

1 and monetary penalties, but I want the thing done.

2 SENATOR ALQUIST: I want that the most. Yes.  
3 Thank you.

4 MR. FLORIO: I think that we have set the right  
5 framework in place, but that's based on what we know  
6 today; and we have to keep a close eye on how these new  
7 rules and regulations are implemented to make sure that  
8 they work the way it was intended.

9 I think Senator Padilla's bill goes a long way  
10 to addressing the issue, and, if there are gaps, we will  
11 find them and we will fill them.

12 SENATOR ALQUIST: Thank you. And thank you.

13 CHAIRMAN STEINBERG: Senator Alquist, thank  
14 you. And, of course, we'll come back to you for any  
15 other category.

16 Senator Fuller.

17 SENATOR FULLER: Thank you.

18 In the interest of time, we covered many topics  
19 in my office, all the way from smart meters and approval  
20 of RPS contracts and reforming the tier, and I  
21 appreciated that time. So I'm just going to ask kind of  
22 two parts to one question that we touched on but didn't  
23 get a chance to follow up on.

24 We had discussed briefly that the commission  
25 had met with Fresno Mayor Swearengin and that she had a

1 proposal and all. I did get the proposal since we  
2 talked, and I'm still reviewing it. I'm just kind of  
3 interested in if you see any type of action that might  
4 come out of the stimulus seed of discussion, think-tank  
5 discussion, that would help lower the electrical rate,  
6 or remove barriers to food processing type-production  
7 issues, or even (inaudible) that makes biogas. Some of  
8 the issues that are potential problems to solutions that  
9 could use some expertise in an area that has 25 to  
10 30 percent unemployment.

11 MR. FLORIO: I understand that the mayor of  
12 Fresno and her team have been working with PG&E on a  
13 proposal. I don't think it's been put before us yet;  
14 but, clearly, you know, constructive solutions to the  
15 severe unemployment problems that we have in certain  
16 parts of the state has to be a high priority, and  
17 whatever proposal is forthcoming will receive very  
18 serious consideration.

19 One of the things I've suggested that I believe  
20 is going to be implemented is that we have a commission  
21 meeting in the Central Valley. It has been years, if  
22 ever, that the commission has been there in a formal  
23 sense. And I think it's important, not just  
24 symbolically, but for us to learn what the issues are.  
25 It's a huge state; it's a diverse state. The issues

1 that are pressing in San Francisco and Los Angeles are  
2 not the same as the issues elsewhere, and we need to  
3 hear that firsthand. And I think that entails not just  
4 a formal business meeting, but meetings before and after  
5 with local community leaders and citizens to get a  
6 better handle.

7 I know I've talked with several of you about  
8 the fact that the Valley, with the heat and air  
9 conditioning demand, needs energy efficiency as much as  
10 anywhere in the state, and yet somehow these programs  
11 are not getting the same emphasis. And that's something  
12 that I and my staff will be working on very diligently  
13 this coming year, to make sure that these programs that  
14 are, perhaps, better understood than publicized in the  
15 coastal areas are similarly available and publicized in  
16 the inland areas.

17 SENATOR FULLER: Thank you.

18 MS. SANDOVAL: Thank you. I had a wonderful  
19 meeting with Mayor Swearingin and her team and was very  
20 impressed by her working commitment to Fresno and look  
21 forward to working with her to analyze her rate  
22 proposals.

23 One of the things that we talked about with her  
24 was also energy efficiency and the need to bring energy  
25 efficiency proactively to businesses and, of course, to

1 households in Fresno. I have long been concerned, and  
2 I've been asking a lot of questions about our energy  
3 efficiency policies and how have they been targeted.  
4 And, for example, I think programs like the whole house  
5 program was an ambitious effort. The demographics of it  
6 show it mostly has reached dual-income, no-children  
7 households on the coast, and they are not the ones who  
8 drive peak power consumption.

9           When you look back the statute when the  
10 Legislature codified energy efficiency, one of the  
11 things that was codified is: Do energy efficiency to  
12 help to address peak. So I think we need to really make  
13 sure our programs are well-tailored and also affordable.

14           One of the things I also talked to Mayor  
15 Swearengin about was that in addition to working with  
16 PG&E, they should also consider one of the programs that  
17 we worked -- thanks again to the Legislature for  
18 renewing it -- the self-generation incentive program,  
19 which is -- you know, really represents a huge change  
20 from the whole theory before monopoly generation,  
21 monopoly transmission, monopoly distribution, where we  
22 were all just consumers, to now people, whether they're  
23 households or businesses, being able to produce their  
24 own energy and sell it back to the grid. So through the  
25 self-generation incentive program, it has provided

1 incentives that many businesses have used to  
2 dramatically cut down on their bills.

3           Although I grew up in Los Angeles, I lived in  
4 Santa Clara County. I'm a Sharks hockey fan, and  
5 there's a great story from the Sharks Ice. It's the ice  
6 rink where the Sharks practice, and it's also for the  
7 kids for their birthday parties and such. They had a  
8 tremendously high electricity bill. I'm not going to  
9 remember the exact numbers, but it was in the tens of  
10 thousands a month. And using the self-generation  
11 incentive program, they cut their bill by more than  
12 half. It was a dramatic cut in their bill.

13           CHAIRMAN STEINBERG: That's why they didn't win  
14 in the playoffs. They couldn't spend that money on  
15 attracting better players. It makes sense.

16           MS. SANDOVAL: That's a good theory.

17           CHAIRMAN STEINBERG: Thank you. Go ahead.

18           MS. SANDOVAL: Last, to close on that, one of  
19 the other things that I also talked to Mayor Swearingin  
20 about is that I have met with PG&E in particular to talk  
21 about what we can do to speed connections for small  
22 businesses. I met with Betty Jo Toccoli, a long-time  
23 friend of mine who I have known since I've worked on  
24 small business issues at the FCC and was very dismayed  
25 to hear from the round table of small businesses how

1 several small businesses all over the state would call  
2 and say, "Okay. I want to start a business. I've got  
3 my license. Ready to go. Want to get connected. When  
4 may I get power, please? When can you connect me?"  
5 Some companies -- and, sadly, particularly PG&E, were  
6 giving them connection times that were three to four  
7 months out. I've talked to some businesses that say  
8 they couldn't get connected, couldn't get power for six  
9 months. Now, in some cases they had a date that they  
10 had to start operating, because of their business  
11 licenses, to make money, revenues. They had to operate  
12 on diesel generators, which also have an environmental  
13 impact.

14           And when I double-checked with Southern  
15 California Edison and some of their small business team  
16 and said, "When a small business calls and says,  
17 'Opening up business. Opening up my doors,' how long  
18 does it take?" It takes two to three days.

19           So I have talked to PG&E, and they have made  
20 this a priority, to speed the connection time and to get  
21 closer to their peers in terms of connection times so we  
22 can start businesses and jobs.

23           SENATOR FULLER: Excellent. Actually, you  
24 anticipated what my second question was. I hope we'll  
25 be seeing you in my area of the Central Valley and up

1 and down the Valley a little more frequently, and you've  
2 already offered that, so thank you very much.

3 CHAIRMAN STEINBERG: Thank you very much,  
4 Senator Fuller.

5 Senator Dutton.

6 SENATOR DUTTON: Yes, sir.

7 CHAIRMAN STEINBERG: Big D.

8 SENATOR DUTTON: Thank you for spending the  
9 time that we did together. Actually, I have a couple  
10 things I want to clarify.

11 Obviously, the Public Utilities Commission is a  
12 very important commission. You have -- In the budget  
13 that's coming up, you're looking at a \$1.4 billion  
14 dollar budget. That's a combination of state and  
15 federal. You have over a thousand employees. So it's  
16 kind of a real responsibility. You also have a six-year  
17 term. So, obviously, that's there so you aren't subject  
18 to all the political pressures that sometimes can be  
19 part of the process.

20 But what I'm concerned about is a couple things  
21 regarding -- as we were talking in my office, one of my  
22 chief concerns is how rate heights affect not only just  
23 the residential folks of the state, but also the small  
24 business community and business community in general.  
25 What I'm -- For both of you, is there any avenue or any

1 way that you do any kind of economic analysis as to the  
2 impact so we can actually make sure that possible costs  
3 or harms are worse than what the actual benefit may be?

4 MR. FLORIO: We have both our division of  
5 ratepayer advocates staff and many third-party  
6 intervenors that regularly present us with testimony on  
7 the impacts of proposed rate increases on the different  
8 sectors that they represent. Probably doesn't rise to  
9 the level of a full-blown economic analysis, but  
10 certainly we seek out and receive a lot of public input.

11 My history and background is as a consumer  
12 advocate. I'm used to looking at utility requests and  
13 figuring out ways to get the work done with less, and  
14 that's what I intend to continue as a commissioner.  
15 There are things that have to be spent for important  
16 objectives, safety, reliability, environment, et cetera,  
17 but my commitment is to make sure these companies are as  
18 lean and mean as possible, and that we treat the  
19 customers' money like it was our own and be extremely  
20 judicious in allowing rate increases.

21 MS. SANDOVAL: Thank you for your question and,  
22 of course, for your commitment to keeping rates low both  
23 for households as well as for businesses.

24 So our energy division and department of water  
25 and audits do some trend analysis. One of my



1 frustrations, Senator, is that I think this commission  
2 does not do enough trend analysis, does not do enough  
3 deep analysis, and I think that that analysis could be  
4 much better to really reveal where are we being  
5 effective, where do we have problems, and where are  
6 things well calibrated, and where are they not.

7           For example, rates are supposed to take into  
8 account climate zones. Are we doing a good job taking  
9 into account climate zones? How do we account for  
10 climate change into that? How do we calculate summer?  
11 If you go to Costa Rica -- I was there in June, and they  
12 were like, "Why did you come in the winter?" I'm like,  
13 "You're north of the equator. It's summer." But even  
14 here, PG&E defines summer as six months, whereas Edison  
15 defines summer as three months, because if you've been  
16 in L.A. June-bloom, it doesn't feel like summer. But  
17 the definition of how you define summer is very  
18 important to the rates and to the rates that people  
19 experience.

20           And also one of the things that I've always  
21 advocated one-size-fits-all doesn't always fit all. One  
22 example of that is time-of-use pricing. Perhaps I  
23 commit heresy here, but here I go. With time-of-use  
24 pricing, one of the things I've caucused about in  
25 meeting with some of the small businesses and some of

1 the farmers, I, as city girl, learned about a title that  
2 was new to me, the "ditch master." So the ditch master  
3 will call and say, "Okay. Water is coming down the  
4 ditch. Go and turn your pumps on so you can pump the  
5 water." And the single largest user of energy in the  
6 state of California is the movement of water.

7 Now, can those people shift their time  
8 of use of these very old, energy-intensive pumps to  
9 7:00 o'clock at night when the energy would be  
10 efficient? If they waited, if the ditch master called  
11 and said, "Your water will be coming by at 10:00 o'clock  
12 in the morning," and they shifted to 7:00 at night, the  
13 water would be 400 miles downstream. In legal parlance  
14 we would say they are at a disability to mitigate, but  
15 basically they can't shift their time. The water will  
16 be gone.

17 So I think that our policies need to be very  
18 sensitive to those areas where one size does not fit  
19 all.

20 SENATOR DUTTON: I would agree with you. I  
21 think sometimes our policies have a tendency to work  
22 against us, especially in the area of hydroelectric  
23 power, which you and I talked a great deal about, and  
24 I'll leave it at that. Frankly, the farm community  
25 actually may be a help in that area to generate some

1 power.

2           One of the areas of concern I had here recently  
3 was the governor made it clear that he wanted to keep  
4 the DPS, you know, program intact. He is charging with  
5 the responsibility to continue doing this program but  
6 find another method to go in that direction.

7           I guess one of my concerns would be we  
8 currently have a cap-and-trade program, which I remember  
9 Mary Nichols, when I was on utilities, said California  
10 shouldn't venture in that direction by itself, but here  
11 we are, we are. And I'm curious that's supposed to  
12 generate over a billion dollars. Maybe you should be  
13 looking at that as being a possible source of the  
14 revenue you need for some of these programs, at least  
15 that might have a closer nexus between R and D and  
16 things like that. So I would ask you to take a look at  
17 that.

18           Also, too, I was talking to Senator Huff as  
19 well -- you know, we did talk briefly about this.  
20 Senator Huff and Assembly Member Hagman, they've got a  
21 problem down in the Chino Hills area, and it has to do  
22 with the transmission lines that are currently going  
23 through the Chino Hills area. I'm very familiar with  
24 it, as we talked about. There's some very sensitive  
25 habitat in that area as well, and that's to go ahead and

1 create a line for the Tehachapi renewable transmission  
2 project.

3 My questions to you would be -- there's two of  
4 them. Have you gone to Chino Hills to look at the  
5 towers being proposed and the potential impact it will  
6 have on the local community and homeowners, and what was  
7 your opinion of what you saw?

8 MR. FLORIO: We've both been to Chino Hills to  
9 see to -- all five commissioners have been there. I  
10 think from our conversations, everyone's reaction was,  
11 to borrow a phrase, shock and awe at the magnitude of  
12 those towers in the middle of the community, and we've  
13 taken the almost unprecedented step of reopening a  
14 two-year-old decision to relook at the alternatives.  
15 And Edison has been directed to file testimony looking  
16 at alternative routes or undergrounding possibilities.  
17 I understand the City is preparing a response to that,  
18 and I believe there may even be an initial hearing today  
19 on that matter.

20 I think these are tough issues. I can't say  
21 sitting here today what the outcome will be, but I think  
22 the incredible effort that the people of Chino Hills  
23 have put into bringing this to our attention has  
24 certainly succeeded in putting it front and center on  
25 the commission's agenda.