

**Introductory Remarks
CPUC President Michael Picker
January 15, 2015, Voting Meeting**

Good morning, welcome to the first California Public Utilities Commission Voting Meeting of 2015. This is also my first meeting as President, and I'd like to say a few words before we proceed.

The CPUC has a long and important history here in California, regulating the industries responsible for building and maintaining services that are key to our daily lives and prosperity – electricity, natural gas, telecommunications, rail and transportation, and water.

Over the years, we have served the state well by making sure that the utilities who provide those services and build infrastructure use their economic power for our benefit and safety. Recently, working with other state agencies, we've led the nation in clean energy like wind,

solar, biomass, and geothermal and reducing GHG emissions from the electric industry. We have done great things.

But we've also faced real crises in the last few years, from the tragic PG&E gas transmission pipeline rupture in San Bruno that led to the discovery that our safety oversight was severely lacking, to the uncertainty both in the public, and inside the Commission, whether we are fair and even-handed in our actions.

The most obvious examples are a series of emails that show easy access to CPUC decision makers by utilities and other interested parties. They are troubling and very painful to read. But they are being carefully looked at by federal and state investigations, in which we are fully cooperating.

Whatever comes out of those investigations, the emails are signs to California citizens, to our stakeholders, and to ourselves, that we may not be ensuring equal access to our decisions and to our decisionmakers for everyone – our core value of fairness. What I can do as President is to make sure that does not happen again.

We've employed an outside expert, Michael Strumwasser of Strumwasser and Woocher, to review best practices we should adopt that help enforce internal ex parte rules. We have also banned one utility, PG&E, from all ex parte communications.

Taking our efforts toward transparency on these issues a step further, we implemented new reporting procedures for communications between certain CPUC staff and CPUC-regulated entities. Those contacts are now reported weekly online.

In the last six months alone, we received more than 220 requests for records that we have fulfilled, or are in the process of completing. We've retained outside counsel to help us review mountains of documents so that we can comply with these requests. They run the gamut from all emails on a certain issue, to all emails to utilities over the past four years. We retain all CPUC emails in our server archives from as far back as mid 2010.

This week an Administrative Law Judge issued a ruling – in response to a request from the City of San Bruno and Senator Hill – requiring PG&E to disclose approximately 65,000 emails dating back to 2010, between the utility and CPUC staff, that they have said they have in their server files. In addition, we released a series of emails to a San

Diego law firm between former President Peevey's office and Southern California Edison.

We will move the agency forward with openness and transparency. The way I work is that if there is a prohibition on having a conversation with somebody, I don't have it. I give all parties a fair and equal opportunity to help us set policies, and I expect the same of my fellow Commissioners, and I know they agree.

But what keeps me awake at night isn't first and foremost emails; it's the slow erosion of our safety programs over the years. Recently the US Department of Transportation's Pipeline and Hazardous Materials Safety Administration audited our gas pipeline safety functions and called into question our ability to effectively fulfill tasks. I think that the audit is hard on us, but accurate.

We don't have consistent practices for safety enforcement record keeping; we don't have comprehensive training in investigation and case management; and, we don't have a written enforcement policy.

While I don't minimize the importance of breaches in observing ex parte communications, I think that these organizational questions deserve our urgent attention.

I have found that Staff here at the CPUC are capable and take their jobs seriously. In the area of safety, our Rail Safety Unit's Crude Oil Reconnaissance Team, operating primarily in the Bakersfield area, did a stellar job in tracking where volatile Bakken crude imports are likely to go, and doubling their oversight in that part of the rail system. The new risk assessment in rate setting policy we recently adopted allows us to go beyond simple compliance and to identify how utility investments can reduce hazards even beyond current standards.

The recent investigation into PG&E's distribution gas system operations shows that, while we have a ways to go in developing a comprehensive modern safety enforcement program, we have the people to build on that. There are examples like these in every division and every branch. (We'll discuss a new safety plan that staff have been working on for the last 180 days later today, and at our next business meeting).

But innovations in technology, new businesses, and new legislation are allowing consumers more choices that make it ever more difficult for us to manage our regulatory responsibilities with the tools that we have.

Nowhere is this more apparent than in energy, where customer adoption of rooftop solar and electric vehicles is creating a market place where the Commission's jurisdiction is no longer all encompassing. These changing market dynamics coupled with the sheer speed of change requires that we reconsider how we go about our jobs and the tools that we have to do them. We'll need to focus our attention more on how the organization is set up, and how it operates in order to address these trends and to carry out our role in the Governor's greenhouse gas reduction goals.

Re-building the CPUC into an organization that is more fair, open, accessible, and effective must start at the top. I plan to ask my fellow Commissioners today to join me in taking on a more hands-on role in the governance of this Commission.

In this vein, I am proposing that the Commissioners form committees that will regularly meet in public to discuss how this Commission can build capabilities and improve competencies, and develop explicit delegations and accountability so that we can measure improvement and target support.

We'll also develop a Commissioner code of conduct that we'll all sign and that also covers many of the concerns about recent ex parte communications with regulated utilities. We'll talk more about that later in our agenda today under Commissioner Reports, as well as receive our first public briefings from the new internal audit team during Management Reports.

I also want to report that our new Executive Director has started working with the staff on a strategic planning process, the first organization wide effort since 1995...

After serving as a Commissioner last year, and seeing that we have a lot of talented and dedicated people here who are trying hard to do their jobs well, I realized that I couldn't quit without trying harder to match their commitment. So I asked the Governor to appoint me President because I want to make this Commission as good as the people who work here.

I am confident that working together and making real changes in how we do business will result in a stronger CPUC that robustly serves the

interests of the people of California and helps us improve safety in all the industries we regulate.

We have a lot to do, so let's giddy-up and go...