PUC hit with fresh criticisms over dealings with Edison

By IVAN PENN

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California's scandal-ridden utilities commission was slammed with fresh criticism after a state judge accused Southern California Edison of wrongful dealings with regulators that put customers on the hook for $3.3 billion.

Consumer advocates called for reforms of the California Public Utilities Commission to prevent the kind of secret meetings discussed in the Wednesday ruling by Administrative Law Judge Melanie Darling.

Among the undisclosed dealings was a dinner at a swanky hotel in Warsaw, where Edison executives and the commission's president at the time sketched out how to divide the substantial expenses from the shutdown of the San Onofre nuclear power plant.

Darling's ruling, which recommends that Edison pay penalties as high as $34 million, sparked new questions about the San Onofre cost settlement as well as the apparently cozy relationship between the commission and the companies it regulates.

Starting last year, PUC commissioners and officials, including former President Michael Peevey, were criticized for improper communications with executives at Pacific Gas & Electric Co., including over how much to fine PG&E for the 2010 explosion of a natural gas transmission line that killed eight people in the Bay Area city of San Bruno.

Earlier this year, thousands of emails revealed that Peevey, who retired as PUC president at the end of 2014, involved himself personally in internal decision-making at PG&E, extending to matters such as the utility's corporate leadership, political public relations strategy, safety policies and rate-setting cases affecting billions of customer dollars.

Peevey's involvement with executives of the businesses he regulated has prompted probes by the U.S. attorney's office in San Francisco and the California attorney general's office.

In January, state law enforcement authorities searched the La Canada Flintridge home of Peevey and his wife, Democratic state Sen. Carol Liu. Also searched was the Bay Area residence of former PG&E executive Brian Cherry, who was fired in September along with three other utility executives amid the scandal.

Current Commission President Michael Picker has promised reforms of the commission and will hold a public hearing Wednesday for suggestions and comments on a report the PUC commissioned. Picker, through a spokeswoman, declined to comment.

"It's very hard to get them to have to answer to anybody," said Ray Lutz of the Coalition to Decommission San Onofre.

"I've never seen a government agency so out of control as this public utilities commission," he said, adding that he believes the problems continue even with new leadership.

Michael Aguirre, an attorney who advocates for consumers before the commission, said the San Onofre cost settlement should be thrown out and a more comprehensive investigation initiated.

"Peevey made a deal outside of the system, which is causing an unfair burden on the utility customers," Aguirre said.

Peevey was among those at the Poland dinner in March 2013. There, he discussed a settlement deal with Edison executives that ultimately settled on a $4.7-billion cost for closing San Onofre because of faulty steam generators.

The settlement required Edison and plant co-owner San Diego Gas & Electric to pay $1.4 billion of the costs, while the utilities' customers remained on the hook for the rest.

Darling issued her ruling against Edison after documents revealed that officials at Edison did not disclose conversations they had with Peevey and others at the commission.

Darling found that Edison, its officers, agents or attorneys engaged in 10 unreported communications with one or more commissioners or their personal advisors.

The communications, Darling said, related to the payment of costs from the January 2012 shutdown of the San Onofre nuclear plant. She cited Edison for contempt and possible penalties.

Edison shut down the plant after a small amount of radiation leaked in one of two replacement steam generators. The generators were installed in 2010 and 2011, and inspections after the leak found that both were faulty.

Darling has given Edison until Aug. 20 to respond to the ruling.

In a statement about Darling's decision, Edison noted that the judge rejected most of the 72 allegations of wrongdoing by the utility.

"SCE's leadership strives to be conscientious and comply with the commission's rules," Southern California Edison President Pedro Pizarro said. "Based on the information we had at the time, we did not believe these communications were reportable. We're disappointed that the ruling reaches a different conclusion."

Robert McCullough, an energy industry consultant who analyzed Peevey's emails with PG&E executives and others, said shortly after the messages were publicly released that "Peevey has passed beyond" improper contacts with PG&E.

Peevey, McCullough said, took on a "role where he was commenting and recommending promotions at PG&E. In effect, he was acting as a member of senior management" and "had clearly redefined the role of CPUC commissioner into a freewheeling advocate for the firm."

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