



The Public
ADVOCATES
OFFICE

2021 ANNUAL REPORT

The Consumer Advocate at the
California Public Utilities Commission

“The Public Advocates Office successfully championed many issues for utility customers last year which are discussed in more detail further in this report. I am very proud of these accomplishments and our other activities to protect consumers.”

Amy Yip-Kikugawa,
Acting Director
Public Advocates Office

2021

Message from the Director

I am pleased to present you with the Public Advocates Office at the California Public Utilities Commission's Annual Report. It highlights the new and innovative approaches we used in 2021 to help California families and businesses receive safe, affordable and reliable energy, water and communications utility services. For almost forty years, the Public Advocates Office has worked to improve the health, safety and well-being of utility customers.



Last year, we entered into our second year of working remotely in response to COVID 19. At the same time, California was presented with its share of challenges, including the increased frequency and intensity of wildfires, increasing drought conditions, and the loss of critical communications services. In response, the Public Advocates Office reprioritized its goals and focused its dedicated and passionate team of analysts, engineers, lawyers and financial examiners on making a difference – improving public safety, making customer monthly utility bills more affordable, and advocating in new ways for those most in need, while also advancing the state's laudable environmental goals.

Among other things, we developed a rate forecasting tool to examine customers' existing monthly energy bills and the cumulative effects of pending utility proposals before the California Public Utilities Commission (CPUC) and urged the CPUC to begin examining what service quality standards are necessary to ensure all Californians receive high-quality and reliable communication services. To better meet utility customer needs and challenges, especially low-income families and disadvantaged communities, we made several organizational changes:

- Created a new section to connect extremely large sets of utility data across industry areas to a map to make key assessments and recommendations on safety, reliability and availability
- Expanded our efforts to provide technical assistance, education and outreach to empower customers and to help decision makers make more well-informed decisions
- Built many coalitions to collaboratively advance state goals most cost-effectively
- Overhauled our recruitment efforts to more timely hire qualified staff
- Increased web-based specialized training opportunities for staff to better address complex utility and customer matters

With these changes, the Public Advocates Office successfully championed many issues for utility customers last year which are discussed in more detail further in this report. I am very proud of these accomplishments and our other activities to protect customers.

I look forward to continuing to work with the Governor, Legislature, the CPUC and all stakeholders to ensure that Californians have access to safe, affordable and reliable energy, water and communications utility services.

– Amy Yip-Kikugawa, Acting Director, Public Advocates Office

OUR MISSION

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

mission

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Overview

YEAR IN REVIEW

In 2021, the Public Advocates Office participated in nearly 223 proceedings and filed around 856 pleadings at the California Public Utilities Commission (CPUC) to advocate for the interests of California consumers.



Coloma Water Treatment Plant inspection.



Cal Water Site Visit.



Inspecting an Undergrounding Project in PG&E Territory.



Staff zoom meeting.



Inspecting Arden Cordova - Morse 8 Well.



Reviewing a Covered Conductor Project in PG&E Territory.

OFFICE HISTORY



The Public Advocates Office's origins are found in the CPUC's Public Staff Division, which functioned as both advocates in formal regulatory proceedings as well as advisors to the CPUC. In 1984, the CPUC reorganized the functions of the Public Staff Division to improve efficiency of staff and resources, and the Public Staff Division was renamed the Office of Ratepayer Advocates (ORA). The change, which charged the division with advocating on behalf of public utility customers and subscribers, was codified in Public Utilities Code Section 309.5.

In 1996, SB 960 (Chapter 856, Statutes of 1996) made ORA independent with respect to policy, advocacy, and budget. SB 960 also made the ORA Director a gubernatorial appointee subject to Senate confirmation. In 1997, the CPUC implemented its reorganization plan, "Vision 2000," which significantly diminished the size of ORA staff, but the ratepayer advocacy responsibilities and workload remained the same.

In 2005, SB 608 (Chapter 440, Statutes of 2005) strengthened the organization by providing it with autonomy over its budget and staffing resources and authorizing the appointment of a full-time Chief Counsel. In 2013, SB 96 provided ORA more autonomy by making it an independent program within the CPUC.

In 2018, SB 854 (Chapter 51, Statutes of 2018) changed ORA to the Public Advocates Office to better convey the Office's public interest mission. The Public Advocates Office further strengthened its safety work in 2020 with the creation of a new Safety Branch and 14 new permanent wildfire safety positions to help implement SB 901 (Chapter 626, Statutes of 2018).

Today, the Public Advocates Office is comprised of 178 professional and administrative staff. Our mission has endured for over 40 years. However, the evolving nature of the utility industries requires that we address new and emerging issues that directly impact utility customers. While the Public Advocates Office continues to focus on ratemaking proceedings such as General Rate Cases, in furtherance of our mission, our advocacy now includes key policy areas such as integrated resource planning and resource adequacy, electric transmission planning, wildfire safety, and broadband policy and communications-related public purpose programs. We also are augmenting our analytic approaches to include geographic information system (GIS) mapping and spatial analysis. As the utility industries continue to change in dynamic ways, the Public Advocates Office will continue to evaluate how our advocacy must change and adapt to best represent utility customers.



CUSTOMER SAVINGS

**Over the Last Decade The Public
Advocates Saved Consumers Over:**

\$3.7 BILLION



Executive Team from top left: Darwin E. Farrar, Chris Ungson, Matthew Marcus, Tara Dias-Andress, Amy Yip-Kikugawa, Linda Serizawa, and Diana Lee.

team

EXECUTIVE TEAM

AMY YIP-KIKUGAWA

Acting Director

Amy was asked to serve as Acting Director of the Public Advocates Office in May 2021. She leads the Public Advocates Office in achieving its mission, setting policy goals and directing the activities of 178 staff organized into four energy branches, the Water Branch, the Communications and Water Policy Branch, and the Administrative Branch.

CHRIS UNGSON

Deputy Director for Water and Communications

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

MATTHEW MARCUS

Policy and Planning

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

DIANA LEE

Deputy Chief Counsel

Diana assists with litigation strategy, helps oversee the work of the attorneys who represent the Public Advocates Office and develops training and resources to support their work.

LINDA SERIZAWA

Deputy Director for Energy

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

DARWIN E. FARRAR

Chief Counsel

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

TARA DIAS-ANDRESS

Legislative Advisor

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



sacramento

SACRAMENTO OFFICE

GOAL

Advocate on behalf of the millions of utility customers throughout the state through our policy efforts at the state capitol.

WHAT WE DO

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

OUR WORK ON THE BUDGET

The Public Advocates Office independently develops its budget subject to final approval of the Department of Finance. Our Annual Report outlines key activities and accomplishments consistent with our statutory mandate (Public Utilities Code Section 309.5).

HOW WE CAN HELP:

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

2021 CUSTOMER SAVINGS



Total customer savings was over \$3.7 billion through reduced utility revenues and avoided rate increases.

Rates and Services



Our Work on General Rate Cases and Other Ratemaking Proceedings

What is a General Rate Case proceeding?

All investor-owned utilities must obtain approval from the CPUC of their budgeted expenses and investments before they are able to include those costs in rates charged to utility customers. The investor-owned utility will submit a General Rate Case (GRC) application to the CPUC to justify the proposed budget. In addition to seeking customers' funding of its operating expenses, the utility can include in its GRC application such things as a request to upgrade its computer systems or to build new infrastructure like a pump station.

How is the Public Advocates Office Involved?

Utilities typically submit GRC applications every three to four years. The Public Advocates Office participates in these proceedings on behalf of utility customers in order to obtain the lowest rates possible, consistent with safety, reliability, and the state's environmental goals. The experts at the Public Advocates Office evaluate the proposals made in each GRC application and recommend whether the CPUC should approve or adjust the costs that will be passed on to customers. Our advocacy in GRC proceedings is one way we accomplish our statutory mandate.

ENERGY GENERAL RATE CASES

The Public Advocates Office represents about 80 percent of California’s electric and natural gas consumers, with an emphasis on residential and small business customers. We evaluate GRC applications submitted by investor-owned utility (IOU) companies in areas such as operations and maintenance expenses, investments in infrastructure, safety, and customer interface expenses. We closely examine utility proposals to determine if they are necessary, reasonable, support California’s energy goals, and promote the safety and reliability of the state’s energy infrastructure.

The Public Advocates Office participated in several energy utility GRC proceedings this year, including:



Southern California Edison Company

In August 2019, Southern California Edison Company (SCE) filed its Test Year 2021 GRC application in which it requested a cumulative revenue increase of \$5.088 billion over three years (2021 to 2023). The Public Advocates Office recommended reducing the utility's request by \$2.9 billion to account for overstated forecasts in various areas, including incentive compensation, insurance, customer service, and depreciation. Consistent with the Public Advocates Office recommendations, in August 2021, the CPUC approved SCE's request after reducing it by \$2.418 billion over a three-year period.

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\$2.418
Billion Saved
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SCE GRC Track 2: Wildfire Mitigation

In March 2020, SCE filed its 2021 GRC Track 2 request seeking recovery of \$498.7 million for 2018-2019 wildfire mitigation costs. The Public Advocates Office recommended reducing the utility's request by \$100 million because the expenses or did not meet other requirements for recovery. In January 2021, the CPUC adopted a settlement agreement between the Public Advocates Office, SCE, The Utility Reform Network (TURN) and Small Business Advocates, thereby approving SCE's recovery of \$391.3 million and saving customers \$107 million.

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\$107
Million Saved
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Southwest Gas Corporation

Southwest Gas Corporation filed its Test Year 2021 GRC application. Southwest Gas in August 2019 requested a cumulative revenue increase of \$98.2 million over four years (2021 to 2025). We recommended a \$75.4 million decrease in the request to account for our lower forecasts of inflation, expenses, and investments. In March 2021, the CPUC adopted a settlement between the Public Advocates Office and other parties that provided for recovery of \$64.0 million, resulting in a \$34.2 million cost savings for customers.

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\$114.5
Million Saved
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In the same proceeding, Southwest Gas requested \$184.3 million for various infrastructure programs. We recommended that the CPUC approve recovery of \$75.3 million, a more moderate investment level. The CPUC adopted a settlement agreement that provided for recovery of \$104 million for the infrastructure projects, resulting in a \$80.3 million cost savings for customers.

West Coast Gas GRC

In September 2020, West Coast Gas filed its GRC application requesting authority to decrease its revenues by \$15,750. The Public Advocates Office recommended a \$45,133 revenue reduction. The CPUC adopted a settlement of the matter filed by both parties adopting a \$45,133 revenue reduction. Additionally, the CPUC directed West Coast to refund approximately \$300,000 in its Officer Compensation Memorandum Account to its customers over 20 years consistent with the Public Advocates Office's recommendation.

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\$300
Thousand Saved
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San Diego Gas & Electric Company and Southern California Gas Company's Post Test Year Mechanism

In April 2020, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) sought to increase their revenues in 2022 and 2023. SoCalGas requested a cumulative revenue increase of \$447 million and SDG&E requested \$297 million. The Public Advocates Office recommended increases of \$282 million for SoCalGas and \$163 million for SDG&E based on the Consumer Price Index. The CPUC granted slightly reduced increases of \$414 million for SoCalGas and \$260 million for SDG&E.

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\$70
Million Saved
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Other Energy Ratemaking Proceedings

PG&E – Nuclear Decommissioning

In December 2018, PG&E filed to update its nuclear decommissioning cost estimate (DCE) and related customer funding contributions required to decommission its nuclear power plants. PG&E proposed a DCE of \$4.8 billion for Diablo Canyon with annual customer funding of \$418 million. The Public Advocates Office recommended a \$992 million reduction to PG&E's DCE estimate. In September 2021, the CPUC adopted a settlement between the parties and authorized a DCE of \$3.9 billion, a reduction of \$900 million to PG&E's request. The settlement also included an annual customer contribution of \$112.5 million, and an annual decrease of \$305.5 million to PG&E's request.

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\$305.5
Million Saved
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PG&E – Gas Transmission and Storage Capital Expenditures

PG&E filed to recover revenues of \$416 million, in July 2020, to recover capital expenditures for gas projects in 2011 through 2014. The Public Advocates Office recommended a significant decrease. The parties in the proceeding filed a settlement agreement with the CPUC that would impose a \$60 million reduction to PG&E's request. A decision is expected in 2022.

PG&E – Sale of San Francisco Headquarters

In September 2020, PG&E filed a request to sell its San Francisco headquarters and relocate to Oakland. The Public Advocates Office evaluated PG&E's proposal and agreed that this represented the most cost-effective option for ratepayers. In August 2021, the CPUC approved the sale of the San Francisco building and a settlement agreement was reached with the parties in the case. The settlement allocated the building's gain on sale of \$301 million to ratepayers over 5 years with the undistributed balance accruing interest at a rate of 4.17 percent to the ratepayers' benefit.

Recovery of Costs Related to Wildfires and Other Catastrophic Events

The Public Advocates Office comprehensively reviews utility costs associated with restoring service during and after catastrophic events (i.e., wildfires, droughts, and storms). A utility can record such costs in an account called the Catastrophic Event Memorandum Account (CEMA) or in the Wildfire Expense Memorandum Account (WEMA). To recover these costs from customers, the utility must show that costs are 1) associated with a declared disaster 2) above and beyond costs that have already been authorized for recovery from customers, and 3) related to restoring services to customers.

In 2021, the Public Advocates Office reviewed several utilities' CEMA and WEMA applications, including:



PG&E – WEMA Insurance Cost Recovery for 2017-19

In February 2020, PG&E filed to recover insurance costs of \$499 million recorded in its WEMA from 2017 through 2019. The Public Advocates Office recommended a downward adjustment of \$40 million. In June 2021, PG&E, the Public Advocates Office and The Utility Reform Network (TURN) filed a settlement agreement that proposes to reduce PG&E's request by \$54 million to \$445 million. In October 2021, the CPUC adopted the settlement agreement.

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\$54
Million Saved
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Bear Valley Electric's CEMA for 2019

In March 2020, Bear Valley Electric Service (BVE) requested permission to charge its customers \$469,002 for costs associated with 2019 winter storms and other events. Based on our review and audit, we recommended the CPUC deny recovery of any costs because BVE's previously authorized budget should have covered these additional expenses. A CPUC decision issued in May 2021 denied recovery of these costs.

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\$469
Thousand Saved
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PG&E – Wildfire Mitigation for 2017-19 and CEMA for 2019

In September 2020, PG&E filed its Wildfire Mitigation Catastrophic Events application requesting cost recovery of \$1.28 billion. The Public Advocates Office recommended that PG&E be authorized cost recovery of \$1.01 billion. PG&E and the Public Advocates Office filed a settlement agreement with the CPUC that proposes a \$242.8 million reduction to PG&E's request. A CPUC decision is expected in 2022.

PG&E's CEMA for 2018

In March 2018, PG&E sought recovery of \$719.9 million associated with costs recorded in its CEMA for fire and storm events, and tree mortality and fire risk reduction activities. The CPUC conducted an audit of the tree mortality and fire risk reduction costs. In January 2021, the Public Advocates Office issued its report proposing a \$64 million reduction to PG&E's request of \$157.5 million associated with fire and storm events. In October 2021, PG&E, the Public Advocates Office and TURN filed a settlement agreement that would result in a \$36.7 million reduction to PG&E's request. A CPUC decision is expected in early 2022.

WATER GENERAL RATE CASES

The Public Advocates Office strives to ensure the most affordable, safe, and reliable water service for more than 4 million water customers (or about 1.4 million service connections). A GRC proceeding is one of our biggest venues for this work. Each Class A water utility is required to file a GRC application every three years. In many instances, we are the only party evaluating these applications which usually seek to increase customer water rates.

California American Water Company

In July 2019, California American Water Company (Cal Am) requested approval to increase customer rates to collect \$136 million more in revenue company wide over the three-year period of 2021 to 2023. Our report found Cal Am's budget request included inflated estimates for general office expenses, salary increases, and infrastructure replacement. We reached a settlement with Cal Am that reduced the utility's revenue increase to \$103 million and saved customers \$33 million or approximately \$137 per customer over the three-year period. The settlement agreement sets separate customer rates for each of Cal Am's 12 rate-making areas. The CPUC adopted the settlement in November 2021.

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\$33
Million Saved
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Suburban Water Systems

In March 2020, Suburban Water Systems (Suburban) requested approval to increase customer rates from present levels to collect an additional \$60 million in revenues over the three-year period from 2021 to 2023. The Public Advocates Office recommended reducing Suburban's request by 55 percent to account for unnecessary capital projects and overstated corporate expenses. We reached a settlement with Suburban that reduced the utility's requested increase, saving ratepayers \$27 million (or approximately \$310 per customer) over the three-year period. The CPUC adopted the settlement in October 2021.

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\$27
Million Saved
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San Jose Water Company

In January 2021, the San Jose Water Company (SJWC) requested approval to increase customer rates from present levels to collect an additional \$200 million over the three-year period from 2022 to 2024. We recommended reducing SJWC's request by \$110 million (to approximately \$492 per customer) to account for lower operating expenses and capital budgets. Hearings were held in December 2021 and the CPUC's decision is expected in 2022.

Other Water Ratemaking Proceedings

SJWC's Advanced Metering Infrastructure

In December 2019, SJWC requested approval to increase customer rates to pay for a \$160 million investment to deploy Advanced Metering Infrastructure (AMI). This technology allows for remote meter reading and enhanced leak detection. The Public Advocates Office's report concluded that the estimated cost savings in meter reading and water conservation would justify the proposed investment. However, we sought to protect customers if the assumed benefits from the investment do not materialize. To that end, SJWC would not earn any profit on the project unless the assumed benefits are achieved and verified. The CPUC's decision is expected in 2022.

Cal Am's Acquisition of Bellflower Municipal Water System

In September 2018, Cal Am requested approval to buy the Bellflower Municipal Water System (Bellflower) and to increase customer rates to pay for the \$17 million purchase price. The Public Advocates Offices' analysis found the \$17 million purchase price was unreasonably inflated and that the value of the Bellflower system was no more than \$9 million. Therefore, we recommended that the CPUC deny the application. In March 2020, a proposed decision denied the application, concluding that the value of the system was less than zero. At Cal Am's request, the proposed decision was withdrawn. Directed to engage in settlement negotiations, the Public Advocates Office reached a settlement with Cal Am and the City of Bellflower in November 2021. Under the settlement, the net impact to ratepayers is reduced to \$12 million from \$17 million. The CPUC's decision is expected in 2022.

Cal Am's Acquisition of East Pasadena Water Company

In April 2020, Cal Am requested approval to buy the East Pasadena Water Company (East Pasadena Water) and increase customer rates to pay for the \$34 million purchase price. The Public Advocates Office did not oppose the \$34 million purchase price and recommended that the CPUC follow its rule that requires utility owners to share profits from the sale of utility assets with customers. The sale of East Pasadena Water would result in a \$30 million profit, or a 750% return on investment for East Pasadena Water's owner. In August 2021, the CPUC approved the acquisition but declined to apply its rule on sharing profits from the sale with customers, which would have otherwise mitigated an increase in customer rates.



San Gabriel Water Company Developer Fees

In January 2021, San Gabriel Water Company requested approval to apply \$33.4 million in fees collected from housing developers to upgrade its water treatment facility. The Public Advocates Office questioned the need for the proposed upgrades and showed that customers would be better served with alternative capital investments. San Gabriel Water agreed with our recommendations for less-costly project alternatives subject to permitting by the State Water Resources Control Board. We reached a partial settlement with the utility in September 2021 which would authorize San Gabriel Water to begin the design, permitting, and construction of two new filters, perform pilot scale testing under the direction of the Department of Drinking Water to evaluate the feasibility and operational efficiency of replacing the dual filter medium (anthracite coal and sand) with granular activated carbon, and require the utility to exclude the cost of the project from rate base. The CPUC's decision is expected in 2022.

The Public Advocates Office strives to ensure the most affordable, safe, and reliable water service for more than 4 million water customers (or about 1.4 million service connections).

COMMUNICATIONS PROCEEDINGS

California High-Cost Fund A Program

The California High-Cost Fund A (CHCF-A) program subsidizes small rural telephone companies that serve about 48,000 customers statewide. The subsidies are funded by communications customers statewide. Out of 13 small telephone companies, 10 participate in the program. In 2021, the participating companies received an average annual subsidy of \$1,141 per customer (\$735 from CHCF-A and \$406 from the Federal Universal Service Fund High-Cost Support).

In CHCF-A GRCs, the Public Advocates Office seeks to ensure that the subsidy provided to small telephone companies is not excessive and does not unduly burden the customers who fund the program. In April 2021, the CPUC adopted our recommendation to include broadband revenues when determining CHCF-A subsidy amounts, in effect reducing the subsidies to small telephone companies. More generally, in June 2021, the CPUC adopted our recommendations to improve the administration of the CHCF-A program by streamlining the processing of small telephone company GRCs, including, for example, applying a formula-based approach to determine corporate and operating expenses.

In November 2021, Sierra Telephone Company, Volcano Telephone Company, and Siskiyou Telephone Company submitted their GRC applications. We will examine these applications to ensure the subsidy levels and customer rates are reasonable.

Frontier Communications Bankruptcy

Frontier Communications filed for bankruptcy protection in April 2020. In January 2021, the Public Advocates Office, Frontier Communications, and other parties entered into a settlement agreement that contained performance-based conditions to protect customers. These conditions include requirements to improve service quality; deploy additional broadband infrastructure in lower-income, rural, and tribal communities; and maintain prices for basic voice and broadband services at their current levels for up to three years. In April 2021, the CPUC adopted the settlement agreement. As a result, over the next four years, Frontier is required to spend \$1.75 billion to upgrade its California network and more than \$500 million increase in the amount of capital investment it had originally planned after emerging from bankruptcy. We now are monitoring Frontier's performance to ensure these requirements are met.



Our Policy Efforts

SAFETY AND RELIABILITY

Wildfire Safety and Emergency Preparedness

Consumer Protections During Emergencies

The Emergency Disaster Relief Program ensures that there are Emergency Customer Protections in place to help ease the financial impacts of wildfires. These protections include waiving deposit requirements to re-establish service, stopping estimated usage for billing when a home is unoccupied as a result of the emergency, and not billing affected customers whose utility service has been disrupted or degraded.¹ In 2021, the Emergency Disaster Relief Program provided protections for over 170,000 Californians during multiple disasters in 2021.

In early 2021, due to the impacts of COVID-19, the CPUC considered a temporary moratorium on natural gas and electric service disconnections for medium and large commercial and industrial customers by the IOUs.² In recognition of the economic hardships faced by many businesses, the Public Advocates Office successfully recommended that the CPUC grant a six-month moratorium similar to the moratorium authorized for residential customers in 2020, to medium and large commercial and industrial customers for 2021. The CPUC later extended the moratorium for an additional 3 months.

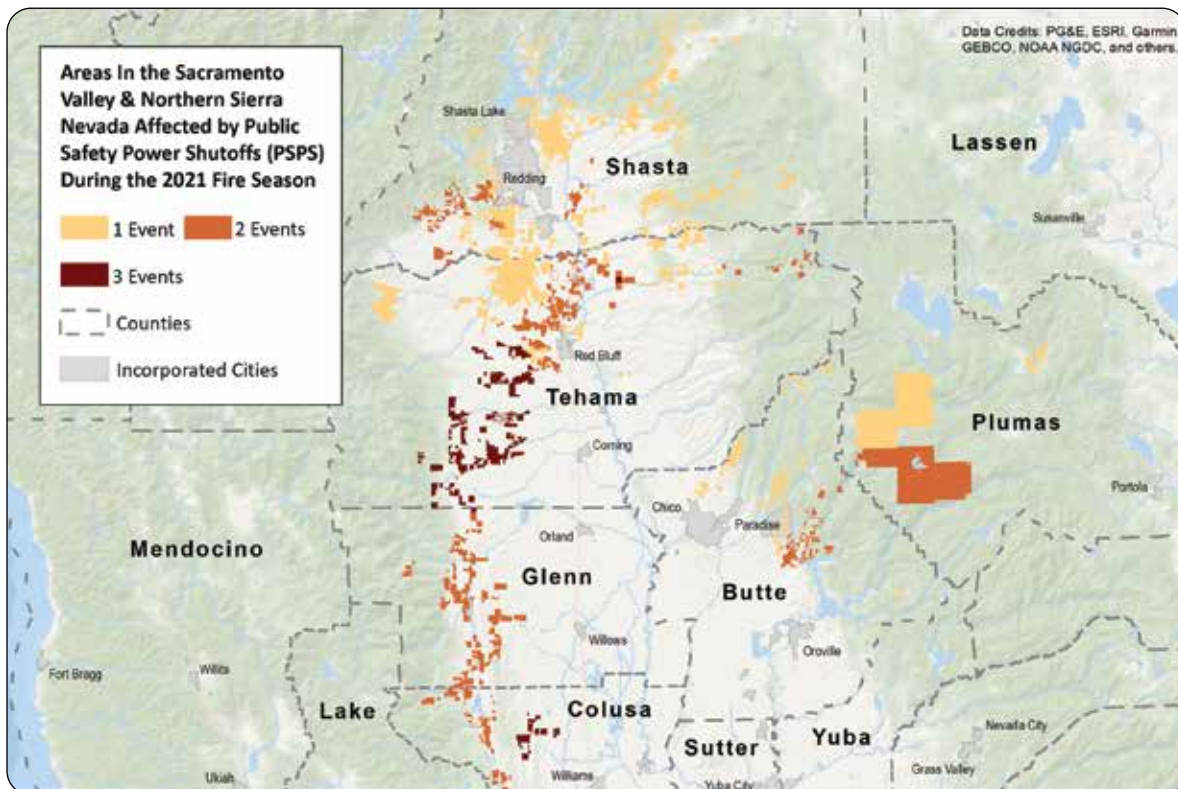
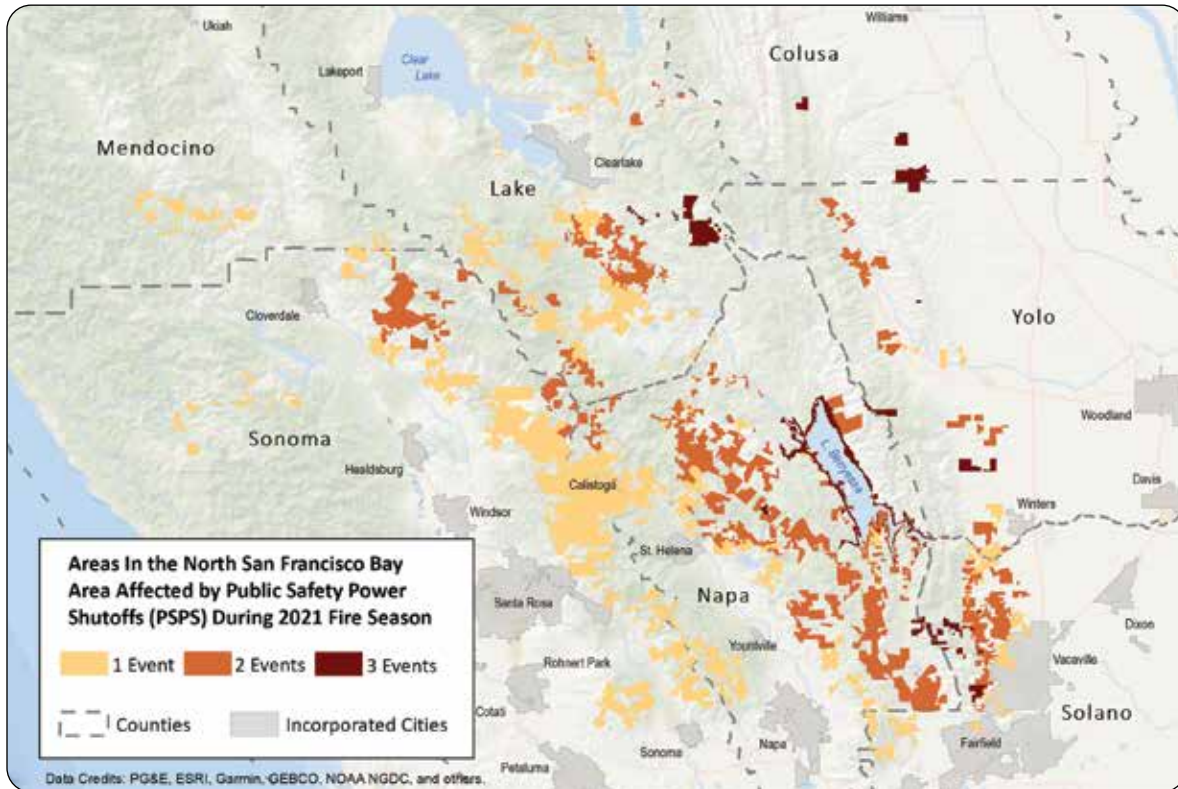
Backup Power for Communications Providers

In July 2020, the CPUC adopted the Public Advocates Office's recommendation to require wireless service providers to ensure that there is at least 72-hours of backup power to keep customers connected during power outages. In February 2021, the CPUC also adopted our recommendation to require the same 72-hour backup power requirement for wireline companies. Wireline companies provide essential telephone and broadband services, especially to seniors, who have historically relied upon wireline services over wireless services. While the 72-hour backup power requirements are only for areas with the greatest wildfire risk, the Public Advocates Office continues to work to ensure that all Californians, no matter where they live, have reliable communications services.

¹ For full list of Emergency Customer Protections for Electric and Gas Utility Customers, please see <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/press-releases/final-resolution-m-4842.pdf>, pp. 4-6.

² The IOUs are PG&E, SCE, SDG&E, and SoCalGas.

2021 PSPS Events



Total Instances ¹ of Customer Accounts De-energized during Fire Season (April to March)			
	Oct 2019 - Mar 2020	Apr 2020 - Mar 2021	Apr 2021 ² - Nov 2021
PG&E	1,942,549	654,806	75,293
SCE	182,136	346,032	854
SDG&E	48,740	99,873	0
PacifiCorp	0	2,559	1,953
Liberty	-	-	0 ³

1. Individual customer accounts are counted once for each instance that they were de-energized.
2. Events as of 11/17/2021.
3. Liberty issued advance notifications but ultimately did not de-energize customers.

Power Shutoffs

A utility de-energization event, or Public Safety Power Shutoff (PSPS), occurs when an electric utility decides it needs to stop providing electricity over power lines that it believes may fail or ignite a wildfire during certain weather conditions. Due to the impact of these de-energization events on Californians, the CPUC requires that a utility should only use a de-energization event as a last resort to reduce the risk of wildfires caused by its infrastructure.

PG&E, SCE, and SDG&E initiated 13 de-energization events in October and November 2019. In 2020, PG&E, SCE, SDG&E, and PacifiCorp combined initiated 17 de-energization events. In 2021, there have been 15 de-energization events initiated by PG&E, SCE, SDG&E, PacifiCorp, and Liberty Utilities. De-energization impacts millions of Californians, including businesses, and medically vulnerable populations, as well as medical facilities, schools, public transportation, railroads, and food and water supplies.

To address the issues arising from de-energization, we are actively participating in the following CPUC proceedings:

De-Energization Rulemaking

In December 2018, the CPUC began an examination of the utilities' de-energization processes and practices in response to SB 901 (Chapter 626, Statutes of 2018).³ The CPUC adopted and published the initial guidelines in May 2019 that address public outreach, and communication with the customers, the public, local governments, hospitals, and emergency services.

The CPUC issued a ruling in February 2021 to consider additional de-energization guidelines. The Public Advocates Office made several recommendations to improve transparency, utility accountability, and communications, which the CPUC adopted. These recommendations included requiring the utilities to explain any defects in communications, such as false or inaccurate notices they issued during de-energization events, requiring the utilities to report mitigation measures applied to de-energized circuits to track progress over time, and urging that the CPUC publish a post-event reporting template to help ensure utility compliance with the CPUC's de-energization requirements.

³ SB 901 addresses many issues concerning wildfire prevention, response, and recovery, including funding for mutual aid, fuel reduction and forestry policies, wildfire mitigation plans by electric utilities, and cost recovery by electric corporations of wildfire-related damages.

Investigation into the Utilities' De-Energization Practices

After PG&E, SCE, and SDG&E de-energized customers in October and November 2019, the CPUC opened an investigation to determine if the utilities prioritized safety and complied with the CPUC's regulations and guidelines.

In October 2020, the Public Advocates Office identified severe and frequent failures in PG&E's and SCE's handling of these de-energization events. For example, the utilities provided inadequate or no advance notification to 5,000 public safety partners (such as fire stations, sewage treatment works, and hospitals) and 14,000 medical baseline customers who depend on power for life-saving medical devices.⁴ The Public Advocates Office also identified how residential, business, agricultural, and industrial customers were adversely impacted by the utilities' failings; in multiple de-energization events, both SCE and PG&E neglected to provide the minimum 24 hours' notice to more than 20 percent of these affected customers.

In June 2021, the CPUC issued a decision that extensively cites the Public Advocates Office's analysis to find that PG&E's, SCE's, and SDG&E's fall 2019 de-energization events failed to comply with many of the CPUC's guidelines and regulations. The CPUC adopted our recommendation to develop a standardized report to help ensure these failures and other issues are addressed. The CPUC now prohibits the utilities from collecting lost revenue when a utility executes a de-energization event.

Investigation into PG&E's October and November 2019 De-Energization Events

During a 10-day period spanning October to November 2019, PG&E initiated three back-to-back de-energization events that impacted 38 counties and over two million Californians. Many of PG&E's customers were without power for up to a week. The CPUC opened an order to show



cause to examine what penalties or sanctions may be appropriate considering the risks PG&E posed to public safety.

In October 2020, the Public Advocates Office recommended the CPUC require PG&E to pay \$165.7 million in penalties and financial remedies. Our recommendations were based on PG&E's failure to give any advance notice to approximately 150 critical facilities and public safety partners, 1,500 medical baseline customers who rely on electricity for life-saving medical devices, and 60,000 other customers.

In May 2021, the CPUC issued a decision that fined PG&E \$106 million. The remaining \$20 million is directed to providing additional bill credits for customers affected by the 2019 events, including medical baseline customers, and funding for PG&E's Disability Disaster Access and Resources Program, which provides customers access to portable backup batteries. PG&E subsequently filed an appeal requesting that the CPUC reconsider the decision. The Public Advocates Office filed comments in opposition to the appeal.

De-Energization Risk and Mitigation

In 2021, some electric utilities continued to shut off power to its customers. The Public Advocates Office's analysis showed the electric utilities failed to assess the harms suffered by de-energized customers, such as costs associated with replacing spoiled food and medicine, and lost wages and revenue due to shutting down businesses.

⁴ These figures include repeat de-energizations. For example, if a customer account was de-energized in two separate events, the customer account counts twice towards these totals.

PG&E's own data showed that if it had considered the impacts to its customers of shutting off power, PG&E's de-energization program would have been ranked as one of the utility's top risks, second only to wildfires. Because of the Public Advocates Office's work, PG&E has been ordered to conduct analysis of the risk that de-energization poses to its customers as part of its Test Year (TY) 2023 GRC application.

Electric Utilities' 2021 Wildfire Mitigation Plans

In February and March 2021, the electric utilities and transmission owners⁵ filed their 2021 Wildfire Mitigation Plan Updates as required by AB 1054 (Chapter 79, Statutes of 2019). The Wildfire Mitigation Plans are documents that present each utility's programs and strategies to reduce the risk of utility-caused catastrophic

wildfires. The Public Advocates Office reviewed the utilities' programs for tree trimming, installing protective coatings on power lines, and burying power lines. We identified many deficiencies in the utilities' risk models, and insulated power line and aerial inspection programs, then made recommendations to address these deficiencies and improve other programs. The Public Advocates Office specifically identified that PG&E's plan contained numerous significant deficiencies in the management of contractors, the accuracy of new risk models, and the prioritization of tree trimming efforts. We also found that SDG&E was not taking steps to ensure that grid control devices are functional, which could result in unnecessary customer de-energizations. Additionally, we recommended the utilities submit supplemental information to correct these issues in future Wildfire Mitigation Plan updates.



⁵ Wildfire Mitigation Plans were filed by PG&E, SCE, and SDG&E on February 5, 2021; and by Liberty Utilities, Bear Valley Electric Service, Pacific Power, Trans Bay Cable LLC, and Horizon West, LLC on March 5, 2021.

The Office of Energy Infrastructure Safety (OEIS), formerly the Wildfire Safety Division of the CPUC, adopted several of our recommendations. For example, OEIS agreed with our recommendation to hold workshops to evaluate utility risk models and to consider the effectiveness of insulated power lines in reducing wildfire risk.

Annual Safety Certifications

AB 1054 created the Wildfire Fund to pay eligible third-party claims arising from wildfires caused by utility equipment. To access these funds, utilities must hold a valid safety certification on the date a wildfire is ignited. The OEIS is responsible for issuing the annual safety certifications based on the utilities satisfying AB 1054's requirements. To be granted a safety certification, utilities must have: 1) an approved Wildfire Mitigation Plan, 2) a finding of good standing by agreeing to implement the most recent safety culture findings; 3) an established safety committee consisting of the utility's board of directors with board-of-director-level reporting to the CPUC on safety issues; and 4) an executive compensation structure approved by OEIS.

The Public Advocates Office has reviewed previous utility requests for a safety certification and continues to advocate for requirements that ensure that utilities are making meaningful progress towards wildfire safety.

The Commercialization of Microgrids to Support Resiliency

A microgrid is an interconnected system of resources that is sized to meet electricity demand in a specified area. A microgrid can connect, disconnect, or run parallel to the grid. In September 2019, the CPUC opened a proceeding to facilitate microgrid commercialization and develop additional resiliency strategies, pursuant to SB 1339 (Chapter 566, Statutes of 2018). The scope of the proceeding has expanded since its inception.

The Public Advocates Office is advocating for policies that equitably distribute funding to vulnerable or low- and moderate-income communities and do not unfairly compensate microgrid developers. To accomplish our goal, we proposed a methodology for a microgrid incentive program that would direct funding toward communities with a high proportion of medical baseline customers who depend on power for life-saving medical needs, as well as those facing the highest environmental risks with the least socioeconomic capability to adapt to climate change. A final decision on the microgrid incentive program is expected in 2022.

The Microgrid proceeding is also focused on addressing the Governor's Proclamation of a State of Emergency regarding grid reliability. Here, the Public Advocates Office recommends that existing distributed energy resources (DERs) and grid reliability programs be leveraged to address reliability rather than develop separate reliability programs for microgrids. Microgrids should be reserved for their intended purpose of providing energy resiliency. A decision on this issue is expected in November 2021.

The Public Advocates Office is also focusing on addressing the need to transition from reliance on diesel fuel for temporary backup power to cleaner alternatives such as renewable energy. This transition is important for ensuring the use of microgrids aligns with the state's greenhouse gas reduction goals. We are analyzing several alternatives to diesel-powered microgrids that will support California's climate goals to be presented in the proceeding.



Water Safety Issues

Advocating for Safe and Reliable Service to Cal Am and Suburban Water Customers

As part of our GRC settlement with Cal Am, the utility is required to conduct a Portable Generator Planning Study that would help ensure reliable and safe water delivery during power interruptions.

As part of our GRC settlement with Suburban Water Systems, the utility is required to perform engineering and design work to ensure compliance with maximum contaminant levels of polyfluoroalkyl (PFAS) once standards are established.

Other Safety Issues

Investigation into the Leak at SoCalGas' Aliso Canyon Storage Facility

In October 2015, SoCalGas' Aliso Canyon Storage Facility suffered a critical failure that caused the uncontrolled release of natural gas for nearly five months. This failure was one of the largest environmental disasters in U.S. history – it resulted in the release of 109,000 metric tons of methane over 111 days and caused significant disruption and loss to the surrounding community of Porter Ranch, which had to relocate more than 8,000 households.

The CPUC opened a formal investigation in June 2019 to assess whether SoCalGas' failure to perform proper maintenance of the facility resulted in the critical failure. The Public Advocates Office conducted an extensive analysis of SoCalGas' storage practices and records, and found significant and repeated management failings. In December 2019, the Public Advocates Office submitted testimony showing that SoCalGas had violated its own safety standards and the California Geologic Energy Management Division's requirements. SoCalGas failed to perform weekly surface pressure tests and did not undertake prompt monthly inspections of the wells. Our engineers testified during hearings held in March and April 2021. The CPUC's



A screen grab from an infrared camera showed the Aliso Canyon Leak in December 2015 via Environmental Defense Fund

investigation is ongoing. The Public Advocates Office continues to advocate for SoCalGas to be held accountable for its role in the Aliso Canyon disaster.

Risk Spending Accountability Reports

Utilities are required to submit Risk Spend Accountability Reports annually. In 2021, the Public Advocates Office reviewed SCE's 2018-20 Risk Spend Accountability Reports and determined that the utility underspent at least \$350 million on safety and reliability work that the CPUC had authorized. SCE had identified this work as critical for improving safety and reliability. The Public Advocates Office showed that in some areas, SCE performed less than 64 percent of the work. We recommended that the CPUC investigate why SCE did not complete this critical safety and reliability work. The Public Advocates Office also recommended that the CPUC's staff review the utility's accounting to determine if an additional ratepayer refund of unspent funds is due since SCE did not perform work that ratepayers funded.

The Risk-Based Decision-Making Framework

The CPUC's risk-based decision-making framework is primarily developed through two proceedings. The Safety Model Assessment Proceeding (S-MAP) and the Risk Assessment and Mitigation Phase (RAMP).

S-MAP

In the S-MAP, a model was developed to provide a framework for assessing the safety risks of the four large utilities' operations. The Public Advocates Office proposed specific changes to improve utility safety and accountability, to reduce catastrophic events, and to close safety gaps. For example, the Public Advocates Office recommended the CPUC adopt key safety metrics to:

- Uncover utility safety issues before they result in an undesirable or dangerous event;
- Assess utility progress toward mitigating risks; and
- Assess utility progress in mitigating de-energizing harms on the public experiencing the greatest impacts.
- Provide clear direction to utilities to evaluate customer de-energization as a top utility risk so that mitigation efforts are quickly implemented.

The Public Advocates Office also recommended that the CPUC adopt metrics that would identify customers who experience the greatest harms and impacts from de-energizations. These metrics can be used to prioritize and expedite mitigation programs to vulnerable customers and critical infrastructure (such as hospitals and communications towers) that are most impacted by high frequency and long duration de-energizations. The S-MAP proceeding is ongoing.



RAMP

In the RAMP, each utility, using the S-MAP reporting format, describes how it plans to assess its risks, and mitigate and minimize such risks. The RAMP does not result in a CPUC decision, but after each utility's RAMP has been clarified or modified, it is then incorporated into the utility's upcoming GRC application.

PG&E's RAMP

In June 2020, PG&E filed its RAMP application and presented its risk measurement and mitigation plan for the company's top 12 risk areas. The Public Advocates Office found that PG&E was not providing enough detail in how its proposed programs would reduce risk. The Public Advocates Office successfully advocated for PG&E to be required to analyze the potential harms of PSPS events in its 2023 GRC. The Public Advocates Office also noted PG&E's failure

to assess the health and safety impacts of its de-energization program on its customers. The Public Advocates Office is currently reviewing PG&E's Test Year 2023 GRC application, which was filed in June 2021, to ensure it has complied with this requirement.

SoCalGas/SDG&E's RAMP

In May 2021, SoCalGas and SDG&E filed their RAMP application, which identifies the utilities' top nine risk areas. As with PG&E's RAMP, the Public Advocates Office is concerned with the lack of utilities' assessment regarding the potential risks of de-energizations events on SDG&E customers. Our review, which is currently underway, will also focus on the utilities' assessed reduction of wildfire risk in its service territory and other risk areas, such as natural gas pipeline safety. This proceeding is ongoing.

Reliable Energy Services

Since the 2000-01 electricity crisis, a top priority for the state has been to ensure all Californians have reliable electricity service. The Public Advocates Office supports these efforts at the CPUC and its sister agencies in several ways, including through the CPUC's Resource Adequacy (RA) Program, the Integrated Resource Planning (IRP) Process, and other reliability-related proceedings.

Ensuring Reliability by Bringing Additional Capacity onto the Grid

The Public Advocates Office supports the efforts of the CPUC and its sister agencies to ensure safe and reliable electricity service for the people of California. In response to the reliability concerns raised following the August 2020 blackouts and amid current drought conditions and wildfires, the CPUC opened an Emergency Reliability proceeding to consider additional capacity for the grid and reduce load.

Our active participation in the proceeding contributed to the CPUC's two decisions requiring programmatic changes and incremental utility procurement to support reliability in 2021 and 2022. The decisions specifically cite our advocacy on rate design and the procurement rules. The Public Advocates Office successfully advocated to preserve the integrity of the utilities' "Critical Peak Pricing" rates - reliability-focused rates that encourage customers to shift their electricity use on days when the electrical grid is strained. Consistent with our recommendations, the CPUC eliminated proposals that would have increased customer costs without increasing reliability.

The Public Advocates Office also successfully argued against the procurement of certain demand-side resources (energy efficiency and certain load management programs) that have not performed reliably on days with the tightest



grid conditions. The Public Advocates Office continues to participate in this proceeding.

The CPUC opened a second phase of the Emergency Reliability proceeding to address capacity concerns amid continuing drought conditions. This effort followed Governor Newsom's Emergency Proclamation, which directed the CPUC and its sister agencies to undertake additional work to support reliability. The second phase extends the scope of the CPUC's reliability efforts to 2023. The Public Advocates Office shares the Governor's and the CPUC's reliability concerns. In this new phase, the Public Advocates Office is advocating for



reasonable procurement penalties to incentivize load serving entities (LSE)⁶ to meet deadlines aimed at bringing new resources online but avoiding other penalty proposals that will simply increase costs without improving reliability. We continue to review the actual performance of each load LSE's resources and make recommendations to avoid increased procurement of resource types that do not reliably produce energy when most needed. We are also advocating for a higher Planning Reserve Margin (PRM), which is a cushion of additional resources, and a dedicated PRM requirement during the net peak period (the hours after sunset when solar power is no longer available and summer demand remains high). Our full PRM proposal cuts across several proceedings, including the CPUC's RA proceeding.

RA and the Planning Reserve Margin

The CPUC's RA program is designed to ensure that CPUC-jurisdictional LSEs have enough capacity to meet their peak load (the time of high electricity demand). The PRM is an important component of this program and is currently set at 15 percent. The PRM provides the California Independent System Operator (CAISO) with these added resources to meet federally-required operating reserves, to obtain alternative resources during forced outages, and to serve load above the average, or 1-in-2, load forecast.⁷

In the RA proceeding, the Public Advocates Office recommended the CPUC adopt an increased PRM, starting with 17.5 percent in 2023 and moving to a 17.8 percent equivalent PRM for 2024. The Public Advocates Office recommended switching from the 1-in-2 load forecast to the 1-in-5 load forecast in 2024 to anticipate potential climate change impacts, including a higher chance of extreme weather events across the West. Increasing the PRM will help ensure that LSE's new IRP contracts are incremental and do not displace contracts with existing RA resources that remain necessary for reliability. In the Emergency Reliability proceeding, The Public Advocates Office updated its PRM proposal for 2023 to a 17.5 percent PRM for the gross peak, or total energy demand, and a 15 percent PRM for the net peak. The net peak subtracts the wind and solar resource forecast from the total energy demand. This shows the adjustment between demand and the number of resources available later in the afternoon when renewable resources are no longer generating energy.

⁶ Load serving entities sell or provide power to customers. They include utilities, community choice aggregators, and direct access providers.

⁷ The 1-in-2 forecast is the average forecast of electricity demand, used for planning purposes.

IRP Process

In the IRP proceeding, the Public Advocates Office is striving to ensure that electricity procurement plan requirements provide a safe, reliable, and cost-effective electricity supply while achieving the state's aggressive GHG reduction goals. The Public Advocates Office's activities in the 2021 IRP process include:

Planning for Reliability and Capacity Needs after the Retirement of PG&E's Diablo Canyon Nuclear Power Plant

In June 2021, the CPUC directed all LSEs to procure 11,500 MWs of additional capacity to address mid-term system reliability needs. LSEs are required to bring new capacity online between 2023 to 2026. With respect to the CPUC's proposed categorical requirements for this additional capacity, the Public Advocates Office successfully persuaded the CPUC to:

- Remove grid charging standalone energy storage as an eligible zero-emissions resource to replace Diablo Canyon capacity;
- Expand the zero-emissions restriction to include Renewable Portfolio Standards (RPS)-eligible resources with on-site emissions to prevent the possibility of increased emissions;
- Acknowledge the potential benefit of extending the retirement date for the Redondo Beach once-through cooling (OTC) units as a glide path for getting new IRP resources online in 2023; and
- Require that imports meet the eligibility requirements of the CPUC's procurement categories for LSEs to count the imports. However, we will continue to advocate to prevent resource shuffling consistent with SB 100 (Chapter 312, Statutes of 2018).

Ensuring that Resource Portfolio Assumptions Contribute to an Informed Transmission Planning Process

The CPUC submitted three resource portfolios - a base electricity resource portfolio and two sensitivity cases to the CAISO to help inform the 2021-2022 transmission planning process (TPP). The CPUC provides this information to inform the CAISO's transmission planning and analysis. The base portfolio could result in transmission investments that the CAISO would potentially approve.

The Public Advocates Office recommended removal of two of SDG&E's resources from the portfolios because the CPUC had already approved the retirement of these resources in SDG&E's previous GRC. The Public Advocates Office also recommended an additional sensitivity portfolio that would assume the retirement of SoCalGas' Aliso Canyon Natural Gas Storage Facility. The CPUC did not adopt our recommendations but stated that it could consider the Aliso Canyon retirement scenario in another TPP cycle. We will have an opportunity to propose revising the inputs and assumptions to be used in the portfolios in the next IRP cycle.





Map of the 125-mile Ten West Link transmission line of which 103.5 miles will be located in Arizona. The line will connect the Delaney Substation near Tonopah, Arizona to the Colorado River Substation new Blythe, California.

Electric Transmission Planning and Permitting

Ten West Link Project

DCR Transmission, LLC (DCRT) filed an application in October 2016 seeking a permit and cost recovery for its proposed 500 kV Ten West Link transmission line project. Although more than 100 miles of this 125-mile line would be located in Arizona and would provide \$7 million in reduced energy costs per year for Arizona, the applicant proposed to have California ratepayers pay 100 percent of the over \$600 million (over the course of its 30-year life) project cost.

The Public Advocates Office recommended the CPUC deny the application because it is not cost-effective, and neither the CAISO nor DCRT demonstrated that the project was needed. Alternatively, if the CPUC did not deny the project, the Public Advocates Office recommended the CPUC require the developer to request that the project's costs be shared between California and Arizona commensurate with the benefits that would accrue to each state. In November 2021, the CPUC approved a certificate of public convenience and necessity for the Ten West Link project with California ratepayers funding 100 percent of the project's cost. The Public Advocates Office filed an appeal that raises legal and factual errors in the CPUC's decision.

EIM Joint Authority Proposal

In August 2021, the CAISO Board of Governors and the Western Energy Imbalance Market (EIM) Governing Body approved a governance framework that gives both entities shared authority over market issues in which EIM participants participate. This authority applies to the Western EIM for certain tariff proposals submitted to the Federal Energy Regulatory Commission (FERC). The new framework also delineates the continuation of an advisory role for the Western EIM Governing Body and a formal dispute resolution process. During the stakeholder process, the Public Advocates Office successfully urged refinements to the proposal to:

- Identify elements that should remain under the exclusive authority of the CAISO Board
- Require that the California transmission facilities remain under CAISO authority
- Create a dispute resolution proposal to resolve deadlocks between the EIM and CAISO Boards
- Require the scheduled use of CAISO transmission be within the exclusive jurisdiction of the CAISO Board and not within the EIM Governing Body scope of authority.





The Public Advocates Office is actively participating in CPUC proceedings to ensure that utility disconnections are avoided for customers financially impacted by COVID-19.

ACCESS AND AFFORDABILITY

Telecommunications Needs of Persons Who are Incarcerated

In August 2021, the CPUC adopted our recommendation to establish interim regulations on telephone companies providing intrastate phone services to people who are incarcerated. Specifically, the Public Advocates Office recommended rates for intrastate voice calls be capped at \$0.05 per minute. However, the CPUC added \$0.02 per minute to the Public Advocates Office's recommended rate to allow the telephone companies to collect additional revenue to pay incarceration facilities for the right to be the sole provider of communications services. The CPUC also adopted our recommendation to prohibit phone companies from charging incarcerated people and their families for paper bills, automated payments, and customer service support. These initial regulatory steps bring just and reasonable voice service rates to persons who are incarcerated, their families and loved ones, and their legal support. As the CPUC moves to later phases of the proceeding, we will continue to advocate for just and reasonable rates for essential communications services, including video calling services, which are critical for rehabilitation and mental health.



Verizon-TracFone Merger

In November 2020, Verizon Communications Inc. (Verizon) sought approval to buy TracFone Wireless Inc. (TracFone). The acquisition would combine one of the largest facilities-based wireless service providers in the country, Verizon, with TracFone, the country's largest reseller of prepaid wireless service and a leading provider of LifeLine service in California. In its April 2021 report, the Public Advocates Office identified significant harms that would result from the acquisition, including higher prices, reduced customer choice of low-cost phone brands and plans, and involuntary costs on customers that are forced to migrate to Verizon's network. Because these harms would disproportionately impact TracFone's prepaid customers, especially low-income and LifeLine customers, and those who live in communities that traditionally have been marginalized, we recommended the CPUC deny the proposed acquisition.

In the event the CPUC chooses to approve the acquisition, the Public Advocates Office recommended performance-based conditions to mitigate the irreversible harms resulting from the proposed transaction. Our recommended conditions include measures to ensure Verizon maintains and expands TracFone's participation in LifeLine service for as long as the Lifeline program exists, maintains TracFone's low-priced options and affordable service plans, migrates TracFone customers to Verizon's network at no cost and without service interruption, offers low-cost Home Internet Solutions to TracFone's lower-income customers, and provides wireless resellers access to Verizon's wholesale services under identical terms and conditions enjoyed by TracFone after the acquisition.

After thoroughly examining the harmful effects of the acquisition to lower-income customers and to wireless competition, the CPUC determined the merger would not be in the public interest without mitigating conditions beyond those Verizon proposed. Based on our advocacy, along with the other consumer intervenors, the CPUC adopted key conditions that required Verizon to participate in the LifeLine program for 20 years with specified LifeLine subscription targets, migrate TracFone customers to Verizon’s network seamlessly and at no additional cost, and continue to offer various low-cost plans comparable to TracFone’s service offerings. These adopted conditions are necessary to protect customers. However, the CPUC did not require Verizon to offer low-cost Home Internet Solutions to TracFone’s lower-income customers. The CPUC also did not require Verizon to offer its wholesale services to wireless resellers under the same terms and conditions enjoyed by TracFone after the acquisition.

Broadband for All – Redlining Assessment

In May 2021, the CPUC sought comments on whether it should investigate communications service providers’ broadband network deployment decisions that result in the lack of broadband service in disadvantaged communities, a practice typically referred to as redlining. The Public Advocates Office provided the CPUC with evidence of income-based disparities in broadband network deployment and service availability. We recommended that the CPUC focus on identifying redlined communities and adopt measures to cure the harms. The Broadband for All rulemaking is ongoing.

Addressing Inequities in Existing Rooftop Solar Policies

The Public Advocates Office has proposed policies to support continued expansion of rooftop solar in California while providing for the equitable



treatment of all ratepayers. Current rooftop solar systems are compensated through a system called “Net Energy Metering,” or NEM. NEM provides households a financial incentive tied to the retail electric rate. As rates increase for various reasons such as wildfire mitigation costs, system maintenance, etc., the costs of solar installations have declined. It is neither fair nor reasonable to have rooftop solar incentives be entirely disconnected from the underlying costs of rooftop solar.

The current NEM program is not equitable and is leaving lower-income customers behind. The number of affluent households that add solar to their homes continues to climb, but the remaining customers who do not have rooftop solar are forced to pay the shared costs that customers with rooftop solar currently do not pay – including the costs of making the system safer from wildfire. Thus, the current system forces customers without solar to pay higher bills. A disproportionate number of customers without solar are those who do not own their homes or who have fewer financial resources.

The Public Advocates Office has proposed several policy recommendations in the CPUC’s NEM proceeding, that would provide strong financial incentives for customers to add rooftop solar to their homes (in the form of substantially reduced energy bills) without leaving anyone behind.

Affordable Electricity Service

In 2021, the CPUC published a report on electric utility cost drivers and how they impact affordability and equity issues in communities across the state. The CPUC also held a public meeting with experts and stakeholders to discuss current and future electric costs and rates. In these meetings, the Public Advocates Office emphasized that California is already in a rates crisis with customers experiencing significant bill increases that were disproportionately impacting low-income customers and communities of color. We recommended the CPUC take prompt action to ensure that people from all socio-economic backgrounds can afford their electric bills and that our state's environmental goals are met equitably. To achieve this, designing rates for customers who have rooftop solar and electric vehicles so that costs are equitably borne is critical. It is also important to encourage customers to use electricity in a way that does not strain the electrical grid and that produces the lowest possible costs for all customers.

The Public Advocates Office is actively involved in helping provide financial relief for customers impacted by COVID-19. The CPUC opened a proceeding on arrearages, or unpaid bills, to address the affordability concerns brought on by the pandemic. The CPUC established a disconnection moratorium in response to the COVID-19 pandemic. However, customers still faced large arrearages after the moratorium ended on September 30, 2021. The Public Advocates Office is an active participant in both these proceedings, advocating on behalf of customers to help ensure disconnections are avoided.

Affordable Communications Service California LifeLine Program

In September 2021, the CPUC adopted our recommendations to streamline the annual renewal process to make it easier for eligible

customers to obtain affordable wireline and wireless plans and services. The LifeLine rulemaking is ongoing, and we will continue our efforts to advance greater access to broadband for customers. We are working with telephone companies and other advocacy groups to develop additional recommendations to improve the program.

Minimum Service Quality Standards for All Communications Services

In late September 2021, the Public Advocates Office filed a petition requesting the CPUC initiate a rulemaking to establish minimum service quality standards and enforcement mechanisms for wireless and broadband services. Most Californians rely on these services - approximately 12 million broadband subscribers, 43 million wireless subscribers and 8 million Voice Over Internet Protocol (VoIP) subscribers. In 2020, 84 percent of calls to 9-1-1 were made from mobile phones. Our petition highlighted the data supporting the need to consider minimum service quality standards for customers. For example, the California Legislative Analyst's Office found that four in ten Californians could perform their work remotely (which requires a reliable broadband connection). A Public Policy Institute of California survey found that 26 percent of school-age students did not have reliable broadband access at home as of fall 2020. Despite their increasing reliance on these services, customers' satisfaction with these services is extremely low.

Establishing minimum service quality standards is necessary to help customers that experience no service, intermittent service or dropped calls to improve their service quality, and most important, protect their health and safety. It will also better ensure Californians' ability to work from home, continue their education, and receive remote medical care.

ENVIRONMENTAL GOALS



Effective and Equitable Access to Transportation Electrification Programs

The Public Advocates Office supports transportation electrification (TE) programs that help achieve the state’s environmental goals while ensuring equitable access and affordability for all customers. California’s transportation sector emits 40 percent of the state’s GHG emissions, the largest emission source in the state. Shifting from fossil-fuel to zero-emission transportation is an essential part of achieving California’s climate change goals. To date, the CPUC has authorized more than 15 transportation electrification-related programs, amounting to more than \$1 billion in ratepayer funding. The Public Advocates Office is monitoring the progress of these programs to identify lessons learned and is or will be participating in the following transportation electrification proceedings:

SDG&E’s Power Your Drive Extension Program

SDG&E proposed to continue its Power Your Drive Program at a cost to ratepayers of \$44 million. The utility wants to extend its current program to include 2,000 new electric vehicle charging ports at workplaces and multi-unit dwellings. Based on our analysis, the Public Advocates Office recommended decreasing the cost of this program by \$6 million, putting more installations in disadvantaged communities and multi-unit dwellings, and allocating fewer costs to residential and small business customers.

The CPUC issued a decision in April 2021 adopting the Public Advocates Office's recommendation to cap installation costs and require SDG&E to install an additional 900 charging ports within the \$44 million budget. The CPUC also adopted the Public Advocates Office's recommendation to target 50 percent of the program developed sites in underserved communities and at multi-unit dwellings.

TE Framework

In December 2018, the CPUC began developing a holistic framework to guide all future TE investments. The Public Advocates Office is actively supporting policies that reduce Electric Vehicle-related distribution upgrade costs, facilitate vehicle-grid integration, and establish rates that will lower fuel costs to Electric Vehicle (EV) drivers. We are also urging the CPUC to develop programs that transition away from reliance on ratepayer-funding as wider EV adoption occurs. In addition, the Public Advocates Office took part in the vehicle-grid integration (VGI)⁸ working group where we advocated for a process that ensures ratepayer benefits if EVs were to become mobile energy sources to enhance grid reliability and renewable integration. The CPUC is expected to issue a decision in 2022 on the TE Framework.

Modernizing the Grid for Increased DERs

The CPUC expects an increase in resources connecting to the distribution system, particularly electric vehicles, and energy storage. The CPUC has opened a proceeding to evaluate what infrastructure, policies, and rules may be needed or revised to modernize the electric grid to enable an increased number of DERs. We are advocating for a framework to guide the development of the grid (rather than setting a target for DER adoption), equitable and cost-effective programs, and maximizing the current programs to help prepare the grid for an increasing number of DERs.

⁸ VGI refers to the concept of developing technical, programmatic, and rate-design solutions that enable EVs to provide grid services while still meeting consumer driving needs.

Research & Development in Clean Energy Technologies: Electric Program Investment Charge Decision on Program Administration

In 2012, the CPUC established the Electric Program Investment Charge (EPIC) program through 2020 to provide public interest investments in applied research and development (R&D), technology demonstration and deployment (TD&D), and market facilitation (RD&D) of clean technologies and approaches for the benefit of electricity ratepayers. The CPUC designated the California Energy Commission (CEC) as the predominate EPIC administrator with authorization to invest 80 percent of the EPIC program budget. The CPUC also designated PG&E, SDG&E, and SCE as EPIC administrators. However, the CPUC only authorized the utilities to invest 20 percent of the EPIC budget and required that they confined their investment opportunities to TD&D. In 2020, the CPUC renewed the EPIC program through 2030 and considered administrative changes. The Public Advocates Office supports continuation of the EPIC program and the CEC's participation, which has led to numerous clean energy benefits.

Since its inception, the Public Advocates Office has played a primary role in establishing the EPIC program rules and framework. The Public Advocates Office has successfully opposed attempts from the administrators to reduce CPUC and public oversight of EPIC investments, helped develop intellectual property right provisions that benefit ratepayers, and worked to guarantee the return of unspent funds and accumulated interest back to ratepayers. The Public Advocates Office's participation also resulted in strong reporting requirements that allowed the CPUC to identify significant deficiencies in the utilities' administration of EPIC funds.

The Public Advocates Office urged that any unspent EPIC funds be returned to ratepayers, with interest. The utilities have consistently opposed this requirement and repeatedly but unsuccessfully tried to change it. In 2021 PG&E returned nearly \$29 million dollars, plus accumulated interest, to ratepayers for its EPIC 1 and 2 programs.

Changes to Energy Customers' Climate Credits

The Public Advocates Office reviews the utilities' distribution of revenue from the California Air Resources Board's (CARB) GHG Cap-and-Trade program, including the three types of California Climate Credits that provide support to residential, small business, and industrial customers. In 2021, the utilities will return over \$850 million in revenues to all customers. The Public Advocates Office has been extensively involved in the CPUC's process of revising and streamlining the distribution of the California Climate Credits to ensure compliance with updated CARB regulations. The CPUC issued a decision in August of this year that adopted nearly all of the Public Advocates Office's recommendations, which included a requirement to review the GHG compliance activity of BVE and an amendment that fixed the administrative methodology of the small business Climate Credit after several years of noncompliance with CARB regulations.

Misuse of Energy Efficiency Funds and Wasteful Spending

California utilities collectively allocate about \$700 million per year of ratepayer money to fund energy efficiency programs. The Public Advocates Office continues to push for energy efficiency programs that reduce customers' bills and meet the state's aggressive GHG reduction goals cost-effectively. In 2019, the Public Advocates Office began to investigate certain utilities' expenditures related to the administration of their energy efficiency programs. These investigations include the following:

SDG&E's and SCE's Improper Management of Upstream Lighting Programs

The Public Advocates Office has played a critical role in holding SDG&E and SCE accountable for improperly managing energy efficiency programs that are designed to increase the use of efficient light bulbs in homes and businesses. A CPUC evaluation of the utilities' 2017 Upstream Lighting programs uncovered several troubling inconsistencies in the utilities' records and concluded that SDG&E and SCE could not account for approximately \$15 million ratepayer-funded lightbulbs.

Our review of the SDG&E and SCE upstream lighting programs indicates that the mismanagement may have extended into 2019. In December 2020, the Public Advocates Office reached a settlement requiring that SDG&E refund \$51.6 million to ratepayers and pay a \$5.5 million fine. The CPUC approved the settlement with SDG&E on September 9, 2021. The Public Advocates Office recommends the CPUC require SCE to issue refunds to its customers and levy a fine against the utility for its mismanagement of the program. A CPUC decision is expected in 2022.

SoCalGas's Misuse of Ratepayer Funds to Undermine Energy Efficiency Policies

In 2019, the Public Advocates Office presented evidence that SoCalGas actively pursued strategies to undermine improvements in energy efficiency codes and standards. SoCalGas subsequently defied a CPUC order prohibiting the company from participating in this type of advocacy. During our investigation, SoCalGas repeatedly violated CPUC rules by providing false and misleading statements about its activities.

In response to these violations, the CPUC opened two proceedings to examine what penalties or sanctions should be imposed to deter such efforts to undermine the state's energy efficiency goals and misuse ratepayer funds. The Public



Advocates Office recommended approximately \$379 million in fines against SoCalGas for their misappropriation of public money at the expense of its customers, the environment, and public health. On April 20, 2021, the CPUC issued a decision, finding that SoCalGas' actions had resulted in appreciable harm to the regulatory process and ordering refunds to ratepayers. This decision is currently on appeal before the CPUC, and a second decision is pending.

SoCalGas' Misuse of Ratepayer Funds to Sponsor Lobbying Activities Across California

In March 2019, Californians for Balanced Energy Solutions (C4BES), a pro-natural gas/anti-electrification organization, sought to become a party in the CPUC's Building Decarbonization Rulemaking. In May 2019, the Public Advocates Office began investigating the extent to which SoCalGas used ratepayer money to fund and direct C4BES. The Public Advocates Office uncovered substantial evidence that SoCalGas has been inappropriately recording expenses

for lobbying activities in accounts funded by ratepayers. In addition to funding C4BES, these activities include other coordinated lobbying campaigns with costs also booked to ratepayer accounts. These SoCalGas campaigns had a common theme – to promote natural gas use over electrification and lobby against local government efforts toward decarbonization, including opposing electrifying Los Angeles Metropolitan Transportation Authority buses, electrifying the Ports of Long Beach and Los Angeles, and opposing the adoption of reach codes and standards.

The full scale and scope of SoCalGas' misuse of ratepayer funds is currently unknown because SoCalGas has, among other things, obstructed the Public Advocates Office's discovery and disobeyed a CPUC subpoena directing it to allow an audit of their financial records.





Legislative Report

On or before January 10 of each year, the Public Advocates Office is required to provide to the Governor and the Legislature three pieces of information⁹:

Staffing Levels Over 5 Years

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

Budget

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

Workload

Standards and measures for the Public Advocates Office.

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

STAFF LEVELS

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

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

Fiscal Year	The Public Advocates Office Authorized Staff
2018-2019	165
2019-2020	178
2020-2021	178
2021-2022	178
2022-2023	178

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

BUDGET

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

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

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

The Public Advocates Office Budget:

Fiscal Year	Dollars Authorized ¹²	Dollars Expended
2020-2021	\$45,261,000 ¹³	\$39,467,146
2021-2022	\$48,028,000 ¹⁴	*
2022-2023	**	***

* Year-end expenditures will not be available until August 2022 for the fiscal year ending June 2022.

** Pending Governor's proposed 2022/2023 budget.

*** Year-end expenditures will not be available until August 2023 for the fiscal year ending June 2023.

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

¹² The Public Advocates Office has additional budget authorization for reimbursable contracts. The Public Advocates Office is reimbursed for these costs by the relevant utilities. For FY2022/2023, the proposed amount for reimbursable contracts is \$3,000,000. Actual expenditures for reimbursable contracts occur only if there are proceedings that allow for reimbursable contracts. Examples include audits, mergers, and major resource additions, such as the construction of a transmission facility for which the Public Advocates Office may need to contract for expert consultant services to assist in analyzing the utility request or application.

¹³ Reflects Governor's 2020/2021 budget prior to fiscal adjustments.

¹⁴ Reflects Governor's 2021/2022 budget prior to fiscal adjustments.

WORKLOAD

In 2021, the Public Advocates Office's efforts saved ratepayers over \$3.7 billion. These savings were realized in the form of reduced utility revenues and avoided rate increases.



CONSUMER IMPACT

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

PROCEEDINGS

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

PLEADINGS

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

OUTREACH

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

PROCEEDING WORK



In 2021, the Public Advocates Office participated in 223 formal CPUC proceedings. The Public Advocates Office is often the only voice representing customers’ interests in a number of these proceedings. Since the CPUC relies upon a formal, evidentiary record in making its decisions, our participation is essential to ensure that this record reflects the interests of California’s customers.

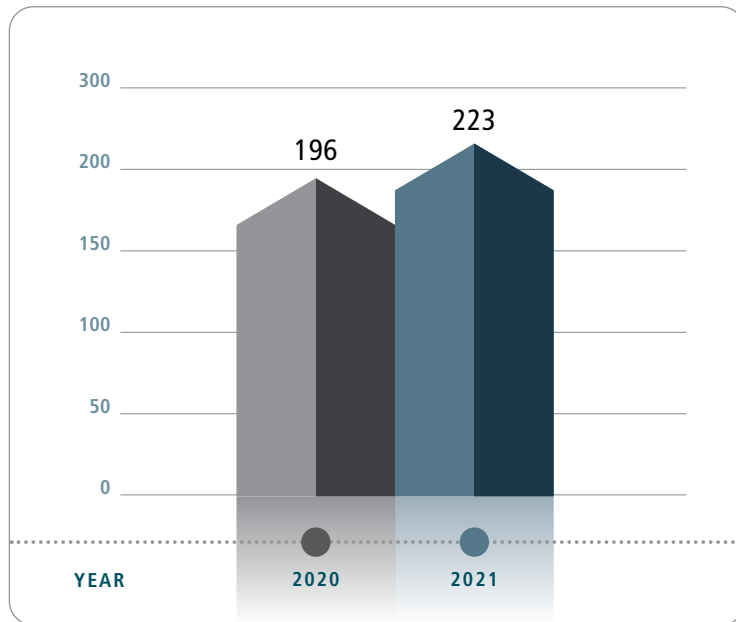
The following charts represent the total number of formal CPUC proceedings in which the Public Advocates Office participated in 2021 in comparison to 2020, by industry group. These numbers do not reflect the greater complexity of the issues being addressed by the Public Advocates Office in omnibus proceedings addressing greenhouse gas emissions, renewable resource development, procurement and transmission working groups, water conservation, and other major initiatives.

In addition, the Public Advocates Office filed many responses to utility advice letters in which the utilities often seek CPUC authority via a more informal process.¹⁵ Beyond our participation in formal and informal CPUC proceedings, the Public Advocates Office is an active participant in proceedings at the CEC, CAISO, and CARB where policymaking will impact ratepayers. The Public Advocates Office also provides consumer representation in other forums related to the CPUC’s proceedings, such as meetings to review utility procurement decisions, the Low-Income Oversight Board, communications public policy committees, industry committees of the National Association of State Utility Consumer Advocates, and the Pacific Forest and Watershed Stewardship Council.

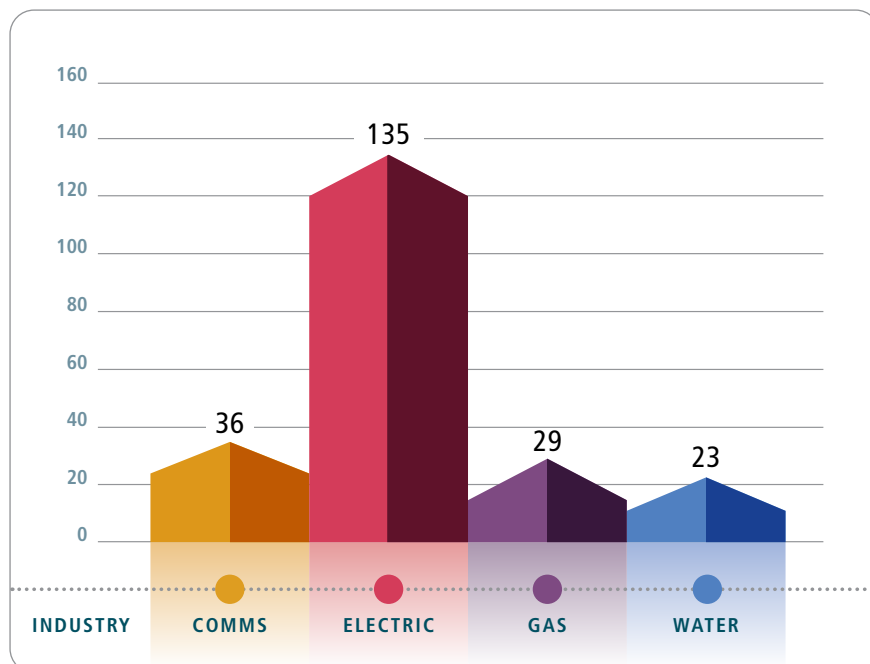
¹⁵ An advice letter is a filing by a utility seeking authority to spend ratepayer money or set/change policies which may have a significant impact on consumers. Utility requests via advice letters are typically authorized by CPUC decision adopted in a formal proceeding, which sets certain parameters for determining whether the advice letter request is valid and should be granted.

PROCEEDING WORK Continued

223
TOTAL NUMBER
OF PROCEEDINGS
IN 2021



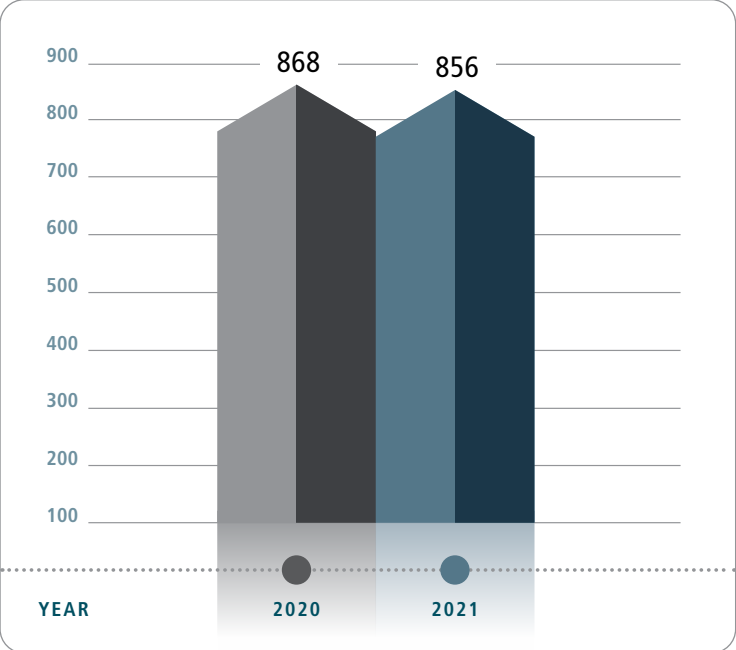
.....
**PARTICIPATION
BY INDUSTRY
IN 2021**
.....



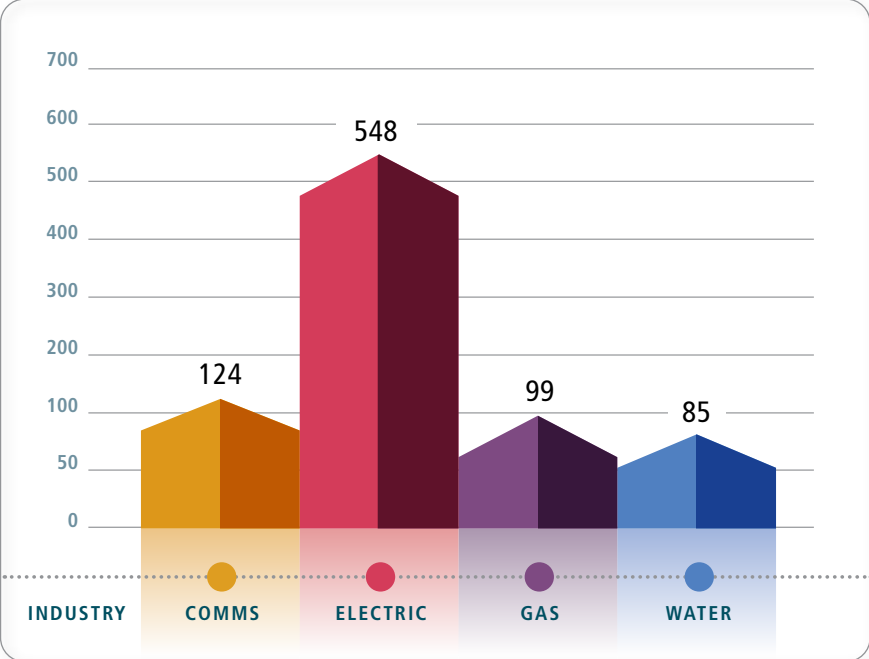
PLEADING PARTICIPATION

In 2021, the Public Advocates Office filed 856 pleadings in formal CPUC proceedings. Our staff and attorneys file hundreds of pleadings annually on behalf of customers, covering issues related to electricity, natural gas, water, and communications. The following charts represent the comparison of the number of pleadings we filed in 2021 in comparison to 2020.

856
TOTAL NUMBER
OF PLEADINGS
IN 2021



**PARTICIPATION
BY INDUSTRY
IN 2021**



OUTREACH AND EDUCATION

The Public Advocates Office constantly strives to improve the quality of its work product and increase the effectiveness of its advocacy efforts. To this end, we also measure our outreach efforts by tracking the number of contacts we have with CPUC commissioners and their advisors, the public, and the press.

The state's processes are very complex, and consumers may not have the time or resources to navigate these processes on their own. As the public's advocate, it is essential that we play an active role in CPUC Public Participation Hearings¹⁶, workshops¹⁷, public speaking engagements, conferences and other events. We strive to speak with consumers in plain language about how proposed changes to utility rates, practices, and policies impact them, and help ensure the public's voice is heard.

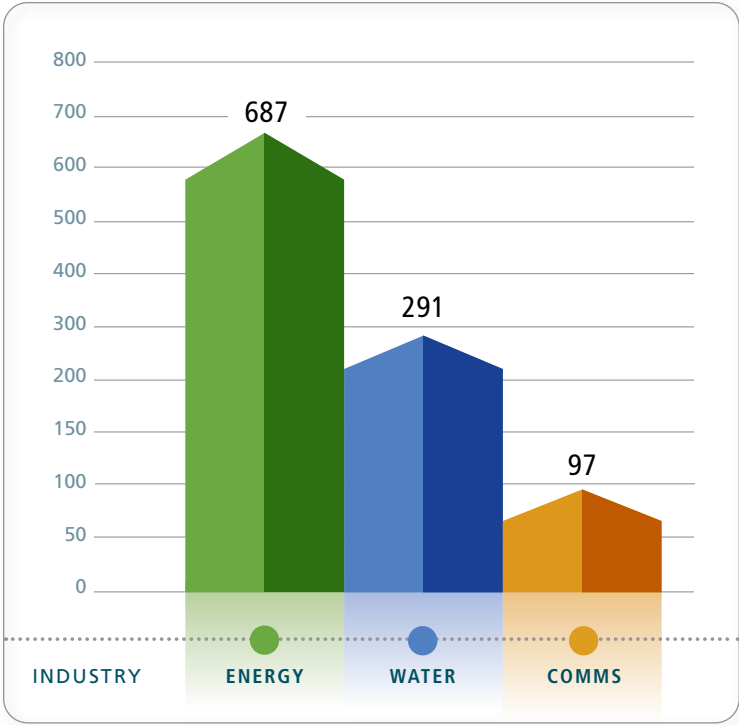
It is also equally important that the Public Advocates Office interact with and learn from the public regarding their specific needs and challenges. Consumer stories, perspectives, and problems are crucial for helping us craft and advocate for effective, long-term solutions. Another critical component of our advocacy efforts is our strategic communications work. The news media is a critical outlet for communicating issues important to consumers.

In 2021, the Public Advocates Office participated in over 1,000 public outreach activities. We also worked with a wide variety of stakeholders, customers, small businesses, community and environmental groups, and other consumer-oriented organizations to advocate for customers before the CPUC and in other forums.

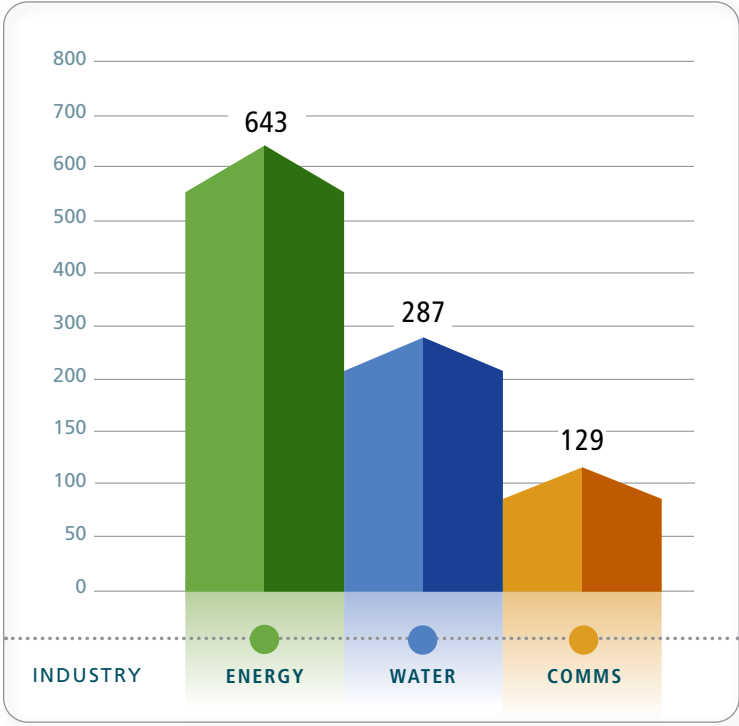
¹⁶ Public Participation Hearings are forums held by the CPUC for the public to participate and learn about various proceedings underway at the CPUC.

¹⁷ Workshops are forums held by the CPUC for stakeholders or outside parties to address specific issues related to a proceeding or matter before the CPUC.

1,075
TOTAL NUMBER
OF OUTREACH
ACTIVITIES
IN 2021



1,059
TOTAL NUMBER
OF OUTREACH
ACTIVITIES
IN 2020





The Public
**ADVOCATES
OFFICE**

California Public Utilities Commission

505 Van Ness Avenue
San Francisco, California 94102
Tel: 415-703-1584
publicadvocates.cpuc.ca.gov