

Date of Hearing: June 20, 2018

ASSEMBLY COMMITTEE ON UTILITIES AND ENERGY

Chris Holden, Chair

SB 1410 (Morrell) – As Introduced February 16, 2018

SENATE VOTE: 38-0

SUBJECT: Public utilities: inspection and audit of books and records

SUMMARY: This bill amends the requirement on the California Public Utilities Commission (CPUC) to audit the books and records of CPUC-regulated utilities serving over 1,000 customers from every three years to at least once every five years and also authorizes the general rate case cycle of these utilities to be up to every five years. Specifically, this bill:

- 1) Amends the requirement on the CPUC to audit the books and records of CPUC-regulated public utilities serving over 1,000 customers from every three years to no less frequently than once every five years.
- 2) Authorizes the CPUC to inspect and audit the books and records of public utilities in accordance with the commission authorized general rate case cycle, if that cycle provides for a rate case at least once every five years.

EXISTING LAW:

- 1) Defines a “public utility” to include every common carrier, pipeline corporation, gas corporation, electrical corporation, telephone corporation, water corporation, sewer system corporation, and heat corporation, where the service is performed for, or the commodity is delivered to, the public or any portion thereof. (Public Utilities Code § 216)
- 2) Requires the CPUC to inspect and audit the books and records of electrical corporations, gas corporations, heat corporations, telegraph corporations, telephone corporations, and water corporations for regulatory and tax purposes. An inspection and audit is required to be done at least every three years if the utility has over 1,000 customers. (Public Utilities Code § 314.5)
- 3) Requires the CPUC to resolve the issues detailed in a scoping memo in a proceeding within 18 months of the date the proceeding is initiated. Provides that rate setting proceedings may specify a resolution later than 18 months in the scoping memo if includes specific reasons for the necessity of a later date the assigned commissioner to the case approves the date. (Public Utilities Code § 1701.5)

FISCAL EFFECT: Under Senate Rule 28.8 the bill is found to cause no significant reduction in revenues or additional state costs are not significant and do not require the appropriation of additional state funds.

BACKGROUND:

General Rate Case (GRC). All utilities regulated by the CPUC are required to undergo a GRC whereby the utility requests funding for distribution, generation and operation costs associated with their service. The GRCs are major regulatory proceedings and provide the CPUC an opportunity to perform an exhaustive examination of a utility's operations and costs with input from all stakeholders, representing consumers, business and other interests, including the Office of Ratepayer Advocates (ORA) whose accountants and analysts closely examine the requests of the utilities. Usually performed every three years and conducted over roughly 18 months, the GRC allows the CPUC to conduct a broad and detailed review of a utility's revenues, expenses, and investments in plant and equipment to establish an approved revenue requirement. Through the GRC, a utility forecasts how they will structure their operations and make investments for the next three years. Within the adopted GRC decision, a utility may be allocated funds by broad categories, although specific projects are not detailed-out or monitored.

COMMENTS:

- 1) Authors Statement. According to the authors office "Senate Bill 1410 will allow for but not require a longer public utility general rate case cycle providing the California Public Utilities Commission greater flexibility to review the single largest regulatory proceedings considered by the CPUC. This flexibility will improve efficiencies in the California Public Utilities Commission's processing of GRC cases should they choose to extend the GRC cycle."
- 2) CPUC Decision. In R.13-11-006, SDG&E, SoCalGas and ORA requested that D.14-12-025 be modified to change the length of the GRC cycle from three to four years. The CPUC denied that request through noting that "moving to a four-year GRC cycle would conflict with Public Utilities Code Section 314.5 which requires an audit of the utilities on a triennial basis." The CPUC stated that they may revisit the need for a four-year rate cycle in the future. SB 1410 makes the statutory change to provide the commission discretion to move to a longer GRC cycle if it so decides in the future.

REGISTERED SUPPORT / OPPOSITION:**Support**

San Diego Gas & Electric (Sponsor)

Opposition

None on file.

Analysis Prepared by: Elle Hoxworth / U. & E. /