



# Senate Bill 840 Report

## *Location Options for CPUC Operations*

California Public Utilities Commission  
Policy & Planning Division

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## Table of Contents

Executive Summary..... 3

Introduction ..... 3

Background ..... 4

    CPUC History ..... 4

    CPUC Office Location History..... 6

        Headquarters ..... 6

        Regional Offices ..... 6

Current Status of Real Estate and Staffing..... 8

Workshops and Stakeholder Input Received ..... 10

    Stakeholders Who Provided Input ..... 10

    Issues Raised in Stakeholder Workshops and Comments ..... 11

    Regional Expansion Scope..... 11

    Transition Planning ..... 12

    Current Status ..... 13

    Factors for Consideration..... 13

    Coordination and Oversight of Regional Staff ..... 14

    Other Comments..... 14

Principles for Assessing Location Options..... 15

Questions for Future Consideration ..... 17



## Executive Summary

This report is being submitted in compliance with the requirements of California [Senate Bill 840](#) (2016), a budget trailer bill prepared by the Senate Committee on Budget and Fiscal Review calling for the submission of several reports in 2017. The purpose of this report is to explore options for staffing locations in areas of the state that would allow the California Public Utilities Commission (CPUC) to better collaborate with other state agencies, provide more training opportunities for staff, and promote public accessibility to the agency. Additionally, as required by the legislation, we present information on salary, retention, recruitment, and categories of operation in the CPUC's three main offices: San Francisco, Los Angeles, and Sacramento. We also provide a history of the CPUC's regional offices, and present the results of three public workshops held in 2016 on the topic of regional expansion for the agency.

As a starting point, we have outlined four options in this report. There are also multiple variations to each option which could be considered. The options we have outlined are as follows:

1. Open satellite offices in strategic locations such as Bakersfield, Fresno, and San Bernardino County.
2. Use existing facilities in all three locations to their capacity.
3. Grow the CPUC's presence in Sacramento as attrition occurs in San Francisco and Los Angeles.
4. Grow the CPUC's presence in Los Angeles, which is currently an under-represented regulatory market relative to the volume of regulation.<sup>1</sup>

This report stops short of making recommendations nor does it consider where specific jobs should go. Thus, it is only a first step in a long-term goal of having the right person, in the right job, in the right place (i.e. which staff would be most effective where and when to add). The issue before the CPUC is what to do, or rather, how to grow beyond 3-5 years from now. It seems that if we do nothing there is enough physical space to accommodate the CPUC's growth for the next few years – i.e., if we were to fill out all of our existing vacancies now the Commission would still have ~253 open spaces available. This is an opportune time to decide how to grow beyond 2020.

## Introduction

Senate Bill 840 states the following:

- (a) *By March 31, 2017, the Public Utilities Commission shall report to the relevant policy and fiscal committees of the Legislature on options to locate operations and staff outside of the commission's San Francisco headquarters. The report shall explore options for leveraging additional facilities in areas of the state, including Sacramento, that would allow the commission to collaborate with other state entities and provide staff more opportunities for training, career development, and exchange placements with other state entities. The report shall do both of the following:*

- (1) Consider categories of operations in different offices.*

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<sup>1</sup> Currently more than half of the customers served by the electric and natural gas companies that the CPUC regulates reside in Southern California with commensurate proportions of utility infrastructure also in Southern California.



*(2) Analyze recruitment and retention, salary disparities by location based on duty statements, and costs associated with using locations outside of San Francisco with no, or minimal, disruption of current commission employees.*

*(b) The commission shall conduct one or more public workshops to obtain suggestions, concerns, ideas, and comments from stakeholders and interested members of the public in furtherance of the purpose of the report.*

In order to better understand the options to locate operations and staff outside of San Francisco, a careful review of the mission and impetus for expansion is needed. To that end, this report provides a summary of the current status of the agency's offices and staff; describes the comments raised at the public workshops on the topic; lays out the principles for assessing location options; and discusses some advantages and disadvantages associated with each option.

1. **Background** – this section provides a history of the CPUC and its office locations.
2. **Current Status of Real Estate and Staffing** – this section briefly explains the CPUC's current state in terms of location and employee recruitment, retention and any salary disparities by location.
3. **Workshop Report** – this section summarizes the stakeholder views presented at workshops held in Sacramento, San Francisco, and Los Angeles in the winter of 2016.
4. **Principles for Location Assessment** – This section describe the four guiding principles for assessing an option.
5. **Next Steps** - This section briefly identifies what next steps are.

## Background

### CPUC History

The mission of the agency is to “serve the public interest by protecting consumers, ensuring the provision of safe, reliable utility service and infrastructure at just and reasonable rates, with a commitment to environmental enhancement and a healthy California economy. We regulate utility services, stimulate innovation, and promote competitive markets, where possible, in the communications, energy, transportation, and water industries.”<sup>2</sup>

The CPUC began life as the Railroad Commission in the late 1870s<sup>3</sup>, following the completion of the transcontinental railroad in 1869.<sup>4</sup> The body was tasked with bringing the railroad under some form of regulation on behalf of the public good. From 1889-1911, the railroads fueled population expansion in the west and had tremendous power over lawmakers in Sacramento and the Washington D.C.: in the 1880s Southern Pacific was the largest landowner in California,<sup>5</sup> a railroad official served on the California Supreme Court, and the railroad provided free railroad passes to lawmakers and stacked

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<sup>2</sup> [www.cpuc.ca.gov](http://www.cpuc.ca.gov)

<sup>3</sup> The Commission was established during the Second Constitutional Convention of 1878-1879.

<sup>4</sup> Starr, K (2011). *100<sup>th</sup> Anniversary of the California Public Utilities Commission*. California Public Utilities Commission. San Francisco, CA. 6.

<sup>5</sup> *Ibid.*



political committees with politicians on its payroll.<sup>6</sup> During this time, the Commission was pejoratively referred to as “the Southern Pacific Literary Bureau,” aka, the public relations arm of the Southern Pacific Railroad.

Public backlash and high profile graft trials led to significant reforms in state government in 1911.<sup>7</sup> A reconfigured version of the California Railroad Commission was created in 1911, along with the passage of the Public Utilities Act in 1912 which brought all transportation, water, electric and gas, and telephone/telegraph service under the jurisdiction of the Commission.<sup>8</sup> The newly revamped agency was enlarged and continued to be located in San Francisco to promote independence from the influence of Southern Pacific dominating Sacramento.<sup>9</sup> Its work consisted of “an impeccable procedure of quasi-judicial review” substantiated by high quality analysis and recommendation from staff,<sup>10</sup> the precursor to the administrative law system in place today.

In the 1920 and 1930s, transportation still dominated the work of the Commission, consisting of limousines and cars for hire, bus, rail (freight and passenger, crossings, rates), trucks, ferries, and wharves. The Commission also regulated water, electric and natural gas, and telephone and telegraph communications. In 1927 almost all homes were electrified and telephone was the dominant mode of communication.<sup>11</sup> Throughout the Great Depression of the 1930s, keeping rates low for energy, telephone and water customers was a primary focus of the agency.

During WWII securing telephone service, particularly for defense related needs, was a priority. The Commission was also focused on transportation safety as the war effort flooded San Francisco, Los Angeles, and San Diego with both people and freight. In 1946, the agency was renamed the California Public Utilities Commission.<sup>12</sup>

In the 1950s and 1960s, accelerating demand for electricity and natural gas led the CPUC to focus its efforts on cost stabilization, safety, and building of additional supply. By the mid-1960s, California was the most populous state in the nation. This was a period of tremendous infrastructure growth for the state: the freeway system was established, new towns were established in areas previously occupied by farmland, expansive suburbs were built, and many new civic institutions were built, as the population of California doubled from nine to 17 million.<sup>13</sup>

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<sup>6</sup> Zanjani, N (2014). *A Brief History of The California Public Utilities Commission*. California Public Utilities Commission.

<sup>7</sup> These reforms were led by Hiram Johnson as part of the Progressive Movement.

<sup>8</sup> Starr, K (2011). *100<sup>th</sup> Anniversary of the California Public Utilities Commission*. California Public Utilities Commission. San Francisco, CA. 21.

<sup>9</sup> Mathews, J., and Paul, M (2010). *California Crackup: How Reform Broke the Golden State and how We Can Fix it*. University of California Press. In addition to major changes to the state railroad commission in 1911, the Progressive Movement reforms created the initiative, referendum, and recall processes.

<sup>10</sup> Starr, K (2011). *100<sup>th</sup> Anniversary of the California Public Utilities Commission*. California Public Utilities Commission. San Francisco, CA. 22.

<sup>11</sup> Ibid. 25.

<sup>12</sup> Ibid. 31.

<sup>13</sup> Ibid. 32.



In the 1970s, the CPUC saw more reforms. In 1974, the Warren-Alquist Act established the creation of a new agency, the California Energy Commission, to site power plants, forecast energy needs, and coordinate conservation activities, and sponsor research and development on energy technologies.<sup>14</sup> When Jerry Brown became governor in 1975, he made additional modifications to the CPUC and its workload, including the addition of a consumer affairs branch and new policy and planning responsibilities.

The 1980s and 1990s were periods of industry deregulation. The AT&T monopoly was broken up by the courts in 1984, resulting in the creation of new local and long-distance telephone carriers, and creating a complicated web of state and federal regulatory oversight. Internet service and cell phones became prevalent in the 1990s, further confusing the line between essential and supplementary utility services. Trucking regulation and safety inspections were moved out of the jurisdiction of the CPUC in the 1990s. For electricity, deregulation in the late 1990s significantly changed California's energy sector and the CPUC role in it. Market forces and a lack of long-term resource planning led to the Energy Crisis of 2000-2001. This crisis occurred during a hiring freeze at the CPUC. During the rolling blackouts of 2002, the state was under enormous pressure to remedy the situation; dealing with this crisis and negotiating long-term contracts for California customers consumed the focus of staff and management.

In 2017, the CPUC is still headquartered in San Francisco, but its areas of regulatory responsibilities and focus have changed.

## CPUC Office Location History

### Headquarters

The CPUC has been headquartered in San Francisco since the late 1800s.<sup>15</sup> Prior to its current location at 505 Van Ness Avenue, the CPUC was located at 833 Market Street (1915),<sup>16</sup> and in the State of California building at 350 McAllister Street (1932<sup>17</sup> - 1984).<sup>18</sup> In the late 1980s, the Legislature authorized construction of the building at 505 Van Ness Avenue to house the growing needs of the CPUC. By 1990, the CPUC and its entire staff had moved into the new building. Starting in 2011, the 505 Van Ness Avenue offices underwent a multi-year renovation. Floor, by floor, staff were temporarily moved to 455 Golden Gate Avenue. While nearly all units are back in the 505 Van Ness Avenue building, there is a small remaining presence at 455 Golden Gate Avenue.

### Regional Offices

The size and number of regional offices has varied with the regulatory responsibilities assigned to the agency. For the past 100 years, however, there always has been a Southern California presence. By 1950 there was also an office in Sacramento, as well as field offices for trucking inspections related to

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<sup>14</sup> Hirsch, R (2001). *Power Loss (2<sup>nd</sup> ed)*. Cambridge: MIT Press. 95.

<sup>15</sup> The California Blue Book or State Roster of 1893 lists the Railroad Commission as having three commissioners and an office in San Francisco. The commission's staff consisted of a secretary and bailiff.

<sup>16</sup> The California Blue Book of 1913-1915 shows the San Francisco office at 833 Market St Commercial Building, 10<sup>th</sup> Floor.

<sup>17</sup> The California Blue Book of 1932 shows a staff of 19 plus five commissioners. The 1950 California Blue Book lists a staff of 500, whose "duties from ordinary clerical work to extremely technical engineering work of various types."

<sup>18</sup> Two versions of the same address were used for the location of the San Francisco office in records from 1932-1984: 350 McAllister St and 5th floor, State building, San Francisco 94102. The State Building of California in San Francisco, located at 350 McAllister St, was built in 1923, and also houses the Supreme Court of California. 455 Golden Gate Avenue is the address on the newer side of the building.



the Highway Carriers Act in “various locales of the state, such as Sacramento, Stockton, Santa Rosa, etc.”<sup>19</sup>

### Los Angeles Office

A Los Angeles Office has existed since the early days of the CPUC. Records show a Southern California presence on Bullard Block, Los Angeles as early as 1915.<sup>20</sup> After WWII, the California Blue Book describes “a major branch office in Los Angeles, under the administrative direction of a director for Southern California.”<sup>21</sup> By 1973, the Los Angeles office had moved to 107 S. Broadway, Room 5109, and had representatives from all the CPUC divisions at the time: Executive Division, Administrative Division, Examiner Division, Finance and Accounts Division, Utilities Division (Communications Branch, Gas Branch, Water Branch, Hydraulic Branch), and Transportation Division (Compliance and Enforcement Branch, Freight Economics Branch, Operations and Passenger Branch).<sup>22</sup> In 1984, the Los Angeles office had an assistant executive director, George Cates, and an Assistant Commission Representative for Southern California, Michael Doyle.<sup>23</sup> Still at the 107 S. Broadway location, in the 1980s the Los Angeles office had about 100 staff with representatives of all the CPUC divisions. Transportation staff made up the majority of the office, with the Compliance and Enforcement Branch, Freight Economics Branch, Passenger Operations Branch, and Railroad Operations and Safety Branch. Inspectors for transportation safety for trucking, rail safety, and bus regulation also worked out of regional offices. A Southern California representative of the public advisor’s office was added in the late 1980s.

The composition remained similar for much of the 1980s and 1990s, until trucking regulation was moved out of the CPUC in the mid-1990s and the size of the office reduced. In 1998, the Los Angeles office still had a regional director. At that time, the office was comprised of representatives from Executive Division, Public Advisor’s Office, Communications Division, Consumer Affairs Branch, Rail Safety and Carriers Division (Rail Engineering and Rail Safety Branches), and Water Division.<sup>24</sup> By the year 2000, the Los Angeles office had relocated to the Junipero Serra State building at 320 West 4<sup>th</sup> Street, suite 500,<sup>25</sup> where it is today. From 2002-2015,<sup>26</sup> former CPUC president Michael Peevey, who lived in Southern California, spent several days a week working out of the Los Angeles office. In 2017, the majority of staff in the Los Angeles office works in either the Consumer Affairs Branch (CAB) or Safety and Enforcement Division.

### Sacramento Office

As early as 1950, the CPUC has had a field office in Sacramento. In 1979, the CPUC opened an Office of Governmental Affairs in Sacramento. The 770 L Street office location, where it is today, was leased in the 2000s. A Natomas office at 180 Promenade Circle was leased in early 2000s for safety inspectors, rail inspectors and also a portion of the CPUC consumer affairs representatives (call center). In late 2016, the CPUC began leasing two floors at 300 Capitol Mall in Sacramento. This space currently has about 25 employees from various divisions, including four attorneys, several Administrative Law Judges, three Commissioners, and IT staff.

<sup>19</sup> California Bluebook of 1950.

<sup>20</sup> California Bluebook of 1913-1915.

<sup>21</sup> California Bluebook of 1950. In 1950, the Los Angeles office was located at 708 State Building, Los Angeles.

<sup>22</sup> 1973 State of California Telephone Directory.

<sup>23</sup> 1984 State of California Telephone Directory.

<sup>24</sup> 1998 State of California Telephone Directory.

<sup>25</sup> 2000 State of California Telephone Directory.

<sup>26</sup> CPUC webpage: Former President Peevey's Archived Webpages, <http://www.cpuc.ca.gov/peevey/>, accessed 2/15/17.



### Other Regional Offices

The CPUC has had a sizable field office presence from 1950 through the 1990s. The purpose of most offices was to serve as a home base for transportation safety staff performing truck, bus, and train inspections.

The 1950 California Blue Book describes branch offices for trucking inspections related to the Highway Carriers' Act in "various locales of the state, such as Sacramento, Stockton, Santa Rosa, etc."<sup>27</sup> In 1973 there were 15 branch offices in the cities of: Bakersfield, El Centro, Eureka, Fresno, Oakland, Redding, Sacramento, San Bernardino, San Jose, San Diego (1350 Front St), Santa Ana, Santa Barbara, Santa Rosa, Stockton, and West Bay (San Francisco at 455 Golden Gate Ave).<sup>28</sup> By 1984 there were 19 branch offices with the addition of field offices in Campbell, Downey, El Monte, and Van Nuys,<sup>29</sup> and a Culver City office added by 1990.

In the 1990s the number of branch offices started to decline. In 1995 there were 14 regional offices, in 1996-1997 there were 7, and by 1998 there was only the San Diego office. Today we have regional offices in Los Angeles, two offices in downtown Sacramento and an office in Natomas.<sup>30</sup>

### Current Status of Real Estate and Staffing

With the approval of the current budget (fiscal year ending June 30, 2017) the CPUC has 1,176 positions (excluding positions for the Office of Ratepayer Advocates). It has space in its current locations for 1,312 employees. We currently have 987 staff employed at the CPUC. The CPUC's present office locations are as follows:

1. 505 Van Ness Avenue, San Francisco (State owned)
  - a. Maximum capacity of 958 office/desk space
  - b. Currently housing 755 staff
2. 455 Golden Gate Avenue, San Francisco (State owned)
  - a. Maximum capacity of 35 office/desk space
  - b. Currently housing 18 staff
3. 180 Promenade, Natomas, Sacramento (leasing from a 3<sup>rd</sup> party)
  - a. Maximum capacity of 61 office/desk space
  - b. Currently housing 45 staff
4. 300 Capitol Mall, Sacramento (leasing from a 3<sup>rd</sup> party)
  - a. Maximum capacity of 112 office/desk space
  - b. Currently housing 25 staff
5. 770 L Street, Sacramento (leasing from a 3<sup>rd</sup> party)
  - a. Maximum capacity of 13 office/desk space

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<sup>27</sup> The 1950 Blue Book explains that it is the duty of CPUC transportation representatives to "travel the highways and administer the provisions of the Highway Carriers' Act relating to the trucking industry. In many instances they, like migrant farmworkers, follow the products of California's agriculture from the fields to the canneries as they keep a vigilant watch on the truckers who all those products, to be certain that rate orders of the commission are obeyed."

<sup>28</sup> 1973 State of California Telephone Directory.

<sup>29</sup> 1984 State of California Telephone Directory.

<sup>30</sup> State of California Telephone Directories: 1990, 1995, 1996, 1997, 1998, 2000.





- b. Currently housing 6 staff
- 6. 320 4<sup>th</sup> Street, Los Angeles (leasing from a 3<sup>rd</sup> party)
  - a. Maximum capacity of 133 office/desk space
  - b. Currently housing 138 staff, but some are home-based.

For existing offices, the cost of each location is close to \$3 per square foot. The headquarters cost is at \$2.38 per square foot, while the cost for 300 Capitol Mall in Sacramento is at \$3.04 per square foot. The Los Angeles office's cost is at \$2.58 per square foot. On its face, it seems odd that San Francisco and Sacramento are the same price. However, this is due to the fact that the CPUC entered into a contract for the 505 Van Ness Avenue location with DGS in 1986 and maintains a cap on operational cost increases at 2% per year.

The CPUC currently has a vacancy rate of 19% while the historical vacancy rate is about 10%. The CPUC has a higher vacancy rate this year due to: a recent wave of retirees; the new positions provided by the 2016/17 budget cycle which have not been filled, and a 2015 hiring freeze instituted by the CPUC to make up for budget cuts in other areas. The hiring freeze is no longer in effect as the one time budget reductions have been accomplished.

On average, every year 90 CPUC employees retire or leave the agency for outside opportunities. The CPUC on average hires about 110 employees on an annual basis. Currently 53% of the workforce has been at the CPUC for over 10 years; 22% between 5 and 10 years and the remaining 25% of the workforce less than 5 years. However, over 60% of the CPUC's current workforce faces retirement within the next five years. The CPUC has not faced retention challenges historically.

The data also show that the CPUC needs to focus on workforce and succession plans aimed at retaining a new generation that only stays at the agency for 2.8 years<sup>31</sup> on average. The CPUC will need to study whether and how it can retain this new generation longer than 2.8 years or develop training and development programs that allow for a workforce that is turning over at a higher rate.

Recruiting in the Bay Area brings significant opportunities and challenges. There is a significant pool of potential recruits given the proximity to schools such as UC Berkeley's Goldman School of Public Policy, Stanford, UC Hastings, etc., while the high cost of living can make it challenging to attract and retain these individuals. The Los Angeles office is also in close proximity to UCLA, USC and many other universities allowing for significant talent to be recruited. The Sacramento area has an experienced talent pool that the CPUC could recruit from in that it is near many other State agencies as well as the California Legislature which attracts talent from multiple areas. The Sacramento area universities are UC Davis, UC Merced, and Sacramento State.

The CPUC does not have location based salary disparities for the majority of its 1,176 authorized positions. For example, a senior regulatory analyst in Los Angeles is eligible for the same salary as one located in Sacramento or San Francisco. However, there are certain positions where salary premiums are offered to assist with recruitment and retention. See table below for a list of these positions.

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<sup>31</sup> <https://www.bls.gov/news.release/pdf/tenure.pdf>



**Table 1: Salary Premiums Offered for Specific Classifications for Recruitment and Retention Purposes**

Classification		
<b>IT Classes (Associate level and above only)</b>	Bay Area Recruitment/Retention Differential	5%
<b>Personnel Specialist</b>	San Francisco Only Recruitment/Retention Differential	5%
<b>Senior Personnel Specialist</b>	San Francisco Only Recruitment/Retention Differential	10%
<b>Personnel Supervisor</b>	San Francisco Only Recruitment/Retention Differential	10%
<b>Senior Legal Typist</b>	Gain 1 year experience in the class receive Bay Area Pay Differential	5%
<b>Legal Support Supervisor I</b>	Gain 1 year experience in the class receive Bay Area Pay Differential	5%
<b>Legal Support Supervisor II</b>	Gain 1 year experience in the class receive Bay Area Pay Differential	5%

### Workshops and Stakeholder Input Received

In this section we have summarized comments from those who attended the workshops. Thus this section is summarizing the views of interested stakeholders and not Commission management. It is merely a summary of comments.

Pursuant to the requirements of SB 840 to “conduct one or more public workshops to obtain suggestions, concerns, ideas, and comments from stakeholders and interested members of the public” the CPUC held three workshops in the winter of 2016. The workshops were 2-3 hours each, and included a presentation of the current status of staffing and expansion plans in the San Francisco, Sacramento, and Los Angeles area CPUC offices. CPUC management and staff gave presentations at each workshop, followed by a significant question and answer period.

- Workshop #1: October 25, 2016, Sacramento
- Workshop #2: November 1, 2016, San Francisco
- Workshop #3: December 8, 2016, Los Angeles

### Stakeholders Who Provided Input

At the workshops the CPUC heard from: individual staff members; representatives from Professional Engineers in California Government (PECG), Service Employees International Union (SEIU), and California



Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE) unions; and Assembly Budget Committee staff. The CPUC received written comments from individual CPUC staff, the Energy and Telecommunication Advisory Council (ETAC), and PEGC.

### Issues Raised in Stakeholder Workshops and Comments

Stakeholders raised a number of issues during the workshops and in written comments. Comments were received via email, in-person, and submitted as formal letters from October 25 – December 7, 2016.

In the workshops and written comments, stakeholders expressed significant concerns about forcibly moving staff, closing or reducing the number of staff at the San Francisco headquarters location, morale among staff, and the need for a coordinated, well thought-out plan for regional expansion.

At workshop #3, Los Angeles-based CPUC staff described a regional office that is not functioning optimally. Staff cited lack of a director of the Los Angeles Office, reduced high level management presence (former CPUC president Peevey used to be in the Los Angeles office several days a week), lack of regional promotional opportunities (the majority of promotional opportunities are in San Francisco or Sacramento), the concentration of administrative services in San Francisco, insufficient coordination techniques (in-person meetings in San Francisco without a call-in), and lack of attention to concerns by CPUC management.

Below we present a list of the concerns raised by stakeholders during the workshops and in subsequent comments.

### Regional Expansion Scope

- **Relocation vs expansion** – There seemed to be confusion about whether SB840 required the CPUC to consider relocating itself to Sacramento, or if the requirement is to consider options for regional expansion. At Workshop #2 in San Francisco, Assembly Budget Chief Consultant Christian Griffith clarified that the authors of the bill were interested in exploring what jobs could be performed from the Sacramento office. The intention of the SB840 report is not to explore uprooting the CPUC and moving it to Sacramento.
- **Status quo (Scenario zero)** – Stakeholders suggested that when evaluating options, the CPUC consider an option zero, keeping all staff where they are now, and growing regional offices such as Sacramento and Los Angeles as necessary, but the first option would be to continue to maximize space in the San Francisco office.
- **Maintaining the San Francisco Headquarters** – All of the unions emphasized a desire for the CPUC to maintain its headquarters in San Francisco. At Workshop #1, utility representatives spoke and expressed this interest as well. PEGC, in particular, asked that the CPUC affirm that the headquarters remain in San Francisco.
- **Expanding to other locations** – In addition to an increased regional presence, stakeholders suggested the CPUC might want to expand its Los Angeles office and have an increased presence in the Central Valley. At workshop #3, Los Angeles Safety and Enforcement Division staff mentioned that the CPUC had previously had more field offices in the Central Valley area. Those have been closed for a number of years, but staff recommended an office in Bakersfield or Fresno be considered. In written comments dated Dec 7, 2016, the Energy and Telecommunication Advisory Council (ETAC) suggests the CPUC consider opening an office in



San Bernardino County. ETAC recommends the state building at 464 W 4<sup>th</sup> Street in San Bernardino as the site for a CPUC Consumer Service Center. SEIU suggested that voluntary moves for staff wishing to relocate would be acceptable if vacancies and pay parity issues are addressed.

### Transition Planning

- **Transition period** – Stakeholders requested clarification on the period over which regional expansion activities would occur. They asked questions about when it would begin, how long it would take, and how existing work would be impacted. SEIU and PEGC voiced particular concern about the cost of housing in San Francisco and staff that have purchased homes in the Bay Area and built their lives in San Francisco under the assumption that they would be working there for many years to come. SEIU mentioned that moving costs are significant if staff do need to move.
- **Impact on current staff** – This was one of the primary issues raised by individual staff commenting, SEIU, and PEGC. They expressed concern about the impact on morale of the discussions about moving office locations. SEIU and PEGC shared the results of surveys that showed staff is very concerned about a move from San Francisco. SEIU mentioned that staff is most concerned about a forced move from one division to another to comply with relocation needs. CASE shared survey results that identified a number of attorneys and judges who would be willing to move now. All unions expressed concern that the uncertainties raised by the CPUC decentralization discussions are negatively impacting staff morale.
- **Process for determining which positions/work groups to locate outside of San Francisco** – Staff would like assurance that the CPUC has a plan for expanding regionally. Current staff and several of the unions expressed concern about simply increasing the number of staff in regional offices without careful thought to which staff and who they need to interact with. Several individual staff called for a strategic location of staff with a focus on the “the effectiveness and efficiency of the organization” and that the process be done “strategically and with planning.”
- **Timing for expanded regional presence** – How long the transition to an expanded regional presence will take and which staff will be added when. Staff raised concerns about whether there would be adequate equipment and resources available for those working in regional offices. Staff in the Los Angeles office identified existing resource and process needs that are not being met with the current approach to a regional CPUC presence.
- **How the 300 new Sacramento staff will be integrated into the existing workforce** – SEIU recommended that individual work groups be moved to Sacramento, and that consideration be given to the types of jobs that would be best done in Sacramento. CASE presented the results of a survey that found there are existing judges who would like to move to Sacramento. The CASE representative suggested that there be a hearing room and ALJ support services available at the Sacramento location so that judges could hold hearings there. At workshop #2, CPUC staff expressed the need for better communication from management to analysts, especially if they are in different office locations.
- **Process changes required for decentralization** (e.g., hard-copy processing) – At workshop #3, staff in the Los Angeles office highlighted the need to develop a plan for administrative processes that can be handled regionally vs requiring processing in San Francisco. Current



practice for the Los Angeles and Sacramento offices is that official mail must be sent out of the San Francisco Office.<sup>32</sup> This can make it hard to meet tight statutory reporting deadlines as it adds an extra few days for mail to reach its recipient. This is currently the case with budget and legislative inquiries in Sacramento.

### Current Status

- **Approach for increasing collaboration and information sharing for staff in different locations** – Staff in the Los Angeles office at Workshop #3 stressed the need for a coordinated approach for working with staff in different locations. This included utilization of Skype, more in-person group meetings, and improved IT technology in general. Sasha Cole of ORA, in his presentation at workshop #1, recommended a concerted plan for coordinating the work of regional staff, including better phone conferencing, easier and more reliable access to remote servers, a high-quality chat platform, and frequent travel to the main office.
- **Training and development opportunities for staff in all locations** – SEIU raised this as an area of concern for current staff. CPUC employees in the Los Angeles office echoed this, emphasizing the need for trainings to be held regionally as well as in the San Francisco headquarters.
- **Retention, recruitment, and pay parity** – SEIU raised concern about current retention issues among staff of various classifications in all locations. The budget consultant for the Assembly suggested that it may be easier to recruit for and retain administrative positions in Sacramento as the cost of living is lower there and there are other state agencies with similar administrative positions. At workshop #2, SEIU expressed apprehension about pay parity for analysts in Sacramento compared to other state agencies, suggesting that low CPUC pay will cause CPUC staff to defect to agencies such as CEC and ARB. Staff in the Los Angeles office cited lack of promotional opportunities in the Los Angeles regional office as a major cause of attrition of employees from the Los Angeles office. Also at workshop #2, several staff raised the issue of pay disparity between legal secretaries in the ALJ Division’s STAR Unit and those in the Legal Division. Both work out of the San Francisco office, but the ALJ legal secretaries are unable to qualify to be a legal secretary range B due to how the State Human Resources agency lists the job specifications for legal secretary range B. This pay disparity has resulted in problems retaining staff in the STAR unit that supports the ALJ division, and has affected the workload. A memo raising the issue was distributed at workshop #2.

### Factors for Consideration

- **Salaries and housing costs in San Francisco, Sacramento, Los Angeles** – Cost of living and competing salaries was a major component of the discussions at all three workshops. Cost of living in San Francisco is significantly higher than in the rest of the state. This makes it hard to backfill positions in San Francisco, especially among administrative staff. Los Angeles employees expressed frustration about being unable to afford to relocate to San Francisco to take advantage of promotional opportunities at the headquarters office. Several ALJs (12 ALJs and attorneys) are interested in relocating voluntarily to the Sacramento office, but noted that much of the work is based in San Francisco. A hearing room and admin staff OR the digitization of hardcopy processes would be needed in order for judges to work out of either the Los Angeles or Sacramento offices. Part of the problem is antiquated IT systems and processes that require hardcopy signatures and movement of physical pieces of paper.

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<sup>32</sup> This is no longer the case. Mail can be mailed from the office of origin.



- **Regulatory functions outside of San Francisco** – This was raised at all three workshops. The unions and CPUC management agreed that it is important for the CPUC to be close to the utilities, infrastructure that it regulates, and consumers. Much of this is located in Southern California. PEGC suggested opening a Bakersfield or Fresno office may be helpful. At workshop #3, staff in the Los Angeles office requested that additional staff be located in Southern California to help cover the Southern California utilities and local governments, and perform stakeholder outreach. In their letter to Tim Sullivan, the Energy and Telecommunication Advisory Council suggests a San Bernardino office to be closer to staff in Southern California. One staffer in the Los Angeles office mentioned the need for more evidentiary hearings in Southern California so that customers can participate in the CPUC process.
- **Coordination with other agencies** – Increasing the CPUC’s presence in Sacramento and ability to coordinate with other state agencies was a primary driver of SB 840; Executive Director Tim Sullivan stressed this objective at workshops #1 and #2. One union commenter concurred that hiring for staff that work with other agencies – such as the CEQA team working with the CEC – is the appropriate way to increase the CPUC’s regional presence. The commenter supported the CPUC HR “right job in the right place” approach to decentralization.
- **Proximity and organizational success/effectiveness**– SEIU representatives and staff raised this issue at all three workshops. Sasha Cole, in his presentation for SEIU, stressed the need to think critically about what work is being done, where it can best be performed, and the extent to which the group needs to coordinate with other groups at the CPUC – or external entities. He suggested using that as a guideline for locating staff and work groups. Staff in the Los Angeles office expressed the importance of being close to the utilities they regulate, being their customers and being a part of the communities where the impacts of those utilities are felt.
- **Approach other state agencies have used when considering relocation** – Several stakeholders in comments following the workshop suggested the CPUC look to how other agencies have handled decentralization and choosing the location of their headquarters.

#### Coordination and Oversight of Regional Staff

- **Supervising staff in different locations** – This was raised at all three workshops by staff and the unions. They stressed the need for a plan for supervising staff in different locations, better IT and communications services, and travel authorization to visit remote staff – and for them to visit headquarters. At workshop #1, a member of SEIU suggested it would be difficult to train entry level staff if they are at a location different from their supervisor. The SEIU member suggested experienced supervisors and managers may work at a regional location, and experienced staff may work out of a different office, but it would be difficult for either to start at a regional location without a pre-existing relationship with the team.

#### Other Comments

- **Need for a more detailed/expansive report by a third party** – Several stakeholders called for a comprehensive study of the issue by a third party. SEIU suggested the CPUC was not in a position to be neutral in preparing the report. Several SEIU members and current staff suggested the report on decentralization be completed by a neutral third party with expertise in organization design and planning.



## Principles for Assessing Location Options

In this section we put forth the guiding principles for assessing options to locate CPUC operations:

1. Principle 1: Fostering the Mission of the Agency
2. Principle 2: Building A Strong and Effective Presence Accessible to Customers and Government Entities
3. Principle 3: Providing Training and Career Development Opportunities for Staff
4. Principle 4: Access to Infrastructure of Regulated Entities

### **Principle 1: Fostering the Mission of the Agency**

The CPUC’s physical location should enable it to fulfill its mission to “serve the public interest by protecting consumers, ensuring the provision of safe, reliable utility service and infrastructure at just and reasonable rates, with a commitment to environmental enhancement and a healthy California economy. We regulate utility services, stimulate innovation, and promote competitive markets, where possible, in the communications, energy, transportation, and water industries.”

All options must retain the ability of the CPUC to achieve its mission. Protecting consumers, and providing for safe and reliable energy, water, communications, and transportation services at just reasonable rates for California utility customers is of paramount importance. This must be done in a manner that protects the environment and stimulates the economy.

In order to foster the agency’s mission the following four-step process serves as guiding principles to successfully expand/decentralize to other locations:

1. Transition period - identification of the time period over which decentralization activities would occur, and how existing work would be impacted
2. Process for determining positions to locate at regional offices - staff and the unions expressed concern about simply increasing the number of staff and regional offices without careful thought to which staff would be most effective where would result in confusion and would hamper productivity.
3. Integration plan - how the work of new staff will be integrated into that of existing employees. How they will be on-boarded and trained in their specific knowledge areas. For the large expansion of staff at the Sacramento office, stakeholders expressed concern about how the institutional knowledge and core principles of the agency would be communicated to staff at a geographically different location. A clearly laid out plan would address integration.
4. Process changes - many of the CPUC’s administrative processes assume staff are located at the San Francisco headquarters. Process changes such as allowing regional processing of forms, and moving to digitization of administrative and legal paperwork, will be necessary under an expanded regional model.



## **Principle 2: Building a Strong and Effective Presence Accessible to Customers and Government Entities**

A strong and effective presence enables increased visibility and access to the CPUC's policy making process. CPUC offices should help customers served by its utilities to participate in policy making such as hearings and proceedings. CPUC offices should facilitate interaction with other governmental agencies whose work overlaps or is affected by that of the CPUC. This includes sister agencies, local governments, the Governor's Office, and State Legislature.

Among other things, the CPUC today is focused on policies that will reduce greenhouse gas emissions, which requires close coordination with sister agencies in Sacramento. The CPUC is also heavily focused on affordability of utility rates, careful planning and forecasting of energy demand and costs, oversight and administration of public purpose programs, safety compliance, monitoring and enforcement, and management of aging utility infrastructure. These activities require significant coordination with local governments, community groups, and the general public spread throughout the State.

In order to achieve this principle the Commission should consider the following five key elements needed for successful expansion to other locations:

1. Commitment to Excellent Communication
2. Strong Management Presence
3. Commitment to Career Development
4. Access to Resources
5. Administrative Staff Support

## **Principle 3: Providing Training and Career Development Opportunities for Staff**

Improved staff training and career development are additional objectives for considering options to locate CPUC operations. Each option must factor in whether staff has opportunities that allow them to grow their careers and receive the training and ongoing education that they need to keep them challenged. Additionally, each option must factor in whether staff has opportunities in the surrounding area that would allow staff to grow their own careers over the longer term. For instance the CPUC or any other agency can choose to relocate to a new area, but it has to consider whether talented and motivated staff will follow and whether recruitment of new staff would be an issue.

In order to meet this principle the Commission needs to better understand the tension between centralization and decentralization i.e. the farther and smaller the regional offices are from headquarters, the more marginalized staff in regional offices will be. The way to address the problem is to bring regional offices closer to headquarters and/or increase their size. The expansion of the Sacramento office seems to be in line with this approach. It should be noted that a large regional office without sufficient management will likely result in a drain on agency resources without commensurate benefits. The size of regional offices should not be increased simply to provide promotional opportunities for staff.

## **Principle 4: Access to Infrastructure of Regulated Entities**

Is it more effective to be near the infrastructure of the CPUC's regulated entities? Currently, a large portion of CPUC's work resides with regulating the natural gas and electric industries, and in particular





to ensure affordability of utility rates, careful planning and forecasting of energy demand and costs, safety compliance, monitoring and enforcement, and management of aging utility infrastructure. These oversight and regulatory activities generally require significant coordination with the utilities, local governments, community groups, and the general public. And so, operationally, there is a benefit from being close to the utilities and infrastructure that the CPUC regulates. Furthermore, there may well be considerable value in our staff being customers of the utilities, and being a part of the communities where the impacts of those utilities are felt.

### Questions for Future Consideration

Currently, the CPUC has 1,176 budgeted positions and space for 1,312 employees in total at all of its current locations. Accounting for an average 10% vacancy rate, plus the existing 136 empty spaces, the CPUC currently has ~253 open office/desk spaces.

The issue before the CPUC is what to do, or rather, how to grow beyond 3-5 years from now. This is an opportune time to consider the various options for growth beyond 2020. Should the CPUC open satellite offices in strategic locations such as Bakersfield and Fresno? Should the CPUC utilize existing capacity and grow on a least-cost approach? Should the CPUC focus on expanding or adding regional offices? As various workshop participants noted, regardless of the growth strategy pursued, having a clear process for expansion efforts is paramount. Such a process would need to consider such issues as a transition period, regional skills needs, integration of all staff into CPUC processes and community, and alignment with the CPUC's mission.