

Statement in Support of Legislative Record  
for  
Assembly Constitutional Amendment No. 11

California Legislature 2015-2016 Regular Session  
Assembly Committee on Utilities and Commerce

20 April 2016

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The voters created the California Public Utility Commission (CPUC) to keep rates just and reasonable. In 2016, the rates are neither; Californians are amongst the least users of electricity but pay amongst the highest rates. A review of 7500 emails and writings shows Wall Street bankers have a stranglehold on CPUC decisions. (See CPUC Public Record Act OIR Workshop Report) Evidence supports the reasonable inference that in early 2011, Wall Street bankers pressured Governor Brown to appoint a Wall Street-loyal investment banker to the CPUC.<sup>1</sup> We know from long experience that government by organized money, as President Franklin Roosevelt said, is just as dangerous as government by organized mob.

Evidence also supports inferences that some CPUC Commissioners leak CPUC's inside information to institutional investors and investment bank researchers, while blocking public access to the information the CUPC used to impose higher rates on utility customers. (See CPUC Public Record Act OIR Workshop Report) What Governor Hiram Johnson said of the conditions in 1911 is true today: instead of the CPUC regulating the utilities, the utilities are regulating the CPUC. *Independent Energy Producers Assn. v. McPherson* (2006) 38 Cal. 4th 1020, 1038-1039.

The International Panel on Climate Change (IPCC) has repeatedly warned the CPUC of the rampant effects of climate change. An international scientific consensus based upon a large body of research conducted by scientists from around the world supports these warnings. Yet, while under the utilities' control, the CPUC has continued its addiction to fossil fuels and nuclear power. For example, available geothermal power was not used to replace the electricity lost when SCE's San Onofre nuclear power plant failed. (See Loss of Songs Filings)

In the case of replacement power, JP Morgan fraudulently elevated electricity prices through its control of 12 Los Angeles-based natural gas plants. While FERC imposed fines, the CPUC failed to investigate the matter, despite the public disclosure that a former SCE procurement employee involved in the scheme was a key person from JP Morgan. (See Complexity and Secrecy Paper) Worse, beginning in the summer of 2012 -- six months after San Onofre went down -- the CPUC allowed SCE to take control of JP Morgan's gas fired plants without holding formal proceedings. (See Complexity and Secrecy Paper)

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<sup>1</sup> See CPUC Public Record Act OIR Workshop Report

As stated, the CPUC decided to use fossil fuel-produced electricity to replace what was lost at San Onofre (See Energy Institute at Haas Report). CPUC officials made these decisions in secret meetings. (See Loss of SONGS Filings) This was equivalent to putting 2,000,000 additional cars on California roads. (See Haas Report)

Despite warnings about leaky and unsafe utility gas lines, the CPUC failed again at regulating safety at Aliso, producing six months of methane gas in the Los Angeles skies and increasing greenhouse gas globally. Still today, the CPUC refuses to issue an Order Instituting Investigation (OII) in the Aliso case. (See Petition Requesting Aliso OII)

San Onofre's closing started a chain reaction requiring replacement power to be located and a plan made to dispose of the 3,600,000,000 pounds of nuclear waste. The CPUC also failed to exercise the authority it had to require SCE to obtain a permit from the Nuclear Regulatory Commission to relocate the 3.6 million pounds of nuclear waste from the populated shores of San Diego to SCE's remote Palo Verde nuclear station. (See Malfeasance Report, Coastal Commission Complaint)

In 2007, San Diego Gas & Electric (SDGE) equipment causes catastrophic fires in San Diego. People died, and many more were injured, including 124 firefighters. Hundreds of homes were destroyed, costing billions of dollars. The CPUC opened -- but did not complete-- an investigation. (See Decision on OII in San Diego Fire Case)

In 2010, a Pacific Gas & Electric (PG&E) 30-inch gas pipe killed 14 people, including Jacqueline Greig and her 13-year-old daughter, Janessa. Ms. Greig was an employee of the CPUC's Office of Ratepayer Advocate. The CPUC Commissioners and staff were caught judge-fixing in the CPUC proceedings PG&E brought to request higher rates. (See San Diego Federal Complaint)

In 2012, San Onofre's new steam generators failed eleven months after they started operating. In March 2013, then CPUC President Peevey and long-time Southern California Edison (SCE) attorney Stephen Pickett plotted in secret at the Bristol Hotel in Warsaw, Poland to make SCE customers pay – not SCE shareholders – pay the majority of costs for the failed generators. Criminal investigators found

handwritten notes of the scheme in Peevey's home desk drawer. The CPUC is still allowing SCE to charge utility customers under the terms of the corrupt bargain. The CPUC was supposed to, but did not, consider reversing its decision to allow SCE to charge its customers under the corrupt bargain in March 2015. (See San Onofre Filings)

In October 2015, SoCalGas' Aliso gas field in Los Angeles sprung a grotesque leak spewing methane gas into the skies over Los Angeles for over six months. Unlike the SDG&E fires in San Diego, the PG&E gas explosion in San Bruno, and the San Onofre equipment failure and radiation leak, the CPUC has refused to even issue an Order Instituting Investigation (OII) in the Aliso leak. (See Petition Requesting Aliso OII)

These are just a few examples showing the CPUC does not hold utility executives accountable for their reckless behavior, even when it causes catastrophes. (See Malfeasance Report)

## **Conclusion**

The CPUC is unable to reform itself to eliminate the corruption fused into its vital organs. The people of California now, and its people in future generations, deserve a Utility Commission that serves the public interest. Your leadership in advancing Assembly Constitutional Amendment 11 will reestablish an essential fundamental value of our democracy: the people's common interests reign supreme over concentrated wealth no matter what configuration it takes.