



California Public Utilities Commission

It Could Improve the Transparency of Water Rate Increases by Disclosing Its Review Process and Ensuring That Utilities Notify Customers as Required

Background

Funded by fees it imposes on the public utilities within its jurisdiction, the California Public Utilities Commission (CPUC) regulates privately owned (investor-owned) utility companies in the State such as those that supply electric, natural gas, telecommunications, and water. Nearly 100 private water utilities serve 14 percent of the State's population. Among its many responsibilities, CPUC determines whether a water utility's proposed rates are just and reasonable before the utility can change the rates it charges its customers. This audit focuses on CPUC's regulation of privately owned water companies (water utilities) through its ratesetting processes.

Key Recommendations

- Ensure that water utility customers can access understandable information regarding water rate changes by creating a webpage specifically for water customers that includes pertinent information.
- Ensure transparency and promote public understanding of its processes by creating and publishing information regarding its processes.
- Implement a process to verify and maintain records that demonstrate that water utilities are timely notifying their customers about potential and actual rate changes and the opportunity to provide input regarding rate changes.
- Immediately begin conducting audits of all water utilities as required by law.

Key Findings

- Although the CPUC has a reasonable process for reviewing water utility requests to change rates, it may be limiting customers' participation or understanding of how rates can change.
 - It does not provide clear information regarding why and by how much rates will change over a three-year period.
 - It does not prominently display, and provide direction to, easily understandable information about its ratesetting processes.
- The CPUC does not ensure that water utilities are complying with regulations for publishing notifications of public ratesetting hearings or that its customers receive information timely—some of the utilities did not provide timely notice, which could limit participation in those hearings.
- Although the CPUC is required to conduct audits of the books and records of large water utilities once every three years and of small water utilities either three or five years depending on the size of the utility, it has not fulfilled its duties.
 - It does not conduct audits of large water utilities but rather relies on reviews conducted by its independent office—Public Advocates Office—which do not meet the audit requirement.
 - It has not completed most of the audits of small water utilities within the required time frames—it completed only 20 of the nearly 75 required audits over a five-year period.