



*The Public*  
**ADVOCATES  
OFFICE**

The Consumer Advocate at the  
California Public Utilities Commission

**20**  
**23**

**ANNUAL REPORT**



**“My priorities for the upcoming year are centered around ensuring that affordability, reliability, and equity concerns are addressed for all utility customers.”**

## DIRECTOR’S LETTER



I am pleased to present you with our 2023 Annual Report. It highlights many of our efforts in the last year to fight for affordable, safe, and reliable utility services while advancing California’s climate goals.

As director of the Public Advocates Office, my team and I do all that we can to advocate for customers of investor-owned utilities before the California Public Utilities Commission (CPUC) and in other forums. This includes working directly with communities across California and engaging with local media outlets.

Our office’s dedicated analysts, engineers, attorneys, and policy experts have worked hard to help solve many issues the state is grappling with in the areas of energy, water, and communications, and put affordability and equity at the forefront of their advocacy efforts and policy recommendations.

Over the last year, our office has participated in hundreds of proceedings representing ratepayer interests, produced creative solutions to lower energy and water utility bills, and prioritized access and affordability to essential broadband services.

While all our work is critical, I would like to highlight a few things that we accomplished in 2023:

- Developed a fixed charge proposal for customers’ electricity bills to ensure that rates are equitable (especially for low-income households) and incentivize customers to move toward electrification
- Reviewed wildfire safety plans to ensure customers are protected from risk at the lowest possible cost
- Advocated for affordable access to broadband internet for unserved and underserved customers
- Proposed reforms to ensure customers do not face unexpected charges on their water bills
- Conducted detailed analyses to determine cost-effective pathways to electrify the grid
- Worked to hold utilities accountable to prevent them from overcharging customers

My priorities for the upcoming year are centered around ensuring that affordability, reliability, and equity concerns are addressed for all utility customers. In the next year, we plan to focus on the following:

- Develop innovative ways to keep customer utility bills more affordable
- Advocate against unnecessary charges on customers’ utility bills
- Advance the state’s efforts to electrify and decarbonize California in equitable and affordable ways
- Inform decisionmakers and the public on bill impacts of different climate and energy policy options
- Expand and further advance our community outreach efforts

We look forward to continuing to fight for ratepayers in 2024. To read more about our work on behalf of utility customers and the environment, please visit our website at <https://www.publicadvocates.cpuc.ca.gov>.

- Matt Baker, Director, Public Advocates Office

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Photos (clockwise): Energy staff at Schatz Energy Research Center; Staff inspecting the refurbishment of an empty water reservoir; Public Advocates Office staff inspect a well pump facility.

## OVERVIEW

### *Who We Are*

The Public Advocates Office is the independent consumer advocate at the California Public Utilities Commission (CPUC). We are charged with helping to ensure that energy, water, and communications services provided by investor-owned utilities are affordable, safe, and reliable.

Over the past four decades, our advocacy has provided a strong voice for residential and small business customers on their needs and challenges, with a particular focus on low-income and disadvantaged customers. Our efforts are critical because many of these customers would otherwise lack representation in the decision-making processes at the CPUC and in other forums that directly impact their utility bills and services.

### *Our Advocacy*

The Public Advocates Office team of analysts, engineers, and attorneys always put utility customer affordability, safety, and equity at the forefront of our ratemaking advocacy.

Since investor-owned utilities must receive approval from the CPUC prior to raising future rates, one of our most important roles is to scrutinize future utility requests for accuracy, priorities, and ultimately, more affordable solutions to safeguard ratepayers.

Our recommendations translate to direct ratepayer savings and often reduce the requests of the largest utilities by several billion dollars each year because they are often adopted or reflected in final CPUC decisions.

## ***Our Unique Role***

Our advocacy is rooted in evaluating utility analyses and legal claims, performing our own modelling, and other methods. We work hard to help ensure that customers have the lowest possible utility bills by:

- Examining utility operations and estimated utility costs
- Reviewing utility accounts and other information
- Developing forecasts and analyses of future customer rates
- Analyzing utility risk assessments
- Conducting complex energy and geographic information system modelling

We then advocate before the CPUC and in other forums to propose lower-cost solutions and alternatives that minimize future rates.

The office also educates policymakers and the public on our recommendations. We do this by providing technical assistance, collaborating with other agencies, and providing briefings regarding rate projections, complex proceedings, and our analyses on pertinent energy, water, and communications issues.

## ***The California Public Utilities Commission's Role***

The CPUC is the state agency that regulates many privately-owned energy, telecommunications, and water utilities. CPUC decisionmakers consider our policy analyses and recommendations, as well as those proposed by other stakeholders, to make well-informed decisions on future customer service rates and programs. The CPUC also reviews utility accounts to ensure the utilities are spending customer money approved by them appropriately.

## ***Our Success***

In 2023, we advocated in 235 proceedings and filed 816 pleadings at the CPUC on behalf of customers. Our participation involved developing proposals to increase utility shareholder cost responsibility for wildfire damages, developing novel electric rate designs that encourage equitable electrification, proposing policy recommendations for the reduction of unnecessary surcharges for water utility customers, expanding broadband service in rural communities, and many other topics discussed in more detail in this report.

We also proactively advanced the interests of utility customers, especially those most in need, by:

- Developing innovative ways to improve customer outcomes
- Providing decisionmakers with education and technical assistance
- Participating in community, town hall, and other stakeholder meetings

Overall, our recommendations directly led to customer bills savings and often reduced utility requests across all industries by several billions of dollars each year.

# Our Role in the CPUC's Formal Decision-Making Process

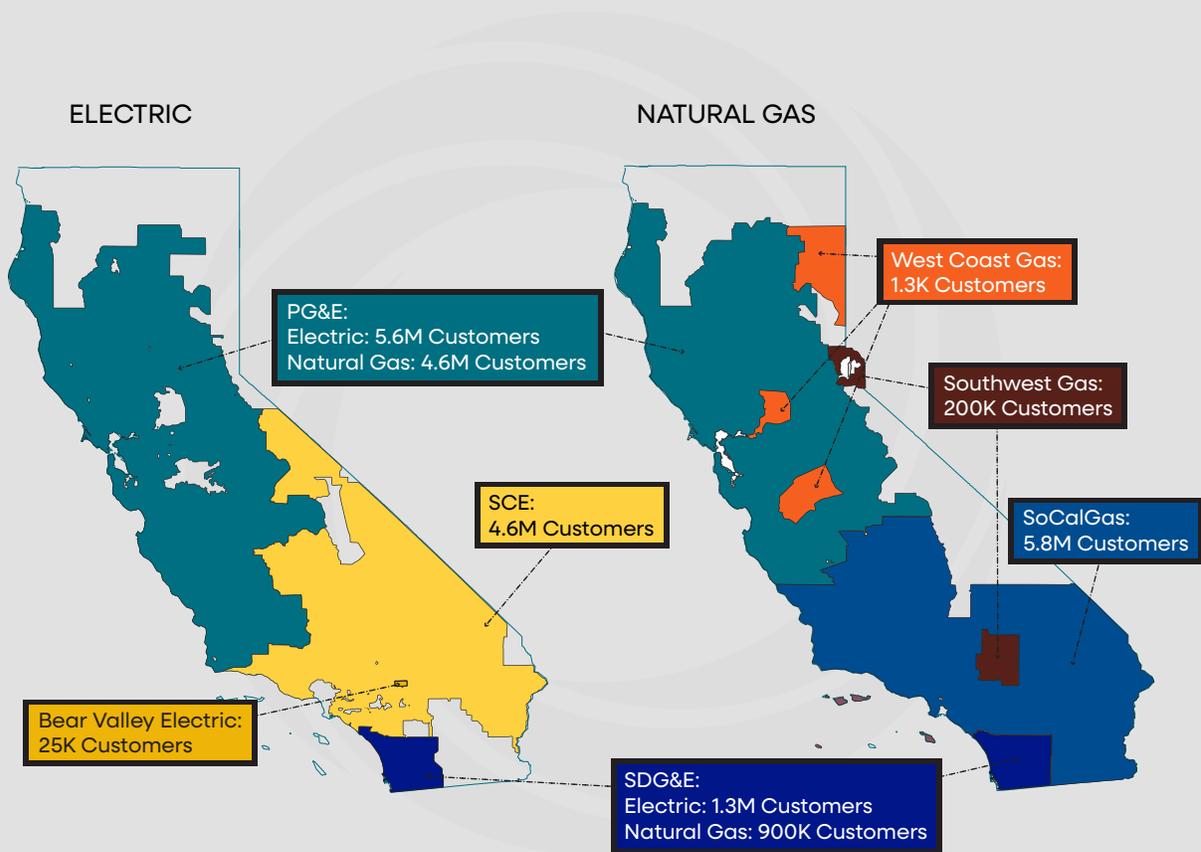


**In 2023, we advocated in 235 proceedings and filed 816 pleadings at the CPUC on behalf of customers.**

# ENERGY ISSUES

The Public Advocates Office represents the interests of over 30 million customers of investor-owned electricity and natural gas utilities across California. We develop and advance policy recommendations that help ensure electricity and natural gas services are affordable, reliable, and safe. We conduct our work with the understanding that even small savings on utility bills can make a big difference for households and small businesses.

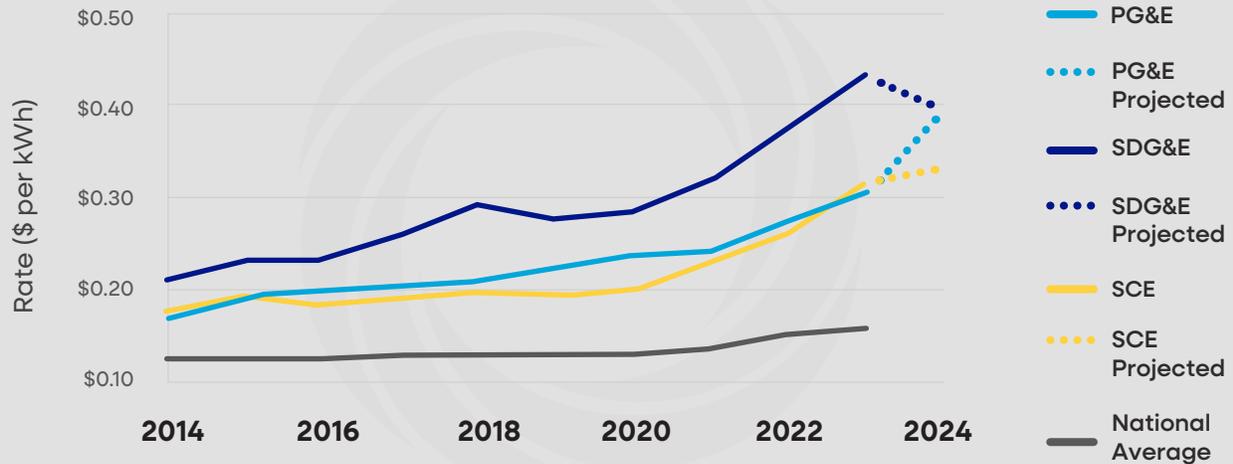
**Figure 1. The Public Advocates Office Represents Customers Served by Privately-Owned Electric and Natural Gas Utilities**



Source: Public Advocates Office.

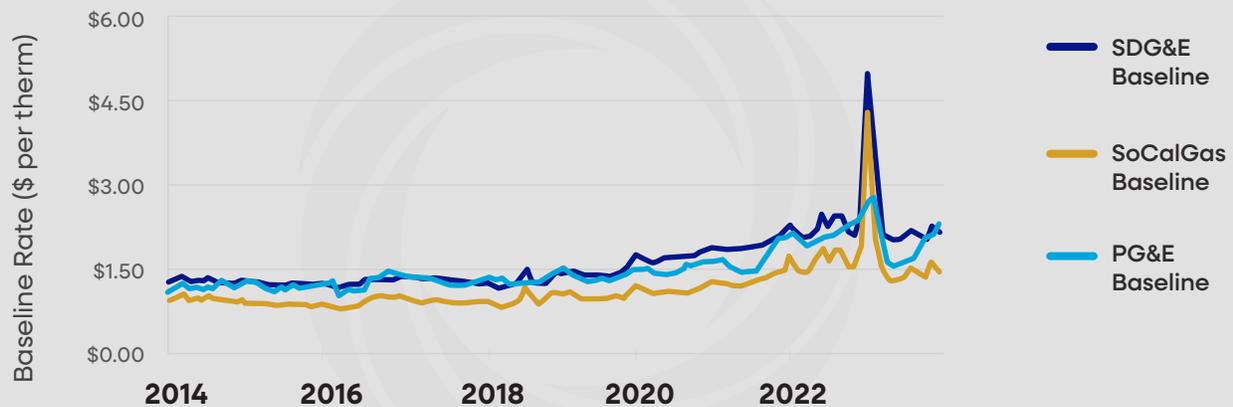
The amount most Californians pay for electricity and natural gas has grown. In particular, average residential electric rates about doubled across the major investor-owned utilities over the last decade and far outpaced the national average.

**Figure 2. Average Residential Electric Rates by Utility**



Source: Public Advocates Office analysis of utility data. Electricity rate increases are primarily attributed to wildfire management costs, transmission and distribution costs, and subsidies for rooftop solar.

**Figure 3. Residential Natural Gas Rate by Utility (Monthly Baseline)**



Source: Public Advocates Office analysis of utility data. Natural gas price increases are up because of its higher commodity price (e.g., war in Ukraine) and to a lesser extent, the price of moving natural gas to customers.

With these marked increases over the last decade, the cost burden is particularly pronounced for lower-income households. For example, over two million households served by the state’s largest electric utilities are behind on their electric bills, with a disproportionate share attributed to customers already enrolled on subsidized utility bill plans.

**Approximately 1 in 5 households served by the state's three largest investor-owned utilities are behind on their electric bills.**

### ***Our Energy Team's Work***

Our advocacy work is largely done through participating in proceedings at the CPUC. In these proceedings, a formal decision-making process led by the CPUC, we scrutinize utility spending proposals and recommend adjustments to the amounts requested.

Our team of engineers, analysts, and attorneys also develop policy recommendations regarding energy infrastructure, utility operations, wildfire safety, and myriad other issues considered by the CPUC.

We have been instrumental in developing recommendations on how California can most cost-effectively meet its clean energy goals. Significant new investments in the state's electric grid are needed to facilitate the transition to more clean electricity and carbon neutrality. For example, the state will need to more than double its power-producing capabilities and build out associated infrastructure over the next two decades to meet its ambitious goals. How the state plans and executes the transition will have significant implications for electric and natural gas customers. Highlights of some of our energy team's work and the types of policy questions we try to address for customers are shown below.

<b>Work Area</b>	<b>Example Policy Questions</b>
<b>Energy System Infrastructure, Operations and Planning</b>	What power plants and resources should the state build to affordably meet reliability and clean energy needs? How can the CPUC improve its grid planning and forecasting processes and models? Are utilities paying a reasonable amount for power plants, energy storage developers, and other third-party contracts?
<b>Utility Finance</b>	What is a reasonable rate of return for each utility? How much money do utilities need to make the necessary investments in their systems?
<b>Energy Pricing and Customer Programs</b>	What rates should be offered to customers for each utility? How should the CPUC structure and fund its energy efficiency programs?
<b>Safety</b>	Are utilities' wildfire mitigation investment plans reasonable and prudent?

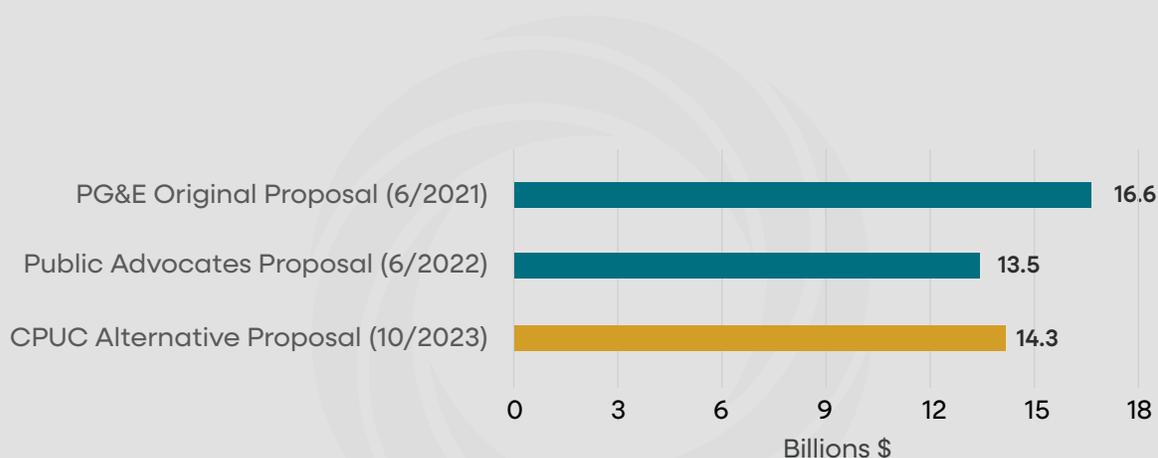
Over the past year, our energy team engaged in 173 proceedings and filed 635 pleadings on behalf of utility customers. We also reviewed utility reimbursement requests by examining over 72 utility balancing and memorandum accounts<sup>1</sup> that tracked in excess of \$22 billion.

**Our specific policy recommendations and contributions included:**

**1. Provided Alternatives to Help Reduce PG&E's General Rate Case Request by Over \$2 Billion per Year**

PG&E requested to increase its average annual spending to \$16.6 billion by 2026 in its latest general rate case. After a thorough review of PG&E's proposal, we recommended the CPUC reduce this request by about \$3 billion annually in each of the four years from 2023 through 2026. The CPUC's November 2023 decision ultimately authorized spending much closer to the levels supported by our office.

**Figure 4. Comparison of Average Annual PG&E Revenue Requirements by Proposal (2023 to 2026)**



Source: Public Advocates Office.

One of the main differences between our recommendation and PG&E's request was that we proposed a hybrid approach that reduces wildfire risk at a faster pace and lower cost. This approach entails prioritizing undergrounding for the highest-risk areas and using more expedient and affordable measures for the remaining areas. PG&E initially requested to underground over three thousand miles of power lines at an unprecedented, and likely infeasible, pace that may have cost ratepayers \$5.9 billion over the next four years. The CPUC's 2023 decision was consistent with our office's proposed hybrid approach.

**2. Saved Ratepayers Hundreds of Millions of Dollars Through Wildfire Mitigation Advocacy**

As reflected in PG&E's most recent general rate case, wildfire-related expenses are increasingly a larger share of ratepayer bills, growing by several billion dollars each year across the state's investor-owned utilities. Our safety team evaluates wildfire reduction proposals to ensure they prioritize risk reduction, speed, and cost. Our emphasis is on ensuring that utilities select effective mitigation measures, use ratepayer funds efficiently, deliver consistently high-quality work consistently, and prioritize action in the locations with the most severe risk of wildfire.

One notable component of our work involves evaluating utility claims for past expenses. For example, in February 2023, the CPUC approved a settlement agreement between PG&E and the Public Advocates

<sup>1</sup> Balancing accounts are mechanisms that regulated utilities may use to track and recover costs from ratepayers for specific investments that exceed projected levels, with Commission approval.



Office that saved customers approximately a quarter-billion dollars. Similarly, in 2020, PG&E requested to recover roughly \$1.28 billion from its customers for costs related to wildfire mitigation, catastrophic events, and other activities. Based on our analysis of their request, PG&E agreed to reduce its request by \$243 million.

We also work to reduce ratepayer shares of future utility costs, such as wildfire liability insurance. In May 2023, the CPUC adopted a settlement agreement between SCE, the Public Advocates Office, and The Utility Reform Network (TURN) that addresses SCE's wildfire liability insurance costs for 2023 and 2024. The settlement saves ratepayers \$80 million in 2023, a potential \$160 million in 2024, and provides additional benefits to customers, such as requiring utility shareholders to cover certain damages.

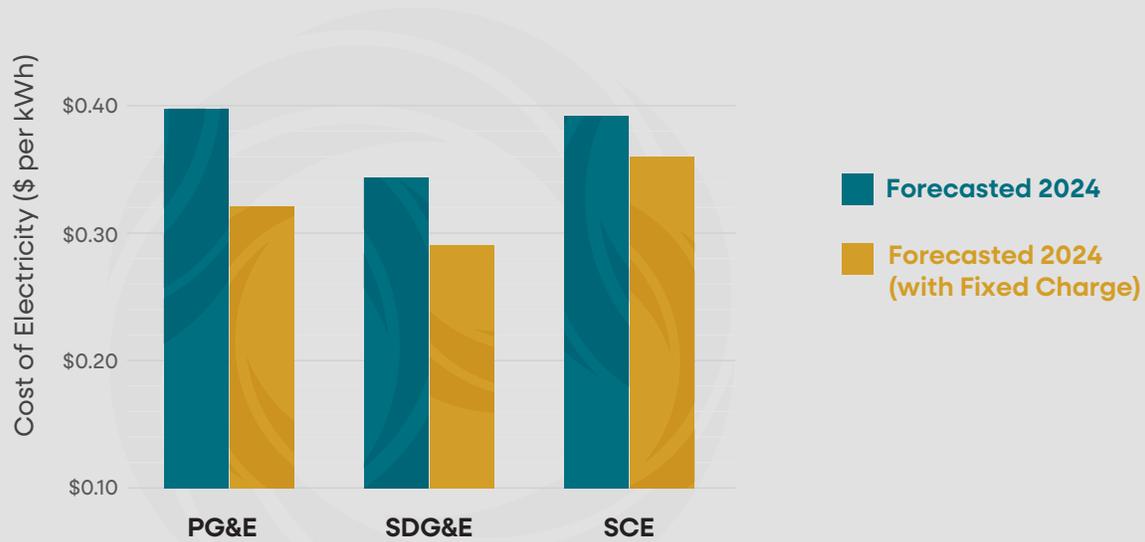
### ***3. Developed a Fixed Charge Proposal That Would Reduce Electric Rates for All Californians and Provide Discounts for Income-Qualifying Households***

Pursuant to Assembly Bill 205 (2022), the CPUC will authorize a fixed charge on household electricity bills for customers in the PG&E, SDG&E, and SCE service territories. The fixed charge will reduce electricity rates. Discounts on the fixed charge will be provided to lower-income customers and the program will not increase how much utilities can collect from ratepayers. Lower electric rates will make electric cars and other types of electrification more affordable.

**A fixed charge will reduce electricity rates...It will not increase how much utilities can collect from ratepayers and will help to make electric cars and other types of electrification more affordable.**

The Public Advocates Office supports the new program and developed implementation recommendations that would lower electricity rates by about 15% for all customers and provide additional discounts for income-qualifying customers. The CPUC will consider our proposal alongside alternatives submitted by other organizations such as electric utilities and industry groups.

**Figure 5. Volumetric Rate Impact of the Public Advocates Office Fixed Charge**



Source: Public Advocates Office Analysis.

Forecasted 2024 bars are for illustrative purposes based on the Public Advocates Office proposal. The CPUC anticipates fixed charge implementation will require several years (circa 2026) to provide utilities sufficient time to update billing systems, educate the public, etc.

The CPUC is statutorily required to authorize the new program by July 1, 2024. We anticipate the new program will be implemented no sooner than 2025 for SCE and SDG&E, and potentially in 2028 for PG&E customers.

#### **4. Published a Study That Found Strategic Electric Vehicle Charging Has the Potential to Cut Distribution Grid Investment Needs by Tens of Billions of Dollars**

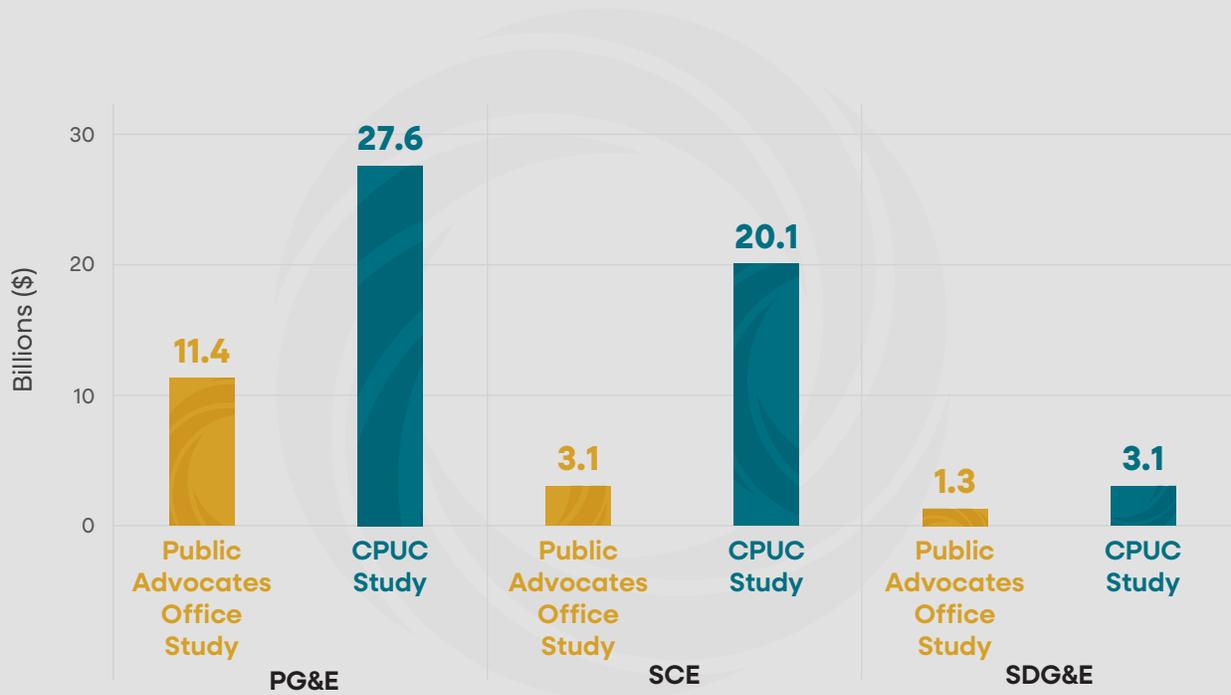
California regulations require that all new light-duty vehicles sold be electric by 2035. To meet increased electricity demands, the state will need to upgrade its power lines and other associated infrastructure. This includes the very large power lines often seen along highways (“transmission”) and the smaller power lines seen on city streets (“distribution”).

A 2023 Public Advocates Office study<sup>2</sup> shows that encouraging electric vehicle charging at optimal times can dramatically reduce necessary distribution grid upgrades and associated costs. Our results indicate that the total cost of distribution upgrades across the state’s three largest electric investor-owned utilities will be approximately \$26 billion by 2035, or about half the cost identified by a similar recent study conducted by a CPUC consultant that assumes suboptimal charging patterns.<sup>3</sup>

<sup>2</sup> Distribution Grid Electrification Model Study and Report, Public Advocates Office. <https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/distribution-grid-electrification-model-findings>.

<sup>3</sup> Electrification Impacts Study Part 1 (EIS), Kevala. <https://www.kevala.com/resources/electrification-impacts-study-part-1>.

**Figure 6. Comparison of Forecasted Distribution Investment Needs by Study (2035)**



Source: Distribution Grid Electrification Model Study and Report, Public Advocates Office (August 2023). Our study found that charging electric vehicles during more optimal periods can significantly reduce costs.

We found that electrification could result in “downward pressure” on electric rates.<sup>4</sup> This outcome is contingent upon many factors, such as only building the necessary levels of infrastructure through rigorous planning and forecasting.

**5. Accelerated Approximately \$100 of California Climate Credit Payments to Households**

Californians faced inflated natural gas prices last winter driven by simultaneous cold temperatures (causing higher demand) across the western region, and supply chain bottlenecks (resulting in lower supplies). High prices made using electricity and natural gas appliances (e.g., furnaces and stoves) much more expensive than normal during the cold winter months. Indeed, many customers saw their monthly gas bills more than double over typical levels.

Recognizing the strain these higher utility bill costs put on households, we filed an emergency motion to accelerate California Climate Credit annual payments in order to provide immediate financial relief. The CPUC adopted our recommendation and directed utilities to disburse about \$90 to \$120 of utility bill credits per household as soon as possible.

We are actively exploring ways to further reduce the chance of bill shocks from potential future natural gas price volatility. For example, the CPUC agreed with our recommendation to not allow SoCalGas and SDG&E to create new accounts that would track costs associated with implementing various federal safety rules and regulations, so they could ultimately be reimbursed by ratepayers.

<sup>4</sup> Downward pressure on rates is not the same as decreasing rates; rates may still increase in net due to other costs.



### ***6. Successfully Advocated for New, Clean Electric Generation Capacity to Support Grid Reliability***

After extreme heat prompted rolling blackouts across much of California in the summer of 2020, the CPUC ordered utilities to contract for more than 11.5 GW of new power plants and other resources to minimize the chance of future shortfalls (“Mid-Term Reliability” or “MTR”) in 2021.

In 2023, the CPUC added more clean capacity (4 GW) to its initial order (“supplemental MTR”) based on a recommendation of the Public Advocates Office. The supplemental MTR will support the development of solar, batteries, and other clean energy resources.

We are also actively supporting the development of a new CPUC procurement program (“Reliable and Clean Power Procurement Program”) that can complement the state’s aggressive climate and associated clean energy deployment goals.

## WATER ISSUES

In 2023, we continued to be the primary party that provides alternative recommendations to utilities' requests in water rate proceedings before the CPUC. Serving as expert witnesses, our engineers and analysts have provided detailed testimony and recommendations to cost-effectively deliver safe and reliable water service to the more than 6 million water customers in California served by investor-owned water utilities. We continue to perform thorough analyses of water rate increases, recommend cost-effective solutions, and review utility requests to ensure they are in their customers' best interests.

In response to a multi-year trend of water rates increasing at more than twice the rate of inflation, our staff focused on reducing the authorized profit percentages that had been in place for investor-owned water utilities since 2019 and reducing the alternative ratemaking mechanisms that often allow these utilities to exceed their authorized profits.

### ***Our Water Team's Work***

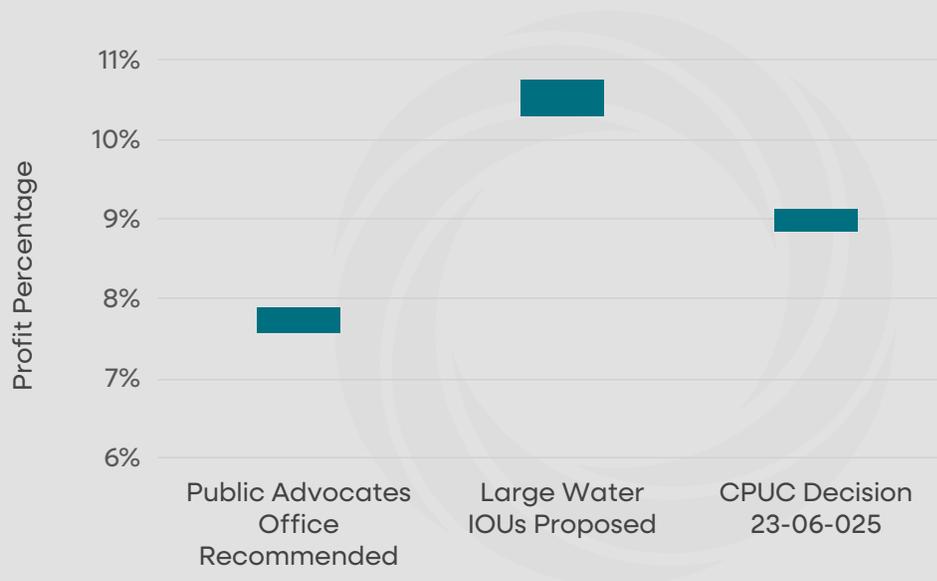
#### ***Helped Save Ratepayers \$40 Million Annually Through Cost of Capital Proceedings***

Cost of Capital proceedings occur every three years and determine the profit percentages<sup>5</sup> that water utilities are authorized to receive on investments deemed necessary for providing safe and reliable water service. A Cost of Capital proceeding consists of the CPUC authorizing a utility's (1) return on equity, (2) costs of debt, (3) debt/equity ratio, and (4) overall rate of return on rate base.

In 2023, the CPUC determined the authorized profit percentages for the four largest investor-owned water utilities: California Water Service, Golden State Water, California American Water, and San Jose Water for the years 2022 to 2024.

Our team's robust analyses of market conditions recommended profit percentages ranging from 7.5 to 7.8%, which would have resulted in annual customer savings of \$100 million. The CPUC's decision established percentages that reduced the water utilities' request by \$40 million annually.

**Figure 7. Water Utility Authorized Profit Percentages**



Source: Public Advocates Office

<sup>5</sup> Authorized Return on Equity.



### ***Advocated for Reducing the Use of Alternative Ratemaking Mechanisms by Utilities***

#### ***(a) Reform utility use of Surcharge Accounts to limit unexpected increases in water bills.***

Surcharge Accounts are intended to be used for events of an exceptional nature. Over the last 15 years, Class-A Water Utilities (the largest investor-owned water utilities in California) have increasingly used Surcharge Accounts to record and recover amounts from customers well beyond what was authorized by the CPUC in their General Rate Case proceedings. Specifically, from 2005 to 2020, these surcharges increased by more than 300%, from \$2.3 million per utility to \$71.7 million per utility. Ratepayers are often surprised by the increase in water bills caused by these charges.

**From 2005 to 2020, Class-A Water Utility surcharges increased by more than 300% from \$2.3 million to \$71.7 million per utility.**

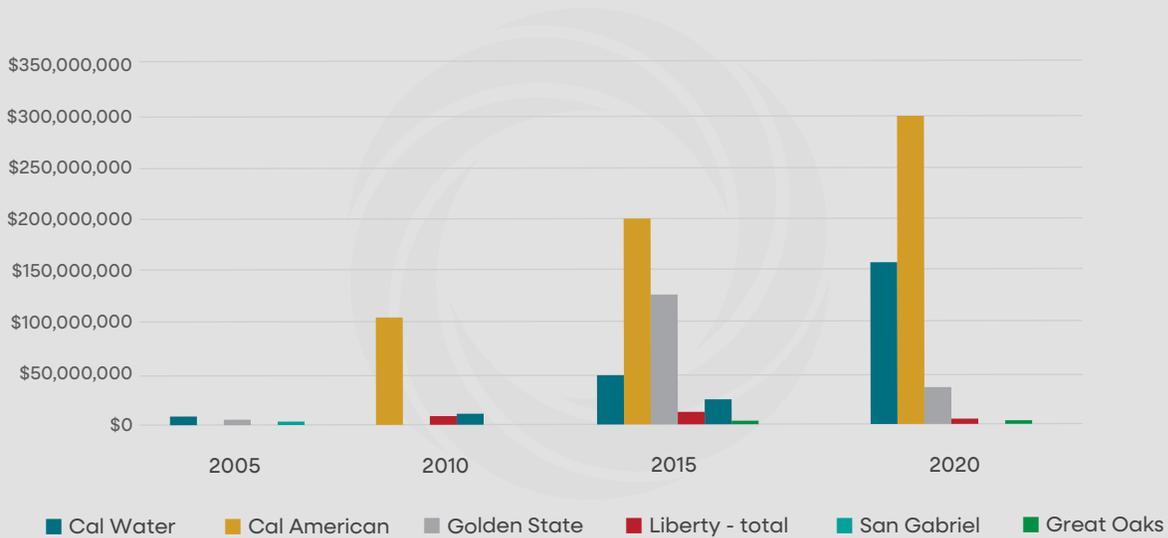
Surcharge Accounts originally came about in the mid-1970s in response to rapidly changing oil and gas prices, allowing utilities to spend as needed and retroactively charge customers in future billing periods. These accounts effectively allow water utilities to operate without a predetermined budget and reform is needed to protect customers from unnecessary, excessive bills. Surcharge Account reform is an important and necessary course correction to ensure customer bills are fair, reasonable, and do not fund excessive profits.

In 2023, we published a proposal<sup>6</sup> that would allow a utility to recover Surcharge Accounts only when the utility has earned less than its authorized profit percentage.

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<sup>6</sup> *Surcharge Account Reform for California's Class-A Investor-Owned Water Utilities*, Public Advocates Office. <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/230608-cal-advocates-surcharge-account-reform-white-paper.pdf>.

**Figure 8. Class-A Water Utilities' Surcharge Account Totals 2005-2020**



Source: [Surcharge Account Reform for California's Class-A Investor-Owned Water Utilities](#), Public Advocates Office (May 2023).  
 Note: This chart was created using information reporting in Schedule E-1 in Class-A Water Utilities' 2005, 2010, 2015 and 2020 Annual Reports submitted to the CPUC.

***(b) Prevent water utilities from piecemealing capital spending across multiple proceedings.***

In 2024, we will continue to scrutinize water utility capital spending to ensure customers are not paying for unused or unnecessary assets. Water utilities have a financial incentive to over-invest because their authorized profit is calculated as a percentage of total capital spending. This process, which is known as the Averch-Johnson Effect, can be masked by multiple, piecemeal capital requests.

We advocate for a transparent planning process that requires utilities to prioritize capital investment and not piecemeal capital spending across multiple rates requests each year.

We will continue to oppose the use of ratemaking mechanisms that allow utilities to operate without the discipline and accountability of a budget. Water utilities should develop and be held accountable for a comprehensive capital planning process that provides decisionmakers and ratepayers a complete and thorough view of total bill impacts.



### **Recommended a Four-Pillar Framework to Prevent Over-Priced and Unnecessary Monopolistic Water System Acquisitions**

In 2022, the CPUC began a rulemaking to reform the framework for Class-A Utilities purchasing other water companies, known as water system acquisitions. Across the state, millions of Californians are being served by small, failing systems, including those owned by water companies that are not regulated by the CPUC. We supported efforts by existing water utilities with strong track records to acquire troubled water systems near their service territories.

A Class-A Water Utility is an investor-owned water utility company, regulated by the CPUC, with 10,000 or more water service connections. Class-A Water Utilities make up 97% of California's investor-owned utility water connections.

The nine Class-A Water Utilities are:

- Liberty Utilities Corp Park Water (Liberty Park),
- Liberty Utilities Corp. Apple Valley Ranchos Water (Liberty Apple Valley),
- California Water Service Company (Cal Water),
- California-American Water Company (Cal Am),
- Golden State Water Company (Golden State),
- San Gabriel Valley Water Company (San Gabriel),
- San Jose Water Company (San Jose),
- Suburban Water Systems (Suburban), and
- Great Oaks Water Company (Great Oaks).

*Source: Surcharge Account Reform for California's Class-A Investor-Owned Water Utilities, Public Advocates Office (May 2023).*

While acquisitions can help to reduce rates and improve service for new and existing customers, we found many of the acquisitions being funded by ratepayers do not provide these benefits. Our analysis found that despite a trend in increasing acquisition prices, less than 1% of all acquisition spending by water utilities had been to acquire distressed systems. We also developed tools to show that 92% of all of California's failing water systems are within 50 miles of an existing Class-A Water Utility's service territory.

At the same time, we also understand that water utility ratepayers have limited capacity to fund the acquisition and improvement of failing systems. Therefore, we have recommended a four-pillar framework<sup>7</sup> to prevent over-priced and unnecessary monopolistic acquisitions to help ensure adequate resources are available and focused where the public interest is best served.

The four pillars are as follows:

**1. Better data is needed to ensure competitive prices for acquisitions.**

The CPUC should consider the results of standard valuation methodologies produced by independent appraisers to ensure that the rates customers will pay to fund acquisitions are reasonable.

**2. Profits from acquisitions must be shared.**

Currently, a utility selling assets can receive unreasonable profits funded by ratepayers. The CPUC's rules for sharing profits when assets are sold should be applied to acquisitions.

**3. Existing ratepayers should not fund diseconomies of scale.**

When the total costs of combined systems increase solely because of the acquisition (without any beneficial improvements being made), ratepayers are funding diseconomies of scale. By preventing existing ratepayers from funding these inefficiencies, utilities will have a greater incentive to ensure that acquisition prices are just and reasonable.

**4. Rate changes should be implemented with acquisitions.**

Typically, a water utility presents “illustrative” rates when it seeks approval of an acquisition. Having performed its due diligence for the acquisition, a utility should be able to develop and be held accountable for an operating budget and authorized rates.



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<sup>7</sup> *Comments of the Public Advocates Office on Order Instituting Rulemaking (Rulemaking 22-04-003)*, Public Advocates Office. <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/R2204003/4994/475508022.pdf>.

## COMMUNICATIONS ISSUES

Our team is comprised of analysts with expertise in broadband, telecommunication services, and digital equity. In 2023, we participated in proceedings at the CPUC related to broadband and communications, developed policy recommendations for the legislature improving broadband access and equity, and developed white papers that provided in-depth analyses of broadband affordability in California and how it affects ratepayers.

California consistently has some of the highest prices in the nation for broadband internet service plans, and the prices of some plans have markedly increased since the start of the COVID-19 pandemic. Californians, especially those who are low-income or disadvantaged, need affordable broadband plans.

### ***Our Communications Team's Work***

#### ***Advocated for Universal Access to Equitable, Affordable, High-Quality Broadband Service***

Californians should have access to affordable broadband service no matter where they live. 2023 marked a record year for expected broadband investment in California. Over \$4 billion is available for investment state-wide across three broadband infrastructure funding programs to deploy and improve access to affordable broadband service. The three broadband infrastructure funding programs include the California Advanced Services Fund Infrastructure Grant Account (CASF Grant Account), the Federal Funding Account (FFA), and the federal Broadband Equity, Access, and Deployment (BEAD). These three programs share the same goal: to achieve affordable, high-quality broadband service in unserved and underserved locations.

**Over \$4 billion is available for investment state-wide across three broadband infrastructure funding programs to deploy and improve access to affordable broadband service.**

Our office was an active participant in the CPUC's Broadband for All Proceeding,<sup>8</sup> which established \$2 billion in grant funding - through the CASF FFA<sup>9</sup> - for last-mile broadband infrastructure projects. These projects connect unserved Californians in accordance with 2021's Senate Bill 156.<sup>10</sup> The CASF program aims to provide broadband to at least 98% of Californians by the end of 2032. To that end, it provides grants to ensure unserved areas have affordable and reliable access to broadband. Access to broadband can only be achieved if customers can afford to pay for monthly service. As such, our office recommended that broadband grant applicants offer an affordable broadband plan to eligible low-income customers.

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<sup>8</sup> *Broadband Infrastructure Deployment Proceeding*, California Public Utilities Commission. <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-infrastructure-deployment>.

<sup>9</sup> *California Advanced Services Fund Fact Sheet*, California Public Utilities Commission. [https://www.cpuc.ca.gov/-/media/cpuc-website/about-cpuc/documents/transparency-and-reporting/fact\\_sheets/cas\\_stat\\_081023.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/about-cpuc/documents/transparency-and-reporting/fact_sheets/cas_stat_081023.pdf).

<sup>10</sup> This bill allocated \$6 billion in funding to provide equitable access to high-speed broadband to unserved and underserved populations in California, including funding to bring serviceable broadband connections directly to homes and businesses.



***Supported a More Inclusive Definition of “Low-Income Customer” to Provide More People Access to Equitable Broadband Options***

We are an active participant in the \$1.8 billion federal BEAD program in California.<sup>11</sup> The BEAD program provides \$42.5 billion to expand high-speed internet access throughout the country and allocates funding to states based on unserved areas. Our recommendations to the CPUC on how to deploy these funds are designed to ensure broadband deployment benefits reach low-income Californians.

***Proposed the Prioritization of Broadband Investment in Unserved and Underserved Areas to Ensure Broadband Internet Access Is Equitable and Affordable***

In 2023, our office recommended that the CPUC prioritize broadband investment in unserved and historically disadvantaged communities that lack broadband altogether, and in communities that only have access to very slow broadband. Specifically, we worked to ensure that these programs require grantees to offer a high-speed, low-cost broadband plan for low-income customers.

**In 2023, our office recommended that the CPUC prioritize broadband investment in unserved and historically disadvantaged communities that lack broadband altogether, and in communities that only have access to very slow broadband.**

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<sup>11</sup> California Broadband Equity, Access, and Deployment (BEAD) Program, California Public Utilities Commission. <https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-implementation-for-california/bead-program>.

To read more about our work this year on broadband pricing trends in California, please see the white papers below:



**[Broadband Pricing Trends in California](#)**<sup>12</sup>

**[Pricing Trends for California's Small Local Exchange Carriers](#)**<sup>13</sup>

**[Broadband Affordability, Health, and Wellbeing in California](#)**<sup>14</sup>

### ***Promoted Access to Affordable Broadband Internet in Rural Areas***

The California High-Cost Fund A (CHCF-A) program subsidizes 10 of the 13 small rural telephone companies. These small rural telephone companies provide wireline phone service as well as broadband service to about 47,000 customers statewide. These subsidies are funded by communications customers statewide. The small companies participating in the CHCF-A program generally charged higher prices in comparison to AT&T, Comcast, Charter, Cox, and Frontier (the five big telecom companies). Our office collects annual pricing data from broadband providers across the state. Our data shows that the CHCF-A companies had some of the highest broadband prices in California, despite the subsidies from the CHCF-A.

In 2023, we worked with small rural telephone companies to offer eligible low-income customers a \$45 broadband plan. When coupled with assistance from the Federal Communications Commission's (FCC) Affordability Connectivity Plan (ACP), low-income customers could pay \$15 per month for broadband. The CPUC adopted our settlement and reached agreements with Siskiyou Telephone Company and Ponderosa Telephone Company where low-income customers in their respective service territories will now have access to an affordable broadband plan.

### ***Recommended Metrics for Service Quality Standards Establishment of Service Quality Standards for Essential Communications***

California has an estimated 14 million broadband subscribers, 45 million wireless subscribers, and 8 million Voice over Internet Protocol (VoIP) subscribers.<sup>15</sup> Yet, minimum service quality standards and enforcement mechanisms for broadband, wireless, and VoIP are not in place. In 2023, our office worked alongside local governments, tribal organizations, and community representatives to recommend that the CPUC move quickly in establishing service quality standards for these essential communication services. We also worked to define metrics for the adoption of service quality standards.

### ***Continue to Advocate for Digital Equity and Safe, Reliable, and Affordable Broadband in 2024***

In 2024, we will continue to advocate for customers to have access to affordable broadband plans with an emphasis on low-income, unserved, and underserved customers throughout the state. We plan to participate in all proceedings related to advancing digital equity, and safe, reliable broadband services in California.

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<sup>12</sup> *Broadband Pricing Trends in California*, Public Advocates Office. [230510-cal-advocates-broadband-pricing-trends-in-ca.pdf](#).

<sup>13</sup> *Pricing Trends for California's Small Local Exchange Carriers*, Public Advocates Office. [230510-cal-advocates-broadband-pricing-small-lecs-focus-paper.pdf](#).

<sup>14</sup> *Broadband Affordability, Health, and Wellbeing in California*, Public Advocates Office. [230608-public-advocates-broadband-affordability-health-and-wellbeing-in-california.pdf](#).

<sup>15</sup> VOIP allows customers to make calls using the internet.

We will also continue to support an outcome-based standard to determine the presence or absence of digital discrimination (i.e. a standard that identifies and mitigates disparities related to broadband deployment and access). This approach will help to ensure that communities without access to high-quality and affordable broadband service are connected, regardless of the causes of the disparities.

Additionally, we will remain an active party in the Broadband for All Proceeding and will strongly support addressing digital discrimination, expanding access to broadband in rural, inner-city, and low-income areas, and for people with disabilities in California.

We also look forward to continuing our work on the FFA, BEAD, and CASF programs to ensure all three grant programs deploy broadband infrastructure to unserved and underserved areas in California.

**Figure 9. Broadband Deployment Programs**

	<b>California Advanced Services Fund (CASF) Broadband Infrastructure Grant Account</b>	<b>CASF Federal Funding Account (FFA)</b>	<b>Broadband Equity Access and Deployment (BEAD) Program</b>
<b>Total Funding</b>	\$560 million	\$2 billion	\$1.86 billion
<b>Overarching Program Goals</b>	To bridge the digital divide by connecting all unserved and underserved areas of California.		
<b>Key Speed Criteria</b>	Subsidized projects must deploy at least 100/20 Mbps.	Subsidized projects must deploy at least 100/20 Mbps.	Subsidized projects must deploy at least 100/20 Mbps.

Source: Public Advocates Office.

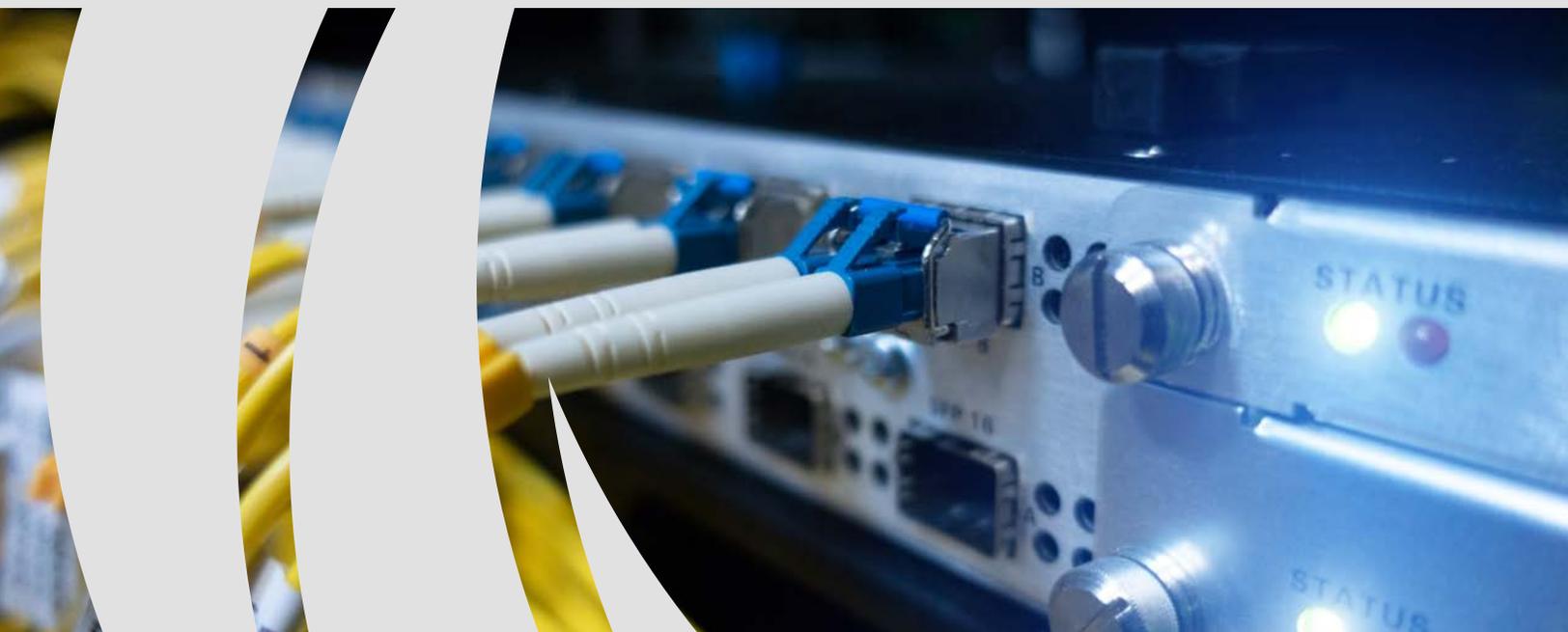




Photo: Public Advocates staff at Blue Lake Rancheria Microgrid.

## **OUR WORK IN SACRAMENTO**

### ***Our Mission***

We advocate before the California State Legislature on behalf of the millions of utility customers throughout the state with our policy efforts at the State Capitol.

### ***What We Do***

We provide technical expertise and recommendations that would benefit utility customers to the Governor's Office, Legislature, Department of Finance, Legislative Analyst's Office, and others.

## ***How We Can Help***

- Provide educational briefings on utility ratemaking, rate design, and other core concepts
- Share updates on trending CPUC and Public Advocates Office activities
- Analyze the potential impact of legislative proposals and concepts
- Present testimony before committees or participate in staff briefings
- Participate in district town hall meetings or other constituent gatherings



Photo: Public Advocates Office staff at Redwood Coast Airport Microgrid.



## 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 information.<sup>16</sup>

Staffing Levels Over 5 Years	Budget	Workload
<p>The number of personnel years utilized by the Public Advocates Office with a comparison of its staffing levels for a five-year period.</p>	<p>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.</p>	<p>Standards and measures for the Public Advocates Office.</p>

<sup>16</sup> 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 179 authorized positions.<sup>17</sup>

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

Fiscal Year	The Public Advocates Office Authorized Staff
2020-2021	178
2021-2022	178
2022-2023	178
2023-2024	179
2024-2025	179



<sup>17</sup> 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.<sup>18</sup> 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 <sup>19</sup>	Dollars Expended
2022-2023	\$52,277,000 <sup>20</sup>	\$47,607,537
2023-2024	\$52,233,000 <sup>21</sup>	*
2024-2025	**	***

## Proceeding Work

In 2023, the Public Advocates Office participated in 235 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 2023 in comparison to 2021 and 2022, 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.

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\* Year-end expenditures will not be available until August 2024 for the fiscal year ending June 2024.

\*\* Pending Governor's proposed 2024/2025 budget.

\*\*\* Year-end expenditures will not be available until August 2025 for the fiscal year ending June 2025.

<sup>18</sup> 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.

<sup>19</sup> 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 FY2024/2025, 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.

<sup>20</sup> Reflects Governor's 2022/2023 budget prior to fiscal adjustments.

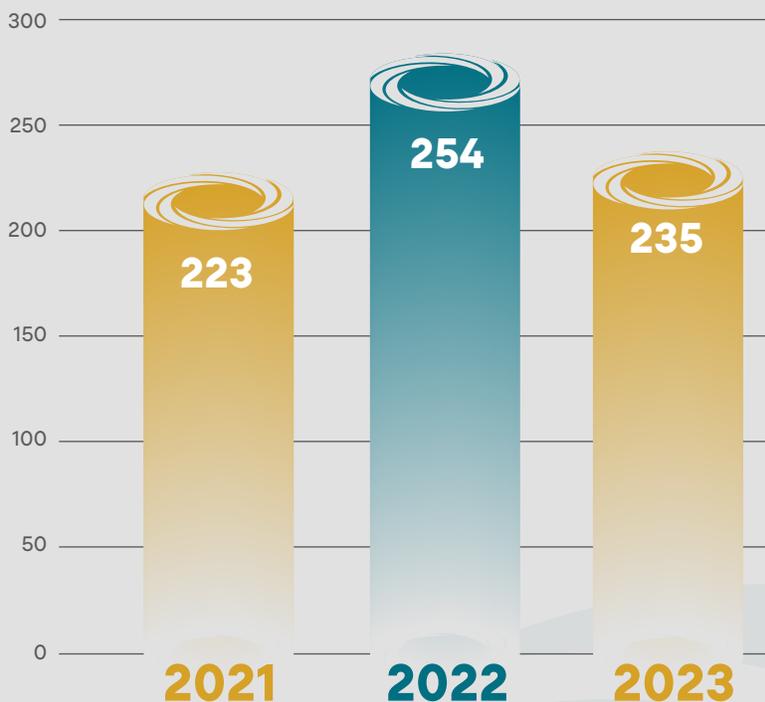
<sup>21</sup> Reflects Governor's 2023/2024 budget prior to fiscal adjustments.

In addition, the Public Advocates Office filed many protests and responses to utility advice letters in which the utilities often seek CPUC authority via a more informal process.<sup>22</sup> Beyond our participation in the CPUC's formal proceedings and informal processes, the Public Advocates Office often coordinates with the California Energy Commission (CEC), the California Independent System Operator (CAISO), and the California Air Resources Board (CARB), where policymaking will impact ratepayers. The Public Advocates Office also provides consumer representation in other forums, 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.

### Total Number of Proceedings

# 235

## TOTAL NUMBER OF PROCEEDINGS IN 2023

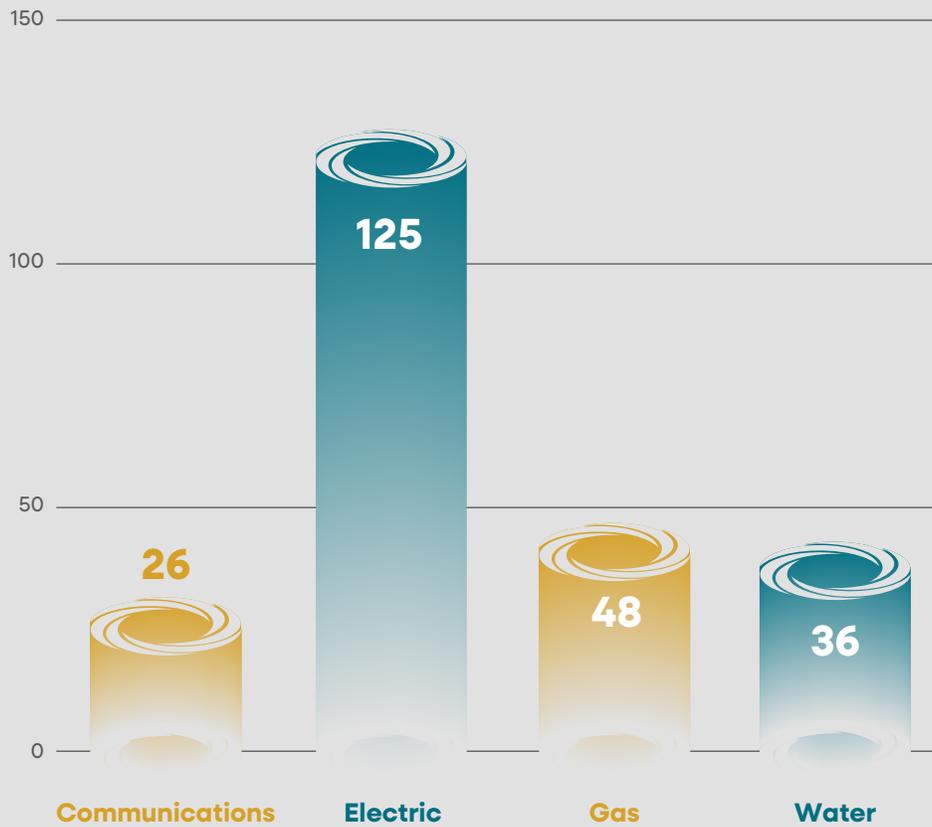


<sup>22</sup> An advice letter is a filing by a utility seeking authority to spend ratepayer money or set/change policies which may have a significant impact on consumers. Utility requests via advice letters are typically authorized by CPUC decision adopted in a formal proceeding, which sets certain parameters for determining whether the advice letter request is valid and should be granted.

Proceeding Participation by Industry

TOTAL NUMBER OF PROCEEDINGS BY INDUSTRY

235



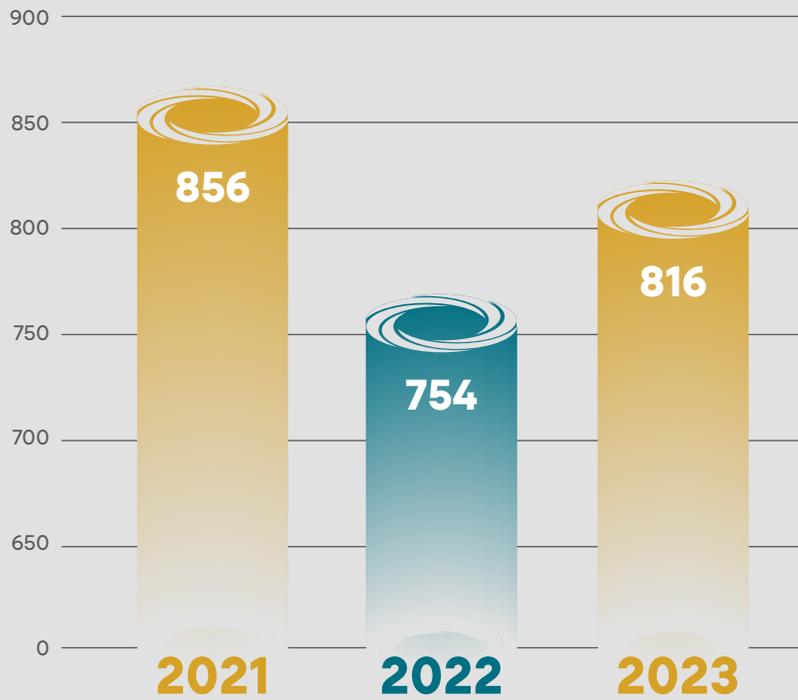
## ***Pleading Participation***

In 2023, the Public Advocates Office filed 816 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.

### **Total Number of Pleadings**

#### **TOTAL NUMBER OF PLEADINGS IN 2023**

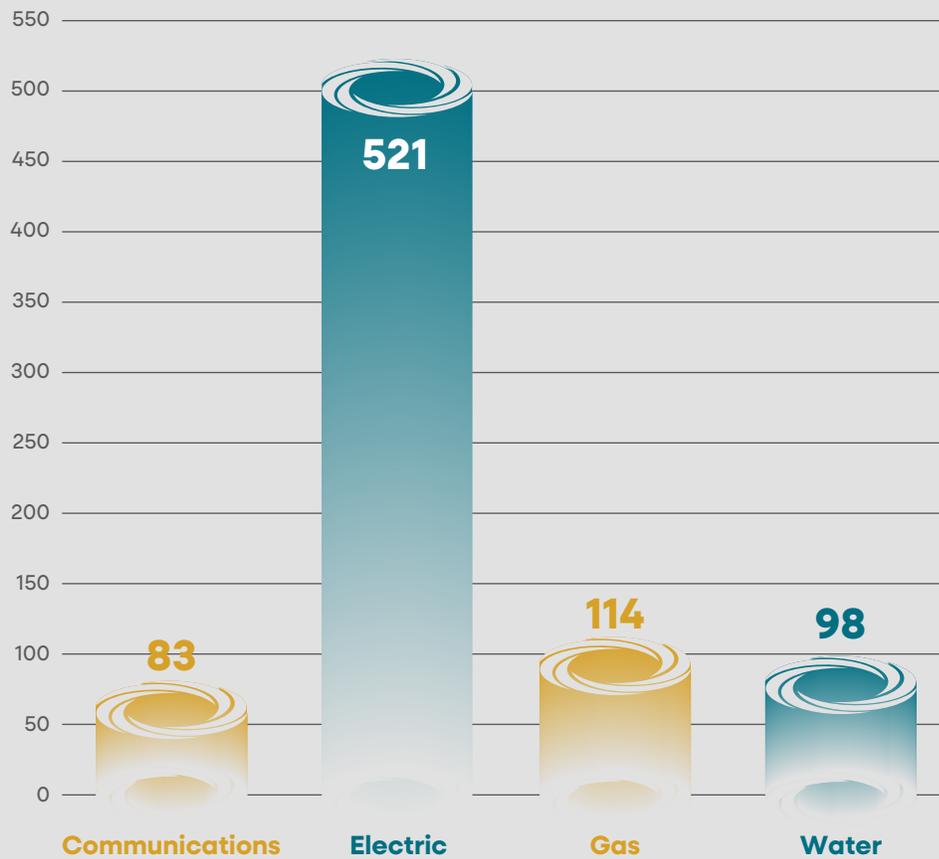
# 816



## Pleadings Participation by Industry

### TOTAL NUMBER OF PLEADINGS BY INDUSTRY

816





## ***Outreach and Education***

The Public Advocates Office strives to improve the quality of its work and increase the effectiveness of our advocacy efforts.

The state's processes are very complex, and consumers often lack the time or resources to navigate these processes on their own. As the ratepayer advocate, we take active steps to inform consumers in plain language about how proposed changes to utility rates, practices, and policies impact them, and help ensure their voices are heard. This includes playing an active role in the media, public workshops, and conferences.

We also directly 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.

It is also equally important that the Public Advocates Office interact with and learn from customers regarding their specific needs and challenges. Consumer stories, perspectives, and problems are crucial for helping us craft and advocate for effective, long-term solutions.

In 2023, we ramped up our efforts to engage with the public, media outlets, and relevant stakeholders. We also focused on increasing the transparency of our office's important work in representing and advocating for ratepayers. We launched a new website,<sup>23</sup> produced quarterly rates reports<sup>24</sup> tracking electric utility prices over time which were featured in many newspapers, radio interviews, and local television broadcasts, and created a blog<sup>25</sup> highlighting our analyses, policy recommendations, and work on proceedings. We look forward to continuing and improving upon these efforts in 2024.



<sup>23</sup> California Public Advocates Office Website, Public Advocates Office. <https://www.publicadvocates.cpuc.ca.gov/>.

<sup>24</sup> Q3 2023 Electric Rates Report, Public Advocates Office. <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/231026-caladvocates-q3-2023-quarterly-rate-report.pdf>.

<sup>25</sup> Public Advocates Office Commentary (Blog), Public Advocates Office. <https://www.publicadvocates.cpuc.ca.gov/press-room/commentary>.



**In 2023, we ramped up our efforts to engage with the public, media outlets, and relevant stakeholders. We also focused on increasing the transparency of our office's important work in representing and advocating for ratepayers.**



*The Public*  
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