

December 30, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Public Utilities Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Angie Williams, Director, Utility Audits, Risk and Compliance Division, at (916) 327-0578, angie.williams@cpuc.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The California Public Utilities Commission (CPUC) regulates privately owned electric, natural gas, telecommunications, water, railroad, and passenger transportation companies. The mission of the CPUC is to empower California through access to safe, clean, and affordable utility services and infrastructure. CPUC staff are dedicated to ensuring that consumers receive safe, reliable utility services at reasonable rates, protecting against fraud, and promoting the health of California's economy.

Within the CPUC, the Public Advocates Office is an independent office with a statutory mission to advocate for the lowest possible monthly bills for customers of California's energy, water, and communications regulated utilities consistent with safety, reliability, and the state's environmental goals.

The CPUC's vision is to better the lives of all Californians through our recognized leadership in innovative communications, energy, transportation, and water policies and regulation. The CPUC conducts its work guided by core values: Accountability, Excellence, Integrity, Open Communication and Stewardship. These values apply to all CPUC Commissioners and employees.

The CPUC's strategic plan is contained in the adopted Strategic Directives, Governance Process Policies, and Commission-Staff Linkage Policies. These collectively set out the goals and strategies the Commission focuses on to achieve the CPUC's vision of success. The CPUC Commissioners, appointed by the Governor and led by President of the Commission, Alice

Busching Reynolds, are responsible for monitoring the CPUC's progress in meeting the expectations laid out in the Strategic Directives through annual reports and staff presentations. Similarly, the Public Advocates Office's Director, Linda Serizawa, designated by the Governor, is responsible for monitoring the Office's progress with achieving its mission, vision, goals, and strategic plan.

Control Environment

Oversight of the CPUC (except for the Public Advocates Office), is the responsibility of the Commissioners, who make all policy decisions to fulfill statutory mandates and enforce regulation governing California's utilities.

The CPUC has established an appropriate organizational structure to ensure the proper levels of responsibility and authority. For example, the Director of the Risk and Compliance Branch (RCB) reports to the Executive Director, and the Chief of the Office of Internal Audit Services (IAS) reports to Commissioners through the Audit Committee and under general direction of the President.

Risks associated with regulatory policies and programs are monitored through formal proceedings where CPUC staff, regulated entities and interested parties report on associated risks and issues, and recommend controls and improvements for formal Commission adoption.

The CPUC management demonstrates integrity and ethical values through the CPUC's Core Values: Accountability, Excellence, Integrity, Open Communication, and Stewardship. These values are further enforced by the Commissioner Code of Conduct, which requires that all Commissioners adhere to legal and ethical requirements to avoid situations where prejudice, bias, or opportunity for personal gain could influence Commissioner decisions.

The CPUC sets expectations for integrity and ethical conduct among its management and employees. Management and employees are required to disclose personal financial interests by completing the Statement of Economic Interests (Form 700) annually, completing Ethics and Risk Management trainings, and reviewing and signing the CPUC's anti-nepotism policy. Additionally, the CPUC's core values are communicated to new employees during the Onboarding Intro Series Program, which provides a foundational overview CPUC's functions, responsibilities, and role in serving the public interest.

Information and Communication

Through internal and external mechanisms, the CPUC maintains an effective process to communicate relevant and reliable information needed for operational, programmatic, and financial decision making.

Internal Communication: CPUC staff prepare and produce a wide range of analyses, including field testimony and monitoring reports on utility services and infrastructure, investigative and audit reports, and policy, analytical and legal memos provided to Commissioners and senior management. These reports inform Commissioners and executive management about relevant risks, effective monitoring practices, necessary improvements, required oversight and best practices to meet the CPUC's mission and objectives.

Information is communicated within the CPUC: the Executive Director shares updates via regular senior management meetings; Commissioners provide guidance through regular internal meetings focused on setting policy and implementation within specific proceedings, and regular division, branch, section, and unit meetings.

The Public Advocates Office separately performs statutorily required work as embodied in Public Utilities Code (PU Code) Section 309.5, to obtain the lowest possible rates for utility services consistent with reliable and safe service levels.

Utilizing a priority setting framework and weekly management meetings, the CPUC's Executive Director engages in an ongoing process of obtaining and sharing necessary information with staff, which flows across the entire agency. Staff also receive regular updates through the CPUC intranet, SharePoint site, emails, and the management receive daily news clips.

Through the Whistleblower Complaint Program, employees, contractors, or subcontractors of a company regulated by the Commission, may report suspected unsafe, unlawful, or dishonest activities.

The whistleblower may report confidentially if preferred to the hotline, by email or by filing a complaint. Additionally, CPUC employees are encouraged to report inefficiencies, unauthorized and inappropriate conduct to the Equal Employment Opportunity Office, the IAS Chief, the Director of RCB, and/or union representatives.

External Communication: The CPUC's Public Advisor's Office provides procedural information to individuals and groups participating in formal proceedings at the CPUC. Pursuant to PU Code Section 321, the Public Advisor's Office answers questions, locates information, refers inquiries to appropriate CPUC staff, and provides programs and services to educate and assist the public, including reasonable accommodations and interpreter services.

The External Affairs Division manages all aspects of the CPUC's social media, website, and media relations. This includes managing the CPUC's social media channels, drafting news releases, consumer advisories, brochures, and other informational materials, editing reports, establishing a cohesive graphic design for all CPUC publications, and manages relationships with reporters.

The Consumer Affairs Branch assists individual customers of regulated gas, electric, water, transportation, and telecommunications utilities with billing and service matters.

The CPUC website serves as a resource for the public, posting formal proceeding documents, notices and agendas for public events such as voting meetings and hearings, and access to the wide array of CPUC programs.

The Public Advocates Office independently determines its strategy for communicating with the public, consistent with its statutory mandate and role.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Public Utilities Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Linda Serizawa, Director, Public Advocates Office; Angie Williams, Director, Utility Audits, Risk and Compliance Division; Rachel Peterson, Executive Director.

Risk identification, audit, and monitoring are also provided by the Internal Audit Services (IAS) team. IAS provides independent, objective assurance, and advisory services designed to add value and improve the CPUC's operations. IAS assists CPUC's management in the discharge of their oversight, management, and operating responsibilities through independent audits and consultations designed to assess and promote the systems of internal controls, including effective and efficient operations. To accomplish this, IAS conducts an annual risk assessment to develop IAS' annual internal audit plan. The IAS risk assessment considers risks at the functional level, while also considering the results of the enterprise risk assessment, emerging risks, results of external audits, Strategic Directives, and control issues identified by CPUC Commissioners and senior management. The CPUC Audit Committee reviews and approves the annual IAS audit plan.

Additionally, IAS tests and validates the status of corrective actions that resulted from an internal audit finding through scheduled internal audit follow-up activities. These efforts collectively support the accomplishment of CPUC objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Public Advocates Office is independently responsible for establishing its own processes to identify safety risks and methods to appropriately address them, except for the shared services provided to the office by the CPUC.

At the implementation level, the RCB, within the Utility Audits, Risk and Compliance Division, manages the enterprise risk system. Reporting to the Executive Director RCB identifies, measures, reports, and monitors risks and corrective actions being implemented across the

CPUC. RCB conducts policy and technical research and analysis on risk and compliance issues facing the CPUC and communicates with the Executive Director weekly and to the Commissioners at the Audit Committee meetings to improve operational effectiveness.

The CPUC has implemented and documented ongoing monitoring processes in accordance with Government Code Sections 13400-13407. These processes include reviews, evaluations, audit follow-ups, and improvements to the CPUC's systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Public Utilities Commission risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/goals/objectives.

RISKS AND CONTROLS

Risk: Technology—Support, Tools, Design, or Maintenance

There is a risk that information technology assets are not properly safeguarded, and inventory records may not be accurate due to a lack of internal controls over asset management. This could result in a loss of state assets, inaccurate inventory records, and noncompliance with the State Administration Manual.

Control: Establish and implement policies and procedures over asset management

The Administrative Services Division (ASD) and Information Technology Services Division (ITSD) will work collaboratively to prepare and update the CPUC's procedures over its information technology assets. Specifically, these updates will instruct staff on when and how to apply asset tags, how to add assets into inventory, how and where assets should be stored, and the responsibilities for inventorying assets.

Risk: Technology—Support, Tools, Design, or Maintenance

The CPUC does not have a complete Business Continuity Plan (BCP) that aligns with state requirements. Without the finalized BCP, the CPUC may not have the ability to identify and assess the threats to business operations, may not have a complete list of essential functions or be able to define the appropriate response mechanisms to minimize disruption in the event of an operational emergency. This could result in a greater risk of not being prepared for an operational emergency.

Control: Develop and implement a business continuity plan that complies with state administrative and continuity planning requirements

The Administrative Services Division continues to prepare for Division level reviews of Mission Essential Functions and final assessment. After the Directors' review, the plan will be routed to the Senior Activation Team members for final review and confirmation and routed for approval to California Governor's Office of Emergency Services (Cal OES).

Control: Develop and update the Technology Recovery Plan (TRP) in tandem with the BCP

Work to align the developing TRP and efforts to finalize the revised business continuity plan are currently underway in ITSD. This focuses on developing, preparing, and delivering testing and training materials, along with creating procedures and policies to help the CPUC continue to maintain the continuity plan on an annual basis.

Control: Establish comprehensive BCP policies and procedures

The BCP is continuously under development using Cal OES and State Administrative Manual guidelines. It will be assessed and updated annually, or as needed, with the most current information. Necessary information will be communicated with Cal OES.

Risk: Staff—Key Person Dependence, Workforce Planning

Like all employers at the State of California, the CPUC experiences staff attrition that leads to potential related risks, such as an occurrence of key person dependencies. Also like all State of California agencies, the CPUC is required to prepare a Workforce and Succession Plan to establish a plan to mitigate those risks.

Control: Update and Implement Workforce and Succession Plan

CPUC HR Division will lead the development of the CPUC's Workforce and Succession Plan. The completed Workforce and Succession Plan will be submitted to CalHR.

CONCLUSION

The Public Utilities Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Rachel Peterson, Executive Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency