

DECISION 18-12-015

RULEMAKING 15-03-010

**DISSENT OF PRESIDENT MICHAEL PICKER ON ITEM 28 ON THE COMMISSION VOTING MEETING
AGENDA ON DECEMBER 13, 2018, DECISION APPROVING SAN JOAQUIN VALLEY DISADVANTAGED
COMMUNITIES PILOT PROJECTS**

Decision 18-12-015 approves Pilot Projects in the San Joaquin Valley meant to replace propane and wood burning appliances with either electric or natural gas alternatives. For reasons, which I discuss in more detail below, I respectfully register my dissent from this Decision. One of the major motivations for the work in this proceeding, and the legislation that gave rise to it, is the recognition of injustice and an honorable desire to fight against it. There is a meaningful gap, however, between taking steps to ensure that energy policies do not perpetuate historical inequities and using energy policies to try remedy a wide range of deeply rooted social ills, from discriminatory redlining practices to dilapidated housing to poverty itself. This Decision ushers the Commission into that gap.

In a well-meaning desire to help people, this Decision has extended the Commission beyond its core competencies and its statutory directives and has created an overly complicated program that is likely to disappoint both its sponsors and intended beneficiaries. It raises community expectations for outcomes that the Commission is poorly situated to measure or achieve. It also promulgates a contracting model that runs counter to the spirit of the Commission's ongoing reforms.

This Decision creates a program that is seen not only as a way to facilitate affordable access to much-needed energy services in small, rural San Joaquin Valley communities, but also as a way to create jobs and improve rural economies. The idea that Commission approved and ratepayer-funded programs can and should be used to foster job creation and economic development in rural communities seems to have been supported and encouraged by organizations that have represented themselves in this proceeding as both representatives and trusted advisors of community members. In approving this Decision, the Commission allowed itself to be flattered into taking on challenges outside of its expertise.

A recent New York Times article underscores the difficulty of addressing the challenges facing rural communities throughout the United States.¹ "Nobody – not experts or policymakers or people in these rural communities – seems to know quite how to pick rural America up" writes reporter Eduardo Porter. A Brookings Institution report cited by Mr. Porter suggests that even the most promising solutions for revitalizing rural America are best suited for middle-sized places rather than the smallest towns. The authors of another study on rural poverty quoted in the same article note that the best policy option they could think of, a targeted employment subsidy, was essentially saying "We can't figure this out, and we hope the private sector will." Yet, this is the project that the Commission has now arrogated to itself in the San Joaquin Valley.

In fulfilling the directives of AB 2672 (2014), the Commission appears to have largely ignored the second of the three options the Legislature asked it to analyze: increasing subsidies for electricity for residential

¹ Porter, Eduardo. "The Hard Truths of Trying to 'Save' the Rural Economy." *The New York Times*. December 14, 2018.

customers in disadvantaged communities.² Increasing subsidies by providing direct payments or bill credits would seem to be the most straightforward, rapid, and transparent approach to increase access to affordable energy. Rough calculations suggest that the approved program funding could be used to equalize the cost of propane and natural gas for customers without access to gas for over thirty years. Yet, despite the fact that such an option was suggested early on by at least one party, the Commission failed to seriously evaluate it, or to weigh the far more complicated proposals it eventually adopted against such an approach. There is little record that community members were asked to consider this type of approach, so we don't really know whether they would have preferred it as well.

The fact that we don't have this information from community members may, again, relate to the fact that the Commission appears to have effectively sole-sourced community outreach to organizations with financial interests in developing other types of programs. The Decision doubles down on this error by establishing criteria for selecting program administrators and a program manager that, as noted by the California Public Advocates, makes a truly competitive selection process unlikely. By doing so, the Commission has allowed individual, financially interested organizations to shape program design in such a way that runs counter to the spirit, if not the letter, of the State Auditor's recommendations for reforming the Commission's contracting processes.

Another approach might have looked more like the process used in the California Advanced Services Fund. There the Commission establishes guidelines and then awards grant funding on a competitive basis to entities who have the flexibility to develop different approaches to solve the underlying problem of infrastructure access.

Instead, the Commission has taken responsibility for housing, employment, and even election-like services in the determination of community preferences. At the very least, the Commission, and the beneficiary community members, would have been better served by developing program guidelines in the context of clearly articulated, strong relationships with public agencies that have more natural jurisdictional authority, more relevant institutional expertise, and their own sources of funding.

It is also far from clear that the program includes the appropriate metrics and experimental design that will allow sound inferences to be drawn about the scalability of any aspect of the program. Even more concerning, it is unclear that the Commission or its chosen implementers will be collecting data in a manner and at a pace that would allow for nimble and adaptive administration. In other words, if things don't go as planned, how quickly will the Commission know and be able to shift from the ambitious and complex approach outlined in the Decision to something else? How fast could San Joaquin Valley residents who are currently at the mercy of propane suppliers receive direct economic relief? Building an exit strategy, and a plan for getting timely access to the information needed for determining whether to execute it, would have been more prudent.

The funds that will be used in this attempt to solve non-energy problems well outside the Commission's core areas of expertise will be drawn from ratepayers, rather than taxpayers. The allocation of tax revenues in accordance with societal priorities and needs is one of the fundamental responsibilities of elected officials. The biggest problems facing rural communities in the San Joaquin Valley, and across the United States, are societal problems and demand commensurate solutions.

² Public Utilities Code 783.5(b)(2)(B)

Dated December 20, 2018, at San Francisco, California

/s/ Michael Picker
President,
California Public Utilities Commission