) on July 1, 2018. Accordingly, the Governor's January budget included a proposal to eliminate all $2.2 million in TRF funding for PUC, and to reduce TEB by 11 positions (with similar increases in DCA). Under the January proposal, the passenger carrier regulatory responsibilities associated with these 11 positions would be absorbed by the remaining existing PUC staff, and TEB would retain $602,000 of PUCTRA funding currently associated with these positions.

This additional funding requested in the Spring Finance Letter would increase PUC's licensing and enforcement resources, which is consistent with the recommendations made in an independent report that was completed in 2017 as required by the Legislature.

Staff Comment: The 2017 independent report found the PUC's Transportation Enforcement Branch, "severely understaffed and lacks the resources and PUC visibility it needs to perform successfully." The report recommended adding positions to bring the enforcement ratios to one enforcement staff per 176 licensed carriers, and one licensing staff to 641 licensed carriers. Approval of this proposal would change the ratios to one enforcement staff per 679 licensed carriers, and one licensing staff per 287 licensed carriers. Approval of this proposal would bring PUC closer to implementing the recommended staffing levels that the 2017 report identified as necessary for PUC to fulfill its statutorily required responsibilities regarding transportation carrier oversight

Staff Recommendation:
Approve the January request and trailer bill language as proposed. Approve the five positions and associated funding, and $776,000 in PUCTRA funding related to the April Finance Letter.

Issue 4: Electric Transmission Rates Advocacy

Governor's Proposal: The budget requests $1,511,000 (Public Utilities Commission Utilities Reimbursement Account) for ongoing consulting costs ($600,000) and for five additional positions to advocate for California ratepayers at transmission rate proceedings before the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (CAISO).

This proposal was first heard on March 8, 2018.

Background: California Public Utilities (PU) Code §451 requires the PUC to ensure that electric rates paid by ratepayers are "just and reasonable." Prior to electric restructuring on January 1, 1998, California investor-owned utilities were vertically integrated, with generation, transmission, and distribution under rate regulation by the PUC. As a result of California electric industry restructuring, the Federal Energy Regulatory Commission (FERC) has jurisdiction over the transmission rates that must be borne by California ratepayers in utility rate cases, while the PUC approves the electric generation, distribution, and customer service cost components of utility rates.

PU Code Sections 307, 365, and 451 imposes on the PUC the duty to intervene in transmission rate cases at FERC to help ensure the FERC-authorized rates are just and reasonable before they are passed through to California ratepayers. Once FERC authorizes the utilities to recover transmission costs, the PUC has no independent authority to change FERC-authorized rates. Accordingly, the PUC's General Counsel or their designees represent the PUC in various cases at FERC and other decision-making proceedings. Consultants and the PUC Energy Division analysts perform technical research and discovery for the assigned legal staff, prepare testimony as expert witnesses in FERC transmission rate cases and support legal staff with research in settlement negotiations.

Staff Comment: Approval of this request will help PUC to ensure ratepayers obtain the best value for their transmission rate dollars. The subcommittee may wish to monitor the outcomes provided by the addition of these resources. To do so, it may wish to adopt placeholder trailer bill language that requires the PUC to report annually on the following:

- The number of cases in which the PUC participates.
- The amount of ratepayer monies saved through case litigation by providing the transmission owner's original requested Transmission Revenue Requirement (TRR) and the FERC-approved TRR.
- The nature of PUC's involvement in each case, for example a description of issues litigated such as return on equity, tax issues, depreciation, cost-of-service ratemaking, and assumptions for justifying project needs.

Staff Recommendation:
Approve as Budgeted. Adopt proposed placeholder trailer bill language.

Issue 5: Maintain Energy Division Compliance with Audit and Statutory Requirements for Balancing Account Reviews (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $310,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA), to make permanent, two limited-term Public Utilities Regulatory Analyst (PURA) IV positions set to expire June 30, 2018, to continue to perform balancing account reviews.

Background: Balancing accounts are accounting mechanisms used by utilities to track specific costs and related revenue collection. A balancing account must be approved by the PUC. The primary purpose of a balancing account is to ensure that spending on a utility program or project matches what the PUC authorized. If the utility over-collects for that program or project, the funds are returned to ratepayers. If the utility under-collects, they can recover the additional authorized costs in future rates. Currently, there are more than 240 balancing accounts across all California electric and gas utilities, up from around 210 in 2014.

In 2014, the State Auditor found that the PUC lacks adequate processes to provide sufficient oversight of utility balancing accounts to protect ratepayers from unfair rate increases. As a result, in 2015-16, funding to hire two PURA IV was approved for a three-year limited-term to conduct in-depth reviews of gas and electric utility balancing accounts. In 2016, the Legislature passed AB 2168 (Williams), Chapter 805, Statutes of 2016, codifying the requirement that the PUC conduct these reviews.

Staff Comments: The PUC has had responsibility for performing balancing account reviews since the passage of AB 2168. The limited-term positions approved in 2015-16 allowed the PUC to perform roughly 20 balancing account reviews per year. Granting this request will allow these reviews to continue per the PUC's statutory obligations.

Staff Recommendation:
Approve as proposed.

Issue 6: Natural Gas Core Transport Agency Consumer Protection (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $103,000 from the PUCURA for one permanent Public Utilities Regulatory Analyst to implement newly defined and magnified registration and consumer protection duties, set forth in a recently issued Commission decision regarding gas Core Transport Agents (CTAs).

Background: CTAs are non-utility, privately-owned, natural gas service providers that operate from both inside and outside the state of California. They purchase natural gas and sell it directly to residential and commercial customers (also known as "core" customers), transporting natural gas over the utility-owned pipeline system. CTAs serve nearly 20 percent of PG&E's core load, seven percent of SoCalGas's load and 11 percent of SDG&E's load respectively. Currently, 34 CTAs operate in California. CTAs claim to sell natural gas to customers for a lower price than utilities.

SB 656 (Wright), Chapter 604, Statutes of 2013, required the PUC to extend registration, oversight, and consumer protection over CTAs. While the PUC lacks evidence of lower cost natural gas service for California customers, the PUC does, however, have evidence of customer complaints and fraudulent and deceptive business practices by CTAs. There have been incidents of CTAs switching customers' natural gas service provider, from utility service to CTA service, without permission. Further evidence collected by the PUC shows that CTA deceptive business practices often occur in low-income and non-English speaking communities.

Staff Comments: The Commission has indicated that it absorbed the workload necessary to begin implementation of SB 656. The Commission has further indicated that it can no longer absorb this workload as the CTA sector continues to grow. Staff finds this request generally reasonable due to the growing and likely ongoing nature of the workload necessary to continue to regulate the CTA industry.

Staff Recommendation: Approve as Proposed.

Issue 7: Maximize Federal Litigation Outcomes (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $389,000 per year for two years from the Public Utilities Commission Utilities Reimbursement Account for two Public Utilities Counsel III to defend or further in federal court litigation, the PUC's implementation of federal and state legislation, policies, and rules; safety, consumer protection, and environmental enforcement actions; and ratepayer and state economic interests.

Background: Within the past four years, the PUC has been involved in an unprecedented number of federal court cases, with more cases filed with each succeeding year. Moreover, the current federal administration has declared energy, communications, and tax policies in tension with state policies, and the PUC is challenging or is preparing to challenge those policies in federal courts. Examples of these cases include topics such as net neutrality, the treatment of utility tax expenses, net metering, transportation network carriers, and cost decisions related to the 2007 San Diego wildfires.

Staff Comments: The Commission has indicated that over the last twelve months, the current legal supervisor and two attorneys have been regularly working anywhere from 50 to 100+ hours in excess of monthly minimum requirements. In addition, it may be noted that the Commission has been drawing on attorney resources from other sections of the Legal Division—other attorneys contribute a small portion of their time to support the federal litigation caseload, in addition to balancing their other caseload, by deprioritizing assignments for which they must resume responsibility after supporting federal litigation's most pressing needs. The Commission has also been filing requests for extension to meet filing deadlines or negotiating extensions of time to litigate cases.

Although there is an upward trend in the volume of the federal litigation workload at this time, we want to make sure the federal workload does not drop off. Furthermore, there can be great variability in the workload burden among cases. For example, some cases involve discovery, which is an extremely time-consuming, detail-oriented endeavor, and discovery disputes can even be so protracted as to be a case-within-the-case that lasts for over a year; other cases do not involve discovery. Staff believes that it would be appropriate, therefore, to track the federal litigation workload for a period of two years in order to better determine the need for permanent positions. According to PUC, current staff levels are inadequate to support this workload, and losing in court will negatively affect California's ability to realize executive and legislative goals.

Staff Recommendation:
Approve as Proposed.

Issue 8: Gas Safety, Policy, Reliability, and Market Monitoring

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $194,000 from the PUCURA for one permanent Public Utilities Counsel III to support additional workload around natural gas issues.

Background: The PUC regulates natural gas utility service for approximately 10.8 million customers that receive natural gas from Pacific Gas and Electric (PG&E), Southern California Gas (SoCalGas), San Diego Gas & Electric (SDG&E), Southwest Gas, and several smaller natural gas utilities. In recent years, workload has increased, resulting from:

- Natural gas reliability issues that have arisen in the aftermath of the Aliso Canyon Gas Storage methane leak in October 2015. Ruptures on intrastate gas transmission lines serving Southern California.
- Natural gas transmission market monitoring necessitated by the Southern California gas shortages and pipeline ruptures.
- State and federal gas transmission and distribution rate cases.
- Costs associated with state and federal gas safety regulation, enforcement, and investments.

Staff Comments: The PUC has indicated that there is currently a single attorney staffing natural gas issues on a full-time basis. Over the previous two years diversion of advisory attorney resources from other mission critical matters to natural gas issues has increased to approximately 50-200 attorney hours per month. These diverted attorney hours have been dedicated to addressing increasing basic, day-to-day gas operations and reliability issues, at the cost of other important legal work ongoing at the PUC. The requested positions will work with the existing Public Utilities Counsel on issues to help ensure gas reliability and to monitor the gas supply and transmission markets. Staff finds this request generally reasonable.

Staff Recommendation:
Approve as Proposed.PUC