



Elaine M. Howle *State Auditor*

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

California Public Utilities Commission

It Should Reform Its Rules to Increase Transparency and Accountability, and Its Contracting Practices Do Not Align With Requirements or Best Practices

Background

Responsible for regulating privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger companies, the California Public Utilities Commission (CPUC) is subject to state contracting requirements in law and the *State Contracting Manual*. The CPUC enters into its own contracts, may direct the utility companies to enter into contracts, and approves contracts these utilities propose. The Department of General Services sets state contracting policies, maintains the *State Contracting Manual*, and approves contracts over a certain dollar amount.

Key Findings

- The CPUC appeared to be improperly influenced in its public decision making.
 - It directed energy utilities to engage in a \$3.8 million sole-source contract with one entity to administer an outreach program despite objections from those utilities.
 - The former president did not recuse himself and participated in a decision to approve a \$152 million contract despite evidence that reasonably suggested he had been influenced by off-the-record conversations with utilities.
- The CPUC did not fully disclose important communications between commissioners and external parties.
 - The former president engaged in private discussions that were not disclosed in a timely manner and cast doubt on a key CPUC decision.
 - Some of those discussions took place while the former president was on international trips he received as a gift.
- The CPUC's contracting practices do not align with the State's contracting requirements or best practices because of a lax control environment with outdated guidance, an absence of supervisory reviews, and lack of training for key staff.

Key Recommendations

- We recommend that the Legislature require the following:
 - The CPUC to adopt a standard for commissioners to recuse themselves from proceedings when their impartiality is reasonably questioned.
 - Commissioners to publicly and promptly report private communications with any parties to its proceedings.
- We also recommend that the CPUC do the following:
 - Ensure it sufficiently justifies the vendors it directs utilities to contract with.
 - Address the deficiencies in its contracting practices—update its policies, conduct supervisory reviews of contracts, and require regular training for contract staff.

Trips Commissioners Received as Gifts From 2010 Through 2015

