



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of Southern California Edison Company (U338E) for Authority to Increase its Authorized Revenues for Electric Service in 2018, among other things, and to Reflect that increase in Rates.

Application 16-09-001
(Filed September 1, 2016)

**PREHEARING CONFERENCE STATEMENT OF
THE NATIONAL DIVERSITY COALITION**

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**NATIONAL
DIVERSITY
COALITION**

October 18, 2016

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I. INTRODUCTION

Pursuant to Rule 7.2(a) of the Commission’s Rules of Practice and Procedure and the *Administrative Law Judge’s Ruling Setting Prehearing Conference* (“PHC Ruling”) dated October 4, 2016, the National Diversity Coalition¹ (“NDC”) submits this joint prehearing conference statement in preparation for the prehearing conference (PHC) scheduled for October 25, 2016. In the PHC Ruling, the ALJ directed the parties to address in their statements the following:

- Procedural schedule;
- Scope of issues to be included in (or excluded from) the proceeding;
- Need for evidentiary hearings;
- Appropriate category for this proceeding;
- Discovery issues; and
- List and description of other matters the parties wish to address at the PHC.²

¹ National Diversity Coalition members include the National Asian American Coalition (NAAC), African American Economic Justice Organization, Asian Journal, Chinese American Institute for Empowerment, Christ Our Redeemer AME Church, COR Community Development Corporation, Ecumenical Center for Black Church Studies, Jesse Miranda Center for Hispanic Leadership, Latino Coalition for Community Leadership, Los Angeles Latino Chamber of Commerce, Macedonia Community Development Corporation, National Hispanic Christian Leadership Conference, OASIS Center International, Orange County Interdenominational Alliance, and Templo Calvario CDC. Please note, in prior proceedings before this Commission, NDC members have appeared under the name “Joint Minority Parties”.

² PHC Ruling at 1.

In our October 3, 2016 protest to the General Rate Case (“GRC”) application of Southern California Edison (SCE)³, NDC raised a number of concerns, including the excessive and increasing size of revenue requirement requests, diversity in procurement and employment, minority marketing, education, and outreach, and safety as it relates directly to executive compensation and infrastructure maintenance policies. In this prehearing conference statement, NDC expounds upon these and other issues which should be included within the scope of issues to be examined in the course of this proceeding.

II. PROCEDURAL SCHEDULE

NDC defers to the judgment of the Commission to set an appropriate schedule.

III. SCOPE OF ISSUES

A. A Reasonableness Determination for Requested Rate Increases Must Consider Customers’ Ability to Pay.

In SCE GRC proceedings since 2009, the Commission has approved substantial increases in base revenue requirements, including a 17% and 28% increase over prior approved amounts.⁴ For test year 2018, SCE is requesting another 13.6% increase over 2015, and further increases for 2019 and 2020 that will total up to a 34.9% increase in base revenue requirement over 2015.⁵ Ratepayers cannot keep up with this level of escalation in their utility bills, which far exceeds the changes in wages or reduction in unemployment rates for the many low-income communities in SCE’s service territory.

³ A.16-09-001, *Application of Southern California Edison Company (U338E) for Authority to Increase its Authorized Revenues for Electric Service in 2018, among other things, and to Reflect that increase in Rates*, (9/1/2016) (“Application”).

⁴ A.16-09-0010, *Protest of the National Diversity Coalition*, (10/3/2016) (“NDC Protest”) at 2-3.

⁵ *Id.*

The Commission has the responsibility to determine the reasonableness of SCE's requested increases by evaluating not only the necessity and cost-effectiveness of the proposed expenditures, but also whether the impact of the rate increase on customers is reasonable, considering the ability of ratepayers to afford the higher bills. Comparing the average change in wages, unemployment rates, and costs of other consumer goods in SCE's service territory relative to increases in utility bills will provide a useful guideline to gauge the reasonableness of the utility's request. Protecting the public from the utility's power to charge unreasonable and monopolistic rates is a primary function of the Commission, in addition to regulating how the utility spends the money it collects through rates.

B. Utility Spending Must Be Regulated for the Benefit of the Public Interest

The goal of Commission regulation over utility expenditures is more than simply preventing harm to the public. Rather, Commission regulations are designed to serve the public good, ensuring that the utilities provide safe, reliable energy, and that the funds they collect from the public are also used in such a way that they strengthen the local economy. The Commission's historic and continuing focus on diversity at the utilities improves service quality, by bringing a variety of cultural perspectives and creative solutions to challenges, and allowing the utility to better understand and connect with the communities they serve. Whether SCE has set appropriate supplier and employment diversity goals is an important consideration before the Commission in this proceeding.

C. The Independent External Audit Must Be Properly Regulated

The utilities hire accounting firms to conduct external audits of their accounting records, which can cost tens of millions of dollars. This is a significant expense, funded by ratepayers, that is intended to provide an essential check on the efficient operation of utility systems and

services. However, this function is only served when the external audit process is regulated with reasonable Commission oversight, and conducted by a firm that will adhere to independent accounting standards and hold the utility accountable. Awarding the same auditing company year after year the same lucrative auditing contract creates the appearance of an improper relationship that may undercut the independence of the auditor from the utility. The issue of proper regulations for the independent external audit should be included within the scope of this GRC proceeding.

D. Adequate Funding For Minority Marketing, Education, and Outreach

An overwhelming amount of information is constantly needed to educate ratepayers on the new and changing safety programs, time-of-use policies, and distributed energy resource options, as well as energy savings and rate subsidy programs available through the utility. Effective and efficient marketing, education, and outreach (ME&O) is needed before ratepayers will engage in these opportunities, especially among non-English speaking minority communities that are predominantly low-income, and as such are the intended beneficiaries of many such programs. The Commission must consider whether ME&O programs are properly designed and adequately funded to target the majority of SCE ratepayers who are from minority groups.

E. Safety and Compensation Reform

NDC is concerned by recent events in the Long Beach area of SCE service territory that revealed improper maintenance of the gas and electrical systems.⁶ The extended power outages and underground fires and explosions caused serious safety hazards, and indicate that dangerous conditions are likely present throughout the area. The “poor management of network operations”

⁶ NDC Protest at 5-8.

and failure of SCE to act upon specific related concerns expressed by employees created this dangerous situation. Now, SCE needs to conduct imperative maintenance and upgrades, but has demonstrated an inability to do so properly. As the Safety and Enforcement Division report into the incident concludes, proper inspection, maintenance, and operation protocols could have completely avoided the outage and related events.⁷ The responsibility to set those protocols and respond to the concerns raised by field level employees falls squarely on executive officers.

NDC is concerned that the compensation and incentive structures at SCE are not properly designed to motivate and reward appropriate safety decisions, and conversely dissuade and punish unreasonable risk taking and cost saving focused on improving the company's bottom line. The compensation and incentive structure at SCE must be evaluated by the Commission to determine if it is reasonable and related to promoting the safe and efficient operation of utility systems.

F. Customer Service

SCE has stated that they plan to request approval to close their local customer service offices by advice letter filed later on in 2016, yet their GRC forecast currently includes costs to continue operation of the offices. SCE has offered to update its testimony with forecast reductions after the Commission decides on their request.

The issue of whether SCE should close their customer service offices is important to the low-income minority communities which NDC represents. Many ratepayers who are less proficient in English feel more comfortable handling transactions and getting information in person, and could be adversely affected by office closures, unless adequate alternative customer support options are provided in their place. NDC believes that it is more appropriate for the

⁷ NDC Protest at 7-8.

Commission to address these ratepayer concerns through the formal GRC proceeding process, rather than an informal advice letter filing. Including this issue in the scope would be appropriate because the funding request in this GRC currently includes costs to operate the offices which must be found reasonable, and the advice letter requesting authorization to close them and updated testimony with forecast reductions has yet to be filed.

IV. NEED FOR HEARINGS

A. Evidentiary Hearings

The NDC believes that evidentiary hearings will be necessary in this matter.

B. Public Participation Hearings

Extensive PPHs should be scheduled in this proceeding, to give ratepayers information about, as well as a chance to be heard on, the proposed \$2.5 billion rate increase proposed by SCE. The Commission, SCE, and Intervenors should work together to increase PPH attendance, by:

- Cooperatively suggesting/selecting PPH sites.
- Using community based organizations to develop and distribute notices.
- As provided in AB 825⁸, the Commission should adopt rules to make public comments a part of the evidentiary record, and have the assigned Commissioner attend and convene each PPH.

V. CATEGORIZATION

NDC has no objection to categorizing this proceeding as ratesetting.

VI. DISCOVERY ISSUES

NDC does not have any concerns related to discovery to raise at this time.

⁸ AB 825 was passed in September 2015, and in part modifies California Public Utilities Code section 1701(c) as follows: “The commission shall adopt rules providing for comments from the public, including comments made at noticed public participation hearings of the commission, to be included in the evidentiary record of its proceedings. The assigned commissioner, or a quorum of the commission, shall convene and attend each public participation proceeding...”

VII. LIST AND DESCRIPTION OF OTHER MATTERS THE PARTIES WISH TO ADDRESS AT THE PHC

NDC does not have any other matters to raise at this time.

October 23, 2015

Respectfully Submitted,

/s/
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COALITION and
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