

**Questions on the June 16, 2020 CPUC Draft Enforcement Policy in Advance of  
July 1, 2020 Policy and Governance Committee**

**Submitted by William Sherman via email on 6/28/2020 at 1:13 p.m.**

Thank you for the opportunity for raising several questions on the Draft Enforcement Policy you recently developed. While it appears thorough and appropriate, I have two questions.

Question 1: Is this policy related to Finding #3 of the December 2018 water ratesetting process for investor-owned companies that serve water customers, described in the State Auditor's Report 2018-118? As stated on page 36 of this report, The CPUC has been found to not have conducted audits of water utilities as required, which the CPUC has agreed with. Recommendation #3 on that page states in part that in fulfilling its statutory requirement for auditing, the audit policies and procedures should provide appropriate assurance regarding a utility's services and rates. Effective audit policies and their implementation are a precursor for investigating and enforcing penalties against violations of the laws referred to in your Enforcement Policy.

Question 2: If the answer to question 1 is yes, what is the plan to retroactively apply this Policy against violations that occurred before its effective date? I could find no information regarding retroactive application to alleged violations in a consistent manner. Without an effective audit plan in place only a smattering of non-compliances have been found and investigated in the past. Certain alleged violations communicated to the Commission have not been addressed in a timely manner. One example within the last two years involves non-compliance with a direct CPUC Order resulting from the Decision that approved a GRC Settlement Agreement in 2018. It required the company to provide illustrative rates consistent with a document provided as part of the application. But the illustrative rates provided only included tables of fixed prices and quantity tiers and ignored providing average customer calculated dollar and % increases like the referenced document had shown. As a result, the authorized increase of 4.55% became an actual ongoing increase of 15.3%, which was approved by the Commission. As a result, residential customers have paid between 1/1/2019 and 6/30/2020, an ongoing amount of \$66 million above their fair share of the total \$16.384 million in the Settlement Agreement. Extensive supporting documentation is available.

Without investigating and addressing this type of non-compliance and its direct effect on just and reasonable services; consistent, firm enforcement; and meaningful deterrence; these statements in your policy become meaningless.

Thank you for allowing me to share this information as you prepare to discuss the Draft Policy at your meeting on July 1, 2020.