AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 2, 2018

9:30 A.M. - STATE CAPITOL, ROOM 447

VOTE-ONLY CALENDAR

ITEMS TO BE HEARD

VOTE-ONLY

8570 DEPARTMENT OF FOOD AND AGRICULTURE

VOTE-ONLY ISSUE 1: BEE SAFE PROGRAM

The Governor's budget requests $1.853 million from the General Fund to develop a Bee Safe program. Specifically, this proposal includes:

- $1.5 million for CDFA to contract with counties to enforce existing laws on hive registration and other laws intended to prevent apiary thefts.
- $353,000 for CDFA to provide outreach and education to counties and stakeholders regarding best management practices, as well as pesticides and the safe movement of colonies.

This item was heard in the Subcommittee on April 18, 2018. Honeybees provide significant benefit to many agricultural industries in California. The widespread die-off of bees in the recent years have generated concerns over its impacts on the security of our food supply. The proposed Bee Safe program would help address a number of threats to California's bee population. However, the Subcommittee might want to consider whether the cost to operate this program should be shared with regulated beekeepers.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: DEVELOPMENT OF PESTICIDE ALTERNATIVES

The Governor's budget requests $529,000 ongoing from the General Fund and one position for CDFA's Office of Pesticide Consultation and Analysis to support research and testing of alternatives for pesticides that are being considered for deregistration in California. This includes biocontrol efforts.

This item was heard in the Subcommittee on April 18, 2018. These funds would enable CDFA to leverage federal funds to develop pesticide alternatives.

Staff Recommendation: Approve as Budgeted.

3340 CALIFORNIA CONSERVATION CORPS

VOTE-ONLY ISSUE 3: AUBURN CAMPUS: KITCHEN, MULTIPURPOSE ROOM, AND DORM REPLACEMENT (SFL)

A Spring Finance Letter requests an additional $4,746,000 General Fund for the working drawings ($256,000) and construction ($4,490,000) phases of this project, to construct a new kitchen, multipurpose building and dormitory to at the Auburn-Placer Residential Center located in Placer County.

For construction, CCC requests a reversion of the existing appropriation of $19,666,000 and a new appropriation of $24,156,000. This project experienced unanticipated project delays associated with acquiring a utility easement. Additional time is needed to review design documents. Additional factors contributing to the added cost include State Fire Marshal constraints on firewater tank installations, a more challenging site than originally anticipated, and market conditions that are driving up construction costs. The Budget Act of 2015 approved $2,655,000 for the preliminary plans and working drawings phases. The Budget Act of 2016 approved $19,666,000 for the construction phase.

Staff Recommendation: Adopt Spring Finance Letter.

VOTE-ONLY ISSUE 4: CORPSMEMBER COUNSELING, CASE MANAGEMENT AND TRANSITION TO COLLEGE, CAREER OR TRAINING

The Governor's budget requests $1,091,000 one-time ($600,000 General Fund, $491,000 Collins Dugan Reimbursement Account) and $1,800,000 ongoing ($970,000 General Fund, $794,000 Collin Dugan Reimbursement Account) and 14 positions to strengthen career pathway services and mental health and substance abuse counseling through partnerships.

This item was heard in the Subcommittee on April 4, 2018. The CCC provides corpsmembers with work experience and education to enhance their professional horizons and personal growth. In addition to career pathway services and mental health and substance abuse counseling to corpsmembers', training could provide an enriching experience and a more well-rounded approach to the CCC's mission. However, staff agrees with the LAO's recommendation to provide limited term funding and staff for the transition services, and require the CCC to report on the efficacy of this service before committing to funding on a permanent basis.

Staff Recommendation: Approve transition services staff on a three-year limited term basis, adopt placeholder trailer bill language to require the CCC to provide the Legislature with an annual report on corpsmember outcomes by 2020, and approve the requested resources for mental health and substance abuse consulting services as proposed.

3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 5: SETTLEMENT COSTS FOR THE SANTA MONICA BAY RESTORATION COMMISSION

A Spring Finance Letter requests that Item 3940-001-0001 be increased by $15,000 to cover the costs of a recent settlement, in a case involving the Santa Monica Bay Restoration Commission. This proposal also requests provisional language to require the Commission to update its Memoranda of Agreement with The Bay Foundation to better define roles and responsibilities of the two parties, in order to reduce the state's exposure to future liability.

Staff Recommendation: Adopt Spring Finance Letter.

3790 DEPARTMENT OF PARKS AND RECREATION

VOTE-ONLY ISSUE 6: Increase in Reimbursement Authority- Harbors and Watercraft Revolving Fund

The Governor's budget requests $400,000 one-time in reimbursement authority from the Harbors and Watercraft Revolving Fund to cover a contract with the Department of Water Resources for Enhanced Control of Aquatic Weeds for the Delta Smelt Resiliency Strategy.

Staff Recommendation: Approve as Budgeted.

3360 CALIFORNIA ENERGY COMMISSION

VOTE-ONLY ISSUE 7: TITLE 20 APPLIANCE EFFICIENCY STANDARDS-COMPLIANCE ASSISTANCE AND ENFORCEMENT PROGRAM CONTRACT FUNDING

The Governor's budget requests a $100,000 increase in expenditure authority for baseline contract funding from the Appliance Efficiency Enforcement Subaccount to support the Title 20 appliance efficiency enforcement testing contract.

BACKGROUND

SB 454 (Pavley, Chapter 591, Statutes of 2011) authorized the Energy Commission to establish an enforcement program for violations of the Energy Commission's appliance efficiency standards, with penalties up to $2,500 per violation. Testing appliances is a vital component to discovering appliance efficiency standards violations. The requested resources will increase the testing capacity at the contracted test laboratory to support the growing program infrastructure, and allow the laboratory to test a greater variety of appliances. The funds will also be used for additional test laboratory contract services, such as: quarterly internal laboratory audits, consulting services, and general assistance on technical testing related issues. Enforcing these energy efficiency standards is necessary to meet California’s greenhouse gas reduction goals.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 8: BUILDING ENERGY EFFICIENCY COMPLIANCE SOFTWARE UPDATES AND MAINTENANCE FUNDING (SPRING FINANCE LETTER)

A Spring Finance Letter proposes a $1.5 million increase in baseline contract authority from the Cost of Implementation Account for the continual enhancement, maintenance, and support of the Energy Commission's residential and nonresidential Building Energy Efficiency Standards (Standards) compliance software (CBECC).

BACKGROUND

Energy efficiency compliance software enables contractors, builders, architects, engineers, and governmental officials to estimate the energy consumed by residential and nonresidential buildings, and demonstrate compliance with the performance standards. The Energy Commission is responsible for both the development of energy efficiency standards and maintenance of the software to measure compliance with the Standards. As software sophistication and functionality has grown, this has resulted in more resources being directed towards maintenance of the software, and fewer resources to develop standards that keep abreast of current advancements, and actively encourage innovations in building energy efficiency. Both the California Air

Resources Board (ARB) and the Energy Commission have recognized energy efficiency as a critical component of reducing greenhouse gas (GHG) emissions.

The requested $1.5 million in ongoing contract authority will be committed to maintaining the software, so that the existing resources of $2 million can be used for the development of energy efficiency standards.

Staff Recommendation: Adopt Spring Finance Letter

VOTE-ONLY ISSUE 9: IMPLEMENTATION OF ELECTRIC PROGRAM INVESTMENT CHARGE (SPRING FINANCE LETTER)

A Spring Finance Letter requests a baseline increase of $12 million in Electric Program Investment Charge (EPIC) program and administration funds. The Energy Commission also requests the conversion of existing technical support funds to fund four permanent positions to manage the increased program funding.

BACKGROUND

The EPIC program is the state's primary electricity research program to evaluate, demonstrate and deploy new and emerging clean energy technologies so the state can continue to meet its aggressive clean energy goals. These goals to reduce greenhouse gas emissions and increase renewable generation require a transformation of the electricity system. Investments in energy innovations and creativity are critical to implement this transition.

The Energy Commission submitted the Third EPIC Triennial Investment Plan to the CPUC on May 1, 2017. The CPUC adopted the investment plan, including the budget adjustment for the inflation escalation, at its January 11, 2018 business meeting. Table 1 below summarizes the proposed budget authority for funding of the EPIC Third Triennial Investment Plan 2018-2020, and Table 2 on the following page shows the proposed expenditures:

TABLE 1

Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
EPIC Program Funding	$121.668	$121.668	$121.668	$365.004
EPIC Administration Funding	$14.353	$14.353	$14.353	$43.059
EPIC Funding	**$136.021**	**$136.021**	**$136.021**	**$408.063**
Inflation to Increase EPIC Program Funding	$11.532	$11.532	$11.532	$34.596
Inflation to Increase EPIC Administration Funding	$.447	$.447	$.447	$1.341
Net Increase to Existing Funding	**$11.979**	**$11.979**	**$11.979**	**$35.937**
Total EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
Total EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

TABLE 2				
Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
Applied Research & Development	$53.267	$53.267	$53.267	$159.80
Technology Deployment & Demonstration	$57.733	$57.733	$57.733	$173.20
Market Facilitation	$22.20	$22.20	$22.20	$66.60
EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

The proposed four permanent positions will enable the Energy Commission to manage the increased program funding including researching technology opportunities and maturity; preparing competitive solicitations; scoring proposals; providing feedback to unsuccessful applicants to increase their competitiveness in the future; conducting site visits; and actively managing projects to successful conclusion.

Staff Recommendation: Adopt Spring Finance Letter.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

VOTE-ONLY ISSUE 10: BUILDING ADMINISTRATIVE INFRASTRUCTURE CORE

The Governor's budget requests $2.6 million from various funds for 23 permanent full-time positions, training, and travel to strengthen the administrative core of the department.

BACKGROUND

Business Services is an office within Administrative Services that provides essential services that support CPUC staff in seven locations (two in San Francisco, four in Sacramento, and one in Los Angeles). Business Services has multiple responsibilities, such as acquiring contracts and maintenance agreements, leasing, mailroom services, procurement of goods and services, records, forms management, printing and reprographics, space management, state-owned vehicle management, and stock room services. Because of regional expansion and increases in CPUC staff, the demand for services has significantly increased.

Approval of this proposal would add the following staff:

Unit/ Office	**Number of Positions**
Facilities	2
Fleet Management	1
Forms Management	1
Records Retention	1
Reprographics	1
Safety Office	3
Sustainability	1
Contracts and Procurement	3
Safety Advocate	1
Human Resources	9
Total	**23**

In addition, the budget proposes $27,000 annually for training and $37,000 annually for travel.

STAFF COMMENTS

This item was discussed in the Subcommittee on March 21, 2018.

CPUC adds a significant number of staff each year to address additional responsibilities added through the legislative process. In part, because of the continuous expansion of its role, there is a need to expand the "business services" function that supports the

CPUC as a whole. Historically, CPUC's administrative core has not expanded as responsibilities have increased, resulting in "chronic understaffing," according to CPUC.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 11: SAFETY AND ENFORCEMENT DIVISION-FORTIFY GAS SAFETY RELIABILITY, RAIL CROSSINGS AND ENGINEERING, AND RAIL OPERATIONS BRANCHES

The Governor's budget requests $2.2 million from the State Transportation Fund and the Public Utilities Commission Utilities Reimbursement Account for the following:

- 12 new permanent positions.
- Classification upgrade of five existing permanent positions.
- Equipment, training, and travel to facilitate inspections and audits, and to ensure staff safety.

BACKGROUND

The CPUC's Safety and Enforcement Division (SED) staff oversees the safety of gas and electric utilities and rail infrastructure in California by traveling to facilities for inspections, audits, and investigations, as well as responding to emergencies.

The SED is currently located at the CPUC offices in San Francisco (69.5 positions or 34 percent of total staff), Sacramento (47 positions or 23 percent of total staff), Los Angeles (83 positions or 40 percent of total staff), and 7 positions or 3 percent of the total staff are Central Valley and/or homebased. SED oversees the safety of utility and rail infrastructure from the Oregon border to the Mexican border, and from the coast to the inland areas of California.

CPUC asserts that decentralizing and adding staff will:

- Reduce response time,
- Provide for a better understanding of local infrastructure needs, and
- Decrease travel times to increase staff efficiency.

STAFF COMMENTS

This item was discussed in the Subcommittee on March 21, 2018.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 12: ELECTRIC TRANSMISSION RATES ADVOCACY

The Governor's budget requests a permanent increase in funding of $1.5 million from the PUCURA for five positions and $600,000 annually for consulting services to represent California ratepayers at the Federal Energy Regulatory Commission (FERC) rate cases, and in the California Independent System Operator Corporation's (CAISO) transmission planning processes, that have a direct influence on electric transmission rates, and to advise in CPUC proceedings that impact transmission rates.

BACKGROUND

FERC decides the transmission rates that California ratepayers must pay in utility rate cases. In contrast, CPUC decides the generation and distribution costs of utility rates. Electric transmission costs approved in FERC rate cases are passed on to California ratepayers. Active rate cases represent over $3.79 billion in utility-requested revenue requirements, approximately 90 percent of which are paid by retail ratepayers. Given the magnitude and complexity of FERC rate cases, present resources are inadequate to ensure ratepayers are paying reasonable costs associated with utility transmission projects.

STAFF COMMENT

This item was discussed in the Subcommittee on March 21, 2018.

Approval of this request will help CPUC to ensure ratepayers obtain the best value for their transmission rate dollars. The Subcommittee may wish to monitor the outcomes provided by the addition of these resources. To do so, it may wish to adopt placeholder trailer bill language that requires the CPUC to report annually on the following:

- The number of cases in which the CPUC participates.
- The amount of ratepayer monies saved through case litigation by providing the transmission owner’s original requested Transmission Revenue Requirement (TRR) and the FERC-approved TRR.
- The nature of CPUC’s involvement in each case, for example a description of issues litigated such as return on equity, tax issues, depreciation, cost-of-service ratemaking, and assumptions for justifying project needs.

Staff Recommendation: Approve as Budgeted and Adopt Proposed Placeholder Trailer Bill Language.

VOTE-ONLY ISSUE 13: MAINTAIN ENERGY DIVISION COMPLIANCE WITH AUDIT AND STATUTORY REQUIREMENTS FOR BALANCING ACCOUNT REVIEWS (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, $310,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA), to make permanent, two limited-term Public Utilities Regulatory Analyst (PURA) IV positions set to expire June 30, 2018 to continue to perform balancing account reviews.

BACKGROUND

Balancing accounts are accounting mechanisms used by utilities to track specific costs and related revenue collection. A balancing account must be approved by the CPUC. The primary purpose of a balancing account is to ensure that spending on a utility program or project matches what the CPUC authorized. If the utility over-collects for that program or project, the funds are returned to ratepayers. If the utility under-collects, they can recover the additional authorized costs in future rates. Currently, there are more than 240 balancing accounts across all California electric and gas utilities, up from around 210 in 2014.

In 2014, the State Auditor found that the CPUC lacks adequate processes to provide sufficient oversight of utility balancing accounts to protect ratepayers from unfair rate increases. As a result, in 2015-16, funding to hire two PURA IV was approved for a three-year limited-term to conduct in-depth reviews of gas and electric utility balancing accounts. In 2016, the Legislature passed AB 2168 (Williams, Chapter 805, Statutes of 2016), codifying the requirement that the CPUC conduct these reviews. Granting this request will allow approximately 20 balancing account reviews per year to continue.

Staff Recommendation: Adopt Spring Finance Letter.

VOTE-ONLY ISSUE 14: NATURAL GAS CORE TRANSPORT AGENCY CONSUMER PROTECTION (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, $103,000 from the PUCURA for one permanent Public Utilities Regulatory Analyst to implement newly defined and magnified registration and consumer protection duties, set forth in a recently issued Commission decision regarding gas Core Transport Agents (CTAs).

BACKGROUND

CTAs are non-utility, privately-owned, natural gas service providers that operate from both inside and outside the state of California. They purchase natural gas and sell it directly to residential and commercial customers (also known as "core" customers), transporting natural gas over the utility-owned pipeline system. CTAs serve nearly 20 percent of PG&E's core load, 7 percent of SoCalGas's load and 11 percent of SDG&E's load respectively. Currently, 34 CTAs operate in California. CTAs claim to sell natural gas to customers for a lower price than utilities.

SB 656 (Wright, Chapter 604, Statutes of 2013) required the PUC to extend registration, oversight, and consumer protection over CTAs. While the PUC lacks evidence of lower cost natural gas service for California customers, the PUC does, however, have evidence of customer complaints and fraudulent and deceptive business practices by CTAs. There have been incidents of CTAs switching customers' natural gas service provider, from utility service to CTA service, without permission. Further evidence collected by the PUC shows that CTA deceptive business practices often occur in low-income and non-English speaking communities.

CPUC absorbed the workload necessary to implement SB 656. Now, however, it can no longer absorb the work and it is requesting one position to work on CTA regulation, and initiate implementation of the CTA registration, verification, and consumer protections and consumer information duties.

Staff Recommendation: Adopt Spring Finance Letter.

VOTE-ONLY ISSUE 15: MAXIMIZE FEDERAL LITIGATION OUTCOMES (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, $389,000 per year for two years from the Public Utilities Commission Utilities Reimbursement Account for two Public Utilities Counsel III to defend or further in federal court litigation, the CPUC's implementation of federal and state legislation, policies, and rules; safety, consumer protection, and environmental enforcement actions; and ratepayer and state economic interests.

BACKGROUND

Within the past four years, the CPUC has been involved in an unprecedented number of federal court cases, with more cases filed with each succeeding year. Moreover, the current federal administration has declared energy, communications, and tax policies in tension with state policies, and the PUC is challenging or is preparing to challenge those policies in federal courts. Examples of these cases include topics such as net neutrality, the treatment of utility tax expenses, net metering, transportation network carriers, and cost decisions related to the 2007 San Diego wildfires. According to CPUC, current staff levels are inadequate to support this workload, and losing in court will negatively affect California's ability to realize executive and legislative goals.

Staff Recommendation: Adopt Spring Finance Letter.

VOTE-ONLY ISSUE 16: GAS SAFETY, POLICY, RELIABILITY, AND MARKET MONITORING (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, $194,000 from the PUCURA for one permanent Public Utilities Counsel III to support additional workload around natural gas issues.

BACKGROUND

The CPUC regulates natural gas utility service for approximately 10.8 million customers that receive natural gas from Pacific Gas and Electric (PG&E), Southern California Gas (SoCalGas), San Diego Gas & Electric (SDG&E), Southwest Gas, and several smaller natural gas utilities. In recent years, workload has increased, resulting from:

- Natural gas reliability issues that have arisen in the aftermath of the Aliso Canyon Gas Storage methane leak in October 2015.
- Ruptures on intrastate gas transmission lines serving Southern California.
- Natural gas transmission market monitoring necessitated by the Southern California gas shortages and pipeline ruptures.
- State and federal gas transmission and distribution rate cases.
- Costs associated with state and federal gas safety regulation, enforcement, and investments.

The requested positions will work with the existing Public Utilities Counsel on issues to help ensure gas reliability and to monitor the gas supply and transmission markets.

Staff Recommendation: Adopt Spring Finance Letter.

VOTE-ONLY ISSUE 17: ONGOING STRENGTHENING OF THE TRANSPORTATION ENFORCEMENT BRANCH (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, $2.4 million from the PUCTRA for:

- Five new permanent positions ($975,000) to enhance enforcement and leadership of the branch.

- $1.4 million (which was later corrected and reduced to $776,000) that will be spread across 40 existing staff that previously worked on both transportation and household goods movers-related issues. The funding will allow these staff to fully work on transportation carrier-related issues.

BACKGROUND

The Transportation Enforcement Branch (TEB) currently regulates a variety of transportation carriers, including passenger transportation carriers—such as tour buses and ride-sharing companies—and household goods movers. The TEB currently has 54 authorized positions. (This amount does not include several positions in other CPUC divisions—such as legal and fiscal—that also work on transportation related regulatory activities.) Most TEB staff work on regulatory activities related to both passenger transportation and household good movers. These positions are funded with two different sources of funding—passenger transportation regulatory activities are funded by the PUCTRA, and household goods mover activities are funded by the Transportation Rate Fund (TRF).

Under existing law, regulation of household goods movers will be transferred from CPUC to the Department of Consumer Affairs (DCA) on July 1, 2018. Accordingly, the Governor's January budget included a proposal to eliminate all $2.2 million in TRF funding for CPUC, and to reduce TEB by 11 positions (with similar increases in DCA). Under the January proposal, the passenger carrier regulatory responsibilities associated with these 11 positions would be absorbed by the remaining existing CPUC staff, and TEB would retain $602,000 of PUCTRA funding currently associated with these positions.

This request would increase CPUC's licensing and enforcement resources, which is consistent with the recommendations made in an independent report that was completed in 2017 as required by the Legislature.

STAFF COMMENTS

The 2017 independent report mentioned earlier found the CPUC's Transportation Enforcement Branch, "severely understaffed and lacks the resources and CPUC visibility it needs to perform successfully." The report recommended adding positions to bring the enforcement ratios to one enforcement staff per 176 licensed carriers, and one licensing staff to 641 licensed carriers. Approval of this proposal would change the ratios to one enforcement staff per 679 licensed carriers, and one licensing staff per 287 licensed carriers. Approval of this proposal would bring CPUC closer to implementing the recommended staffing levels that the 2017 report identified as necessary for CPUC to fulfill its statutorily required responsibilities regarding transportation carrier oversight.

Staff Recommendation: Approve $975,000 for five positions and $776,000 to fully-fund existing positions.

VOTE-ONLY ISSUE 18: SUPPORTING STATEWIDE PRESENCE (SACRAMENTO)—REVISED (SPRING FINANCE LETTER)

A Spring Finance Letter requests, for the CPUC, a decrease of $52,000 (various funds) in 2018-19 and $124,000 annually thereafter to reflect termination of an office space lease for 770 L Street, Suite 1250, and consolidation of employees from this office with 300 Capitol Mall staff.

BACKGROUND

On March 21, 2018, the Subcommittee approved $1.1 million annually to lease office space in Sacramento County. Subsequent to the release of the Governor's budget, the CPUC opted out of a lease renewal for its office space at 770 L Street, Suite 1250, Sacramento, due to the proposed rent increase amount for this location, and the availability of space at 300 Capitol Mall for staff currently housed at 770 L Street. This proposal reflects the reduction in costs from the termination of this lease.

Staff Recommendation: Adopt Spring Finance Letter

VOTE-ONLY ISSUE 19: MILITARY INSTITUTIONS AND NET-ENERGY METERING (LEGISLATIVE PROPOSAL)

Proposes trailer bill language to allow military installations with eligible distributed generation to utilize the Net-Energy Metering (NEM) 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

BACKGROUND

Customers who install small solar, wind, biogas, and fuel cell generation facilities, to serve all or a portion of onsite electricity needs, are eligible for the state's net metering program. NEM allows customers who generate their own energy ("customer-generators") to serve their energy needs directly onsite, and to receive a financial credit on their electric bills for any surplus energy fed back to their utility. Participation in the NEM does not limit a customer-generator's eligibility for any other rebate, incentive, or credit provided by an electric utility.

The current NEM program was adopted by the Commission on January 28, 2016, and is available to customers of PG&E, SCE and SDG&E. The current NEM program went into effect in SDG&E's territory on June 29, 2016, in PG&E's territory on December 15, 2016, and in SCE's territory on July 1, 2017. The program provides customer-generators full retail rate credits for energy exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs, such as a one-time interconnection fee and non-bypassable charges.

Currently, military installations with on-site eligible distributed generation are excluded from utilizing the NEM 2.0 tariff. The proposed trailer bill language would allow military installations with eligible distributed generation to utilize the NEM 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

STAFF COMMENTS

Staff has no concerns with this proposal and CPUC has raised no concerns.

Staff Recommendation: Adopt Placeholder Trailer Bill Language.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

VOTE-ONLY ISSUE 20: ROAD REPAIR AND ACCOUNTABILITY ACT IMPLEMENTATION

The Governor's budget requests funding for projects and staff in accordance with SB 1. The figure below shows the specific programs that SB 1 funds in 2017-18 and 2018-19.

The budget proposes $994 million for the State Highway Operations and Protection Program (SHOPP) or highway rehabilitation projects in 2018-19. (Staffing adjustments for SHOPP architects and engineers will be proposed later in the budget process). For the maintenance program, the budget proposes $576 million in 2018-19. $53.6 million of this amount is for 400 new positions. 300 of the new positions will perform routine maintenance (such as filling potholes and crack sealing), while the remaining 100 positions are to oversee construction contracts for major maintenance.

BACKGROUND

This item was heard in the Subcommittee on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 21: PERSONAL SERVICES ADJUSTMENT

The Governor's budget requests a permanent increase of $58 million from the State Highway Account to correctly align resources to fund all currently authorized positons.

BACKGROUND

This item was heard in the Subcommittee on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 22: INFORMATION TECHNOLOGY INFRASTRUCTURE REPLACEMENT

The Governor's budget requests a one-time increase of $2 million in State Highway Account (SHA) funds to develop an Information Technology Applications Roadmap. Additionally, the Governor proposes budget bill language authorizing up to $12 million (one-time SHA) to continue replacement of outdated IT infrastructure, contingent upon approval of the Roadmap by the California State Transportation Agency (CalSTA), the California Department of Technology (CDT), and the Department of Finance (DOF).

BACKGROUND

This item was heard in the Subcommittee on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

2740 DEPARTMENT OF MOTOR VEHICLES

VOTE-ONLY ISSUE 23: FRONT END SUSTAINABILITY PROJECT

The Governor's budget requests $15 million from the Motor Vehicle Account (MVA) in 2018-19 to support the implementation of the Front End Applications Sustainability (FES) project. The annual amount requested, over each of the next four years, will fluctuate and total $89 million. The proposal includes funding for three permanent positions beginning in 2018-19, and funding for seven limited-term positions from 2018-19 through 2022-23. The budget also proposes $14.9 million annually beginning in 2023-24 for system maintenance and operation.

In addition, the Governor proposes trailer bill language to authorize the DMV to charge an additional $1 fee, per transaction, to the private industry partners that work with the department to collect registration fees. The revenue from the fee would fund the business partner's portion of the project.

STAFF COMMENTS

This item was heard in the Subcommittee on April 11, 2018.

The proposed trailer bill language requires the DMV to charge a $1 transaction fee to recoup a portion (25 percent) of the estimated one-time project costs that benefit private industry business partners. The DMV estimates the business partners' share of costs would be approximately $19.2 million, and with a $1 fee, this would be recouped in about three years. Currently this language does not have a sunset. According to the DMV, this flexibility permits the DMV to collect the appropriate share of the project's cost from business partners, should the project cost change. The Subcommittee may wish to consider modifying the Administration's proposed language and sunset the $1 fee in five years.

Staff Recommendation: Approved as Budgeted and modify the Administration's proposed trailer bill language to put in place a sunset (12/31/23) of the $1 transaction fee.

ITEMS TO BE HEARD

3720 CALIFORNIA COASTAL COMMISSION

ISSUE 1: INCREASED LEASING COSTS (SFL)

A Spring Finance Letter requests $1,409,000 ongoing in General Fund for increased leasing costs at its combined Headquarters and North Central Coast District office (headquarters) located in San Francisco.

BACKGROUND

California Coastal Commission. The California Coastal Commission was established by voter initiative in 1972 (Proposition 20) and later made permanent by the Legislature, through adoption of the California Coastal Act of 1976. In partnership with coastal cities and counties, the Coastal Commission plans and regulates the use of land and water in the coastal zone. Development activities, which are broadly defined by the Coastal Act to include (among others), construction of buildings, divisions of land, and activities that change the intensity of use of land or public access to coastal waters, generally require a coastal permit from either the Coastal Commission or the local government.

Along with the Bay Conservation and Development Commission, and the California Coastal Conservancy, the Coastal Commission is one of California's three designated coastal management agencies for the purpose of administering the federal Coastal Zone Management Act in California. Under California's federally-approved Coastal Management Program, the California Coastal Commission manages development along the California coast, except for San Francisco Bay, where the San Francisco Bay Conservation and Development Commission oversees development. The third agency, the California Coastal Conservancy, purchases, protects, restores, and enhances coastal resources.

The Coastal Commission's headquarters is in San Francisco. In addition to its headquarters in San Francisco, the Coastal Commission maintains six regional district offices: North Coast, North Central Coast, Central Coast, South Central Coast, South Coast, and San Diego Coast to provide accessibility to, and participation by, the public.

The North Central Coast District Office is located at Headquarters and serves four counties (Sonoma, Marin, San Francisco, and San Mateo), from the north end of Sonoma County at the Gualala River to the San Mateo/Santa Cruz County border near Aho Nuevo State Reserve in the south, approximately 258 miles of coastline. It encompasses three offshore National Marine Sanctuaries.

According to the Coastal Commission, San Francisco is a central location between Northern California and Southern California, making it easily accessible by other District offices, appointed members, public officials, local governments, and the public served by the Coastal Commission. They further assert that the current headquarters is close to the Coastal Commission's sister agencies, the San Francisco Bay Conservation and Development Commission, which is also in San Francisco, and the State Coastal Conservancy in Oakland. Staff works closely with these agencies. The Coastal Commission's human resources office provides personnel services for the SFBCDC.

STAFF COMMENTS

Statute requires the Coastal Commission to have its headquarters in a coastal county. The California Coastal Commission is currently located in San Francisco and the existing lease expires later this year. This lease increase is consistent with the market rental cost in San Francisco.

Staff Recommendation: Approve as Budgeted.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

ISSUE 1: OFFICE OF THE RATEPAYER ADVOCATE PROPOSED NAME CHANGE

The Office of Ratepayer Advocates (ORA) proposes to rename itself the Public Advocate's Office.

BACKGROUND

The ORA has existed in one form or another since mid-last century. It functions as an independent staff within the CPUC, separate and apart from the commissioners' staffs, to advocate on behalf of ratepayers in proceedings before the Commission. More recently, the Legislature has enacted laws: (a) to name the Office in 2013, (b) to make its director an appointment by the Governor and subject to Senate Confirmation, and (c) to require that it have a separate line item in the budget.

The ORA has requested that the Legislature rename it the "Public Advocate's Office" so that its name more accurately conveys its public interest mission. They have indicated that there will be no budget impact related to this name change.

STAFF COMMENTS

It is unclear how the proposed name change is consistent with the underlying objective, as the proposed name also does not seem to describe the focus of ORA's workload. A quick internet search finds that organizations with the name "public advocate" broadly represent individuals and groups facing racial and economic barriers, not just issues related to utility rates. The proposed name change may actually be more confusing. A name such as the Utility Customer Rights Advocate may be more informative. Recommend the proposed change be considered as part of the policy process.

Staff Recommendation: Hold Open.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

ISSUE 1: INDIRECT COST RECOVERY PROGRAM

The Self-Help Counties are seeking an exemption from full cost recovery by Caltrans for work that Caltrans does on their behalf and instead have Caltrans only charge Self-Help counties for direct costs or functional overhead.

BACKGROUND

Caltrans Indirect Cost Recovery Program (ICRP). Caltrans does work on behalf of Self-Help Counties who develop projects on the state highway system, in addition to cities, regional transit and transportation agencies, certain state agencies, and private entities. Caltrans recovers the cost of these services and charges these entities a rate that covers the cost of both administrative and program functional rates.

Several external entities have been exempt from full cost recovery for various reasons. These include the Bay Area Toll Bridge Seismic Retrofit, project initiation documents funded by local agencies (part of a compromise when local agencies were given funding for this work), and work done for the High Speed Rail Authority.

The Self-Help Counties are 24 local county transportation agencies that have passed a countywide sales tax measure to fund transportation projects. These counties are seeking an exemption from full cost recovery for the Caltrans' services they receive, and are requesting to only pay the direct costs. According to Caltrans, an exemption from the administrative portion of the indirect costs would reduce Caltrans' cost recoveries by $15.2 million. This would be a loss of funding for the State Highway Account that funds the State Highway Operation and Protection Program, which provides funding for major rehabilitation of the State Highway System.

STAFF COMMENTS

Partnerships with local transportation agencies are key to the success of maintaining and developing the state highway system. It is important to ensure that the entities that partner with the state are fairly charged for the services Caltrans provides. Staff recommends the Subcommittee adopt Supplemental Reporting Language directing the LAO to examine and make recommendations regarding the ICRP rates charged, the basis for charging these rates, the appropriateness of these rates, and the rationale for exemptions.

Staff Recommendation: Adopt Supplemental Reporting Language.

VARIOUS DEPARTMENTS

ISSUE 1: VARIOUS INVESTMENT REQUESTS

The Subcommittee is in receipt of various proposals for investments in resources, environmental protection, energy and transportation from Members of the Assembly. The proposals reflect individual Member priorities, and each Assemblymember will have an opportunity to present at this time.

Staff Recommendation: Hold all proposals open for consideration with other proposals.