

RESOLUTION NUMBER R- **315214**DATE OF FINAL PASSAGE **NOV 14 2023**

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO CALLING ON THE CALIFORNIA PUBLIC UTILITIES COMMISSION AND ITS PUBLIC ADVOCATES OFFICE TO IMPLEMENT THE CALIFORNIA STATE AUDITOR'S RECOMMENDATIONS FOR IMPROVEMENTS TO OVERSIGHT OF ELECTRIC AND GAS RATES IN ORDER TO PROTECT SDG&E CUSTOMERS IN THE CITY OF SAN DIEGO FROM EXCESSIVE UTILITY RATES.

WHEREAS, Public utilities that provide electricity and natural gas to customers in California have historically operated as monopolies, and to protect customers against abuse of this monopoly power, state government agencies regulate the public utilities; and

WHEREAS, Article XII section 1 of the California Constitution establishes the California Public Utilities Commission (CPUC), and Article XII section 4 empowers and entrusts the CPUC to regulate the rates that public utilities such as San Diego Gas and Electric Company (SDG&E) may charge their customers; and

WHEREAS, Article XII section 1 of the California Constitution provides that the CPUC has five commissioners who are appointed by the Governor and approved by the Senate to serve six-year terms; and

WHEREAS, Public Utilities Code section 451 mandates that the charges by electrical and gas corporations shall be just and reasonable; and

WHEREAS, California Public Utilities Code section 309.5 establishes the Public Advocates Office (Cal Advocates) as an independent entity within the CPUC that is responsible for advocating on behalf of customers for the lowest possible rates consistent with reliable and safe service levels; and

WHEREAS, the Auditor of the State of California recently completed an audit of the CPUC's and Cal Advocates' oversight and setting of electric and gas rates, Report No. 2022-115, *Electricity and Natural Gas Rates: The California Public Utilities Commission and Cal Advocates Can Better Ensure That Rate Increases Are Necessary*, " August 2023 (State Audit); and

WHEREAS, the State Audit focused on recent electricity and natural gas rate increases for the State's four large utilities: Pacific Gas & Electric, San Diego Gas & Electric (SDG&E), Southern California Edison, and Southern California Gas Company, and reviewed the business rates of return for those companies; and

WHEREAS, the State Audit confirmed that Californians pay among the highest utility rates in the country, and found that the average electricity rate for each of the three largest utilities in California increased by 75 percent from January 2016 through January 2023; and

WHEREAS, public concern has been raised about SDG&E's high electricity and gas rates; and

WHEREAS, the State Audit determined that SDG&E has the highest electricity rates among California public utilities, and that as of March 2023 more than 25 percent of SDG&E customers were more than 30 days behind on paying their utility bills; and

WHEREAS, the State Audit found that SDG&E's electricity rates have increased during the last seven years and nearly doubled between January 2016 and January 2023, rising from 20 cents per kilowatt hour to 38 cents per kilowatt hour in that period; and

WHEREAS, the State Audit found that SDG&E realized more than the CPUC-authorized rate of return for nine out of the last 10 years, typically exceeding the authorized rate of return by as much as 1.5 percentage points; and

WHEREAS, the State Audit cited SDG&E's 2021 rate of return as being 0.53 percent above CPUC authorized rate of return, and that depending on how SDG&E was able to gain efficiencies during that period, this difference could represent about \$29 million more in profit than the CPUC authorized; and

WHEREAS, the State Audit observed that although a utility may reasonably earn more than the authorized rate of return, SDG&E's nearly consistent realization of a rate of return above the authorized rate suggests that it may have overstated its forecasted costs during the general rate case proceedings before the CPUC; and

WHEREAS, the State Audit recommends that the CPUC and Cal Advocates should strengthen their regulatory oversight of utility revenue requirements to protect California consumers, and emphasizes that the CPUC should heighten its review of how much the utility earned compared to the authorized rate of return, and identify where the utility was able to gain efficiencies to ensure that the utility's projected costs were appropriate; and

WHEREAS, the State Audit recommended that when the actual rate of return significantly exceeds the authorized rate of return, the CPUC should require utilities to identify the major costs categories where projected costs exceeded actual costs and provide supporting documents; and

WHEREAS, the State Audit recommends that the CPUC and Cal Advocates should adopt processes to improve retrospective review to verify that the utility has completed the work funded in rates, such as by performing site visits or by obtaining photographic evidence on a sample basis; and

WHEREAS, the State Audit found that the CPUC also lacks an effective process for ensuring that utility customers are fully informed of the reasons for rate increases and that its oversight can be improved through better communication with customers; and

WHEREAS, the State Audit recommended that Cal Advocates should develop written policies and procedures that provide its staff with direction on the steps staff must take when reviewing and filing protests on general rate case applications and when analyzing utility advice letters; and

WHEREAS, the State Audit recommends that the CPUC should provide the public with a summary of factors affecting energy rate increases including the existing rate, the new rate, and the expected impact on an average customer's bill, and should explain the Commission-approved cost components underlying the increases, and should post those summaries on its website in a timely manner; and

WHEREAS, this Resolution is consistent with the City's goals and policies for assuring that just and reasonable rates for electricity and gas service are charged by SDG&E under and the company's municipal franchise in compliance with Public Utilities Code section 451, and is consistent with the 2023 State and Federal Legislative Platform; and


WHEREAS, the Office of the City Attorney has drafted this resolution based on the information provided by City staff [including information provided by affected third parties and verified by City staff], with the understanding that this information is complete, true, and accurate; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the City calls on California Public Utilities Commission and its Public Advocates Office to implement the

California State Auditor's recommendations for improvements to their oversight of gas and electric rates of public utilities in order to better protect customers from excessive utility rates.

BE IT FURTHER RESOLVED, that the City Clerk shall send a copy of the approved resolution as a public comment from the City of San Diego to the Executive Director of the California Public Utilities Commission.

APPROVED: MARA W. ELLIOTT, City Attorney

By 
Frederick M. Ortlieb
Senior Deputy City Attorney

FMO:cw
10/31/2023
Or.Dept: Council District 5
CC No.: N/A
Doc. No.: 3461364

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of NOV 07 2023

DIANA J.S. FUENTES
City Clerk

By 
Deputy City Clerk

Approved: 11/13/23
(date)


TODD GLORIA, Mayor

Vetoed: _____
(date)

TODD GLORIA, Mayor

Passed by the Council of The City of San Diego on NOV 07 2023, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Joe LaCava	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jennifer Campbell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stephen Whitburn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monica Montgomery Steppe	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marni von Wilpert	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kent Lee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Raul A. Campillo	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vivian Moreno	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sean Elo-Rivera	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage NOV 14 2023

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

TODD GLORIA
Mayor of The City of San Diego, California.

(Seal)

DIANA J.S. FUENTES
City Clerk of The City of San Diego, California.

By Kristell Medina, Deputy

Office of the City Clerk, San Diego, California

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