



# Update to the Assembly Utilities and Commerce Committee



**Michael R. Peevey, President**  
California Public Utilities Commission  
*March 14, 2011*





# Presentation Overview

- **ABOUT THE CPUC**
- **CUSTOMER CARE AND PROTECTION**
- **NATURAL GAS INDUSTRY**
  - San Bruno Tragedy
  - Natural Gas Infrastructure and Reliability
- **THE ELECTRICITY INDUSTRY**
  - Trends in Electric Rates
  - Support for Low Income Residents
  - Energy Efficiency and Advanced Metering Programs
  - Smart Grid and Electric Vehicles Proceedings
  - California Solar Initiative
  - Renewables and Distributed Generation
  - Electric Storage and CHP
- **THE COMMUNICATIONS INDUSTRY**
- **THE WATER INDUSTRY**
- **CPUC ADMINISTRATIVE INITIATIVES**





# The California Public Utilities Commission



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- **January 2011 began the centennial year of the CPUC, created in 1911 during the Progressive era -- a period of great reform in California.**
- The CPUC, headquartered in San Francisco, regulates privately owned telecommunications, electric, natural gas, water, railroad, rail transit and passenger transportation companies such as moving companies, limousines and charter buses. The CPUC is responsible for ensuring that customers have safe, reliable utility service at reasonable rates, protecting against fraud, and promoting the health of California's utilities.
- The CPUC's board is comprised of five Commissioners who serve staggered six-year terms. The Commissioners are appointed by the Governor and confirmed by the California Senate. The Governor selects one of the five Commissioners to serve as the CPUC president. The Commissioners make all CPUC policy decisions, meeting usually twice a month to discuss and vote on issues.





# CPUC's Role and Responsibilities

**Key Role:** Ensuring private utility customers have safe, reliable service at reasonable rates.

- **Energy**
  - Regulate investor-owned electric and gas utilities (such as PG&E, SCE, SDG&E and SCG), which serve over two-thirds of electricity demand and over three-quarters of natural gas demand in the state.
- **Communications**
  - Administer universal telephone service programs, issue video franchises, enforce customer service standards for telephone services, and regulate rates for basic phone service and rural carriers.
- **Consumer Protection and Safety**
  - Enforce consumer protection laws and service standards, investigate fraud and illegal activity, and prosecute violators of the Public Utilities Code, CPUC orders, and utility tariffs. Inspect and audit power plant operation, utility infrastructure, passenger carriers, household goods movers, freight railroads, and rail transit systems.
- **Consumer Complaint Resolution**
  - Assist consumers in informally resolving billing and service disputes with utilities. Promotes efficient use of staff resources to resolve complaints informally, not in the more burdensome formal docketed process.
- **Passenger Transportation**
  - License limousines and buses, and enforce statutes and regulations that apply to these carriers' operations.
- **Rail Safety**
  - Inspect freight railroad tracks, equipment, and facilities; evaluate and approve railroad crossings for safety; and verify the safety and security plans of rail transit agencies.
- **Water**
  - Regulate investor-owned water and sewer utilities, which serve about 18 percent of the state's residents.





# Customer Care and Protection



*The CPUC responds to ratepayer inquiries, resolves utility customers' informal complaints regarding their utility billing and services, assists the public participating in CPUC proceedings, and investigates and enforces public safety standards.*





# Focusing on Customers

- **Wins for the Consumers:**

- Resolved through the Consumer Affairs Branch (CAB) over 21,600 utility customer complaints and helped to obtain \$2.3 million in refunds/bill credits in 2010.
- Improved CAB response time to consumers by 36% – in 2010 complaints were resolved, on average, in 45 days; compared to 70 days in 2009.
- Technological improvements were made in CAB in 2010. A contracting process was initiated to upgrade the 800 toll free telephone system to improve customer experience.
- Resolution CSID-003 was approved allowing a set of customer complaint data to be published on the website, to be initiated in 2Q 2011.

- **Online access provides benefit to consumers:**

- Electronic online form accessed through CPUC website allows consumers to submit complaints to CAB 24/7.
- Electronic online form accessed through CPUC website allows public speakers to sign up to speak at Commission Voting/Business Meetings in advance.





## Focusing on Customers (continued)

### ● Programs for Consumers:

- Expanded the Telecommunication Education & Assistance in Multiple language (TEAM) program, by increasing CBOs throughout the State to educate and assist non-English speaking consumers – 2,439 complaints resolved, \$90,207 refunds to consumers, from July 2008 through December 2009.
- Created the “Community Help and Awareness of Natural Gas and Electricity Service” (CHANGES) program to educate and assist non-English speaking consumers with energy issues. It is a one-year pilot program, including 20 CBOs providing services in 18 languages. It is funded at \$500,000 through the utility CARE funds.





## Small Business and Local Government Outreach

- Established a ***Small Business Advisory Council*** to ensure that small businesses are educated about regulatory policies and have the right tools to make informed decisions.
- Working with local government and communities to promote and explain regulatory policies impacting residential customers in order for them to empower their constituents.
- Began a statewide education tour to increase outreach efforts in 2011 and beyond.





# Promoting Diversity

## Supplier Diversity – General Order 156 Results

### 2010 Performance

- Both Verizon and AT&T wireline have surpassed the 40% mark in procurement from diverse suppliers.
- Cal-AM Water procured over 26% of their total from diverse suppliers; this has never been done in the water industry.
- Overall, the traditional six companies once again exceeded their prior year procurement from diverse suppliers; this time around by an unprecedented \$900 million. For calendar year 2009 the traditional six companies' total procurement from diverse suppliers was just over \$3 billion, while for calendar year 2010 it was just over \$3.9 billion.
  - PG&E = \$1.1 billion or 32.67%
  - SDG&E = \$385 million or 36.68%
  - SoCalGas = \$230 million or 37.42%
  - SCE = \$1.1 billion or 27.10%
  - AT&T = \$948 million or 40.04%
  - Verizon = \$123 million or 41.30%





# The Energy Industry



*The CPUC regulates investor-owned electric and gas utilities (such as PG&E, SCE, SDG&E and SCG), which serve over two-thirds of electricity demand and over three-quarters of natural gas demand in the state.*





# PG&E San Bruno Pipeline Failure

**On Sept. 9, 2010, a PG&E pipeline (132) exploded in San Bruno, resulting in eight deaths, 65 Injuries, 37 homes destroyed or demolished, and 48 homes damaged.**



**28-foot-long ruptured section of pipeline at laboratory facilities at the NTSB Training Center, Ashburn, VA**





# Independent Review Panel

CPUC created an Independent Review Panel to conduct a comprehensive investigation and study within 6 months examining the root causes and making recommendations for action by the CPUC to best ensure such an accident is not repeated elsewhere. Members are:



○ Chair - **Larry N. Vanderhoef**, Chancellor Emeritus, University of California, Davis.

○ **Patrick Lavin**, International Brotherhood of Electrical Workers 7<sup>th</sup> District International Executive Council Member; Co-chairman of the Pacific Council on International Policy, Energy Task Force.



○ **Karl S. Pister**, Chair of the Governing Board of the California Council on Science and Technology; Chancellor Emeritus, University of California, Santa Cruz; Dean and Roy W. Carlson Professor of Engineering, Emeritus, University of California, Berkeley.



○ **Paula Rospot Reynolds**, President and Chief Executive Officer, PreferWest, LLC; former Chairman, President, and Chief Executive Officer of AGL Resources, a Fortune 1000 Atlanta-based energy services holding company.

○ **Jan Schori**, counsel to the law firm Downey Brand LLP; former General Manager and Chief Executive Officer of the Sacramento Municipal Utility District; North American Electric Reliability Council Board of Trustees; Climate Action Reserve Board of Directors.





# San Bruno Pipeline Failure Timeline of Important Events and CPUC Actions

- **Sept. 9, 2010:** PG&E's gas Line 132 explodes in San Bruno.
- **Sept. 12, 2010:** CPUC orders PG&E to take specific actions, including reducing pressure, inspecting natural gas system, preserving records, reporting on authorized vs. actual levels of spending on pipeline maintenance, and evaluating customer leak complaint records.
- **Sept. 23, 2010:** CPUC establishes expert panel to study San Bruno explosion.
- **Oct 13, 2010:** NTSB Issues first preliminary factual report of the investigation.
  - Pipeline showed no signs of extensive corrosion.
  - Fairly uniform wall thickness.
  - Equipment failure at PG&E's Milpitas Terminal pressure issues in the line just before the blast.
  - PG&E did not dispatch workers to cut off the flow of gas to the ruptured pipeline until 6:45 p.m., 34 minutes after the blast.





# San Bruno Pipeline Failure Timeline of Important Events and CPUC Actions (Continued)

- **Oct. 14, 2010:** CPUC announces expert panel members.
- **Oct. 28, 2010:** CPUC approves rate relief to customers directly impacted by the explosion.
- **Nov. 23, 2010:** CPUC begins hiring four additional pipeline inspectors.
- **Dec. 14, 2010:** NTSB issues factual update on the metallurgical testing phase of its investigation.
  - PG&E records show the rupture location was constructed of 30-inch-diameter seamless steel pipe with a 0.375-inch thick wall. But evidence obtained so far indicates the pipeline in the area of the rupture was constructed, at least in part, with seam-welded pipe.
  - Investigators found that while the longitudinal seams on some of the pipe segments were fusion-welded from both inside and outside the pipe, some were fusion-welded only from the outside of the pipe.
  - The outer surfaces of the ruptured pipe pieces revealed no evidence of external corrosion. No dents, gouges, or other physical indications consistent with excavation damage were observed.





# San Bruno Pipeline Failure Timeline of Important Events and CPUC Actions (Continued)

- **Dec. 16, 2010:** CPUC directs PG&E to take further actions to ensure safety, including reducing the pressure on all pipelines that were of the same size and age as the pipeline that exploded in San Bruno and had not yet been pressure tested.
- **Jan. 3, 2011** – NTSB issues seven safety recommendations (6 of which are urgent) after announcing that it found that PG&E's records incorrectly identified the type of pipe in the ground in San Bruno.
- **Jan. 3, 2011:** CPUC directs PG&E to undertake Safety Recommendations made by the NTSB and conduct a complete and comprehensive records search of pipeline documents in order to determine the valid MAOP based on the weakest section of the pipeline or component to ensure safe operation of PG&E's pipelines. The CPUC had ordered PG&E to take similar action in a December directive.
  - CPUC later sets **March 15, 2011, as deadline for PG&E to supply records** documenting pressure testing of pipelines. CPUC is poised to take any action necessary to secure the safety of the public, including immediate pressure testing and reduction of operating pressures.
  - CPUC also directs the state's other natural gas pipeline operators - SoCalGas, SDG&E, and Southwest Gas Corp. – to report on the steps they are taking in response to the NTSB's recommendations.





# San Bruno Pipeline Failure Timeline of Important Events and CPUC Actions (Continued)

- **Feb. 2, 2011:** CPUC orders PG&E to reduce operating pressure on additional pipelines after the CPUC learns that PG&E over a period of several years had allowed the pressure to rise above the maximum set by federal rules. PG&E ordered to:
  - Reduce operating pressure by 20 percent on the following transmission lines that have segments located in High Consequence Areas: Line 148 (running 17.68 miles from Manteca to Modesto), DFM 0805-01 (running 3.49 miles from Milpitas to San Jose), DFM 0807-01 (running 0.5 miles in Milpitas), and DFM 1816-01 (running 8.44 miles from Watsonville to Aptos Hills).
  - Reduce operating pressure by 20 percent for any additional transmission lines that have segments located in High Consequence Areas that are found, through further investigation, to have experienced planned or unplanned events in which the segments experienced pressure greater than 110 percent of maximum.





# San Bruno Pipeline Failure Timeline of Important Events and CPUC Actions (Continued)

- **Feb. 8, 2011** – Independent Review Panel issues Interim Report detailing issues the panel is addressing and estimating a final report mid- to late-May.
- **Feb. 24, 2011** – CPUC opens Rulemaking to set new rules for the safe and reliable operation of natural gas pipelines in California.
- **Feb. 24, 2011** – CPUC begins penalty consideration phase into whether PG&E's gas transmission pipeline recordkeeping was unsafe, whether it violated the law, and if so whether deficient PG&E recordkeeping caused or contributed to the pipeline rupture in San Bruno.
- **March 1-3, 2011** – CPUC participates in NTSB public hearings called to gather additional factual information for the ongoing investigation into the pipeline rupture.





## Next Steps

- **March 15, 2011: PG&E submits records documenting pressure testing of pipelines**
  - **CPUC poised to take any action necessary to secure the safety of the public, including immediate pressure testing and reduction of operating pressures.**
- **April 15, 2011: Sempra submits records documenting pressure testing of pipelines**
- **NTSB Preliminary Reports**
- **NTSB Final Report**
- **CPUC Parallel Reports**
- **Independent Review Panel Results (expected in mid- to late-May)**





# Ensuring Natural Gas Safety

- The CPUC has started a penalty consideration phase into whether PG&E's gas transmission pipeline recordkeeping was unsafe, whether it violated the law, and if so whether deficient PG&E recordkeeping caused or contributed to the pipeline rupture in San Bruno on Sept. 9, 2010.
- Will set new rules via a Rulemaking for the safe and reliable operation of natural gas pipelines in California.
- The CPUC tries to ensure that utilities do a good job procuring natural gas for core gas customers (i.e., residential and small commercial customers) by:
  - Adopting gas cost incentive mechanisms, that provide a financial incentive to the utilities to purchase supplies at below market indices.
  - Adopting a process under which the utilities obtain a diverse, reasonably-priced portfolio of interstate pipeline capacity.
  - Allocating an adequate and fair amount of in-state storage capacity to core customers, and
  - Allowing the utilities to efficiently hedge the price risk of natural gas, while making sure the utilities bear some of the risk of hedging costs, under their gas cost incentive mechanisms.





## Tighter Scrutiny of Gas Pipeline Safety Costs

- San Bruno pipeline rupture signified to CPUC that pipeline safety costs (and possibly other costs as well) need closer examination.
- CPUC does not intend to do utilities' jobs for them – they need flexibility to re-prioritize projects.
- But, we need to examine more closely what projects are high priority, whether projects are conducted, the reasons for utility re-prioritization, and whether utilities are appropriately spending approved costs and expenses.
- Decisions in PG&E Gas Transmission and Storage proceeding and General Rate Case will include new reporting requirements.
- The CPUC may impose similar reporting requirements on other natural gas utilities.
- In its gas safety rulemaking, R.11-02-019, the CPUC will also consider safety-related ratemaking issues.





# Improving Natural Gas Infrastructure, Reliability and Supply Access

- Adequate natural gas infrastructure:
  - Helps maintain highly reliable delivery,
  - Reduces likelihood of price spikes, and
  - Allows more gas storage when prices are low
- In 2009, CPUC approved Gill Ranch Storage project with 20 billion cubic feet (Bcf) of storage capacity. Facility went into operation in October 2010.
- CPUC in 2010 approved three more storage projects, and is considering a third:
  - Central Valley Storage (5 Bcf), approved October 2010
  - SoCalGas storage capacity expansion (7 Bcf), approved April 2010
  - Wild Goose Storage capacity expansion (21 Bcf), approved December 2010
  - Sacramento Natural Gas Storage (7.5 Bcf), under consideration
- In April 2010, the CPUC approved a SoCalGas \$1.1 billion Advanced Metering Infrastructure proposal.





# Ensuring Natural Gas Procurement Costs Are Reasonable

- Due to moderate natural gas prices (shown on next slide), core bundled gas rates in 2010 remained low relative to previous years.
- Neither the CPUC nor the FERC regulates the price of natural gas.
- The CPUC oversees utility procurement of natural gas supplies by:
  - adopting gas cost incentive mechanisms,
  - adopting an expedited process under which utilities obtain interstate pipeline capacity,
  - ensuring that core customers have adequate storage capacity.
- In January 2010, the CPUC ordered the utilities to be at risk for some of their gas hedging costs, which should require the utilities' price risk management to be more efficient.
- In late 2008, the CPUC approved long-term interstate transportation contracts for PG&E on the proposed Ruby Pipeline. A major new interstate pipeline delivering Rockies supplies to California, Ruby Pipeline is expected to go into operation in 2011.





## Establishing Reasonable Natural Gas Utility Operational Costs, Rates, and Services

- Costs, rates, and terms of service for PG&E's major Gas Transmission System and Storage were examined in 2010, and a CPUC decision is expected in Spring 2011.
- PG&E's gas distribution revenue requirement was examined in 2010, as part of PG&E's 2011 General Rate Case, and a CPUC decision is expected in Spring 2011.
- PG&E allocation of gas distribution revenue requirement to customer classes determined in 2010 by CPUC.
- CPUC examined SoCalGas services and costs on its gas transmission receipt point system in 2010, and a CPUC decision is also expected in Spring of 2011.
- In 2011, CPUC will decide whether SoCalGas should provide "off-system" gas deliveries out-of-state from its system.
- In 2011, the CPUC will examine SoCalGas and SDG&E's gas distribution services and costs in a General Rate Case.





## Monthly Spot Gas Prices

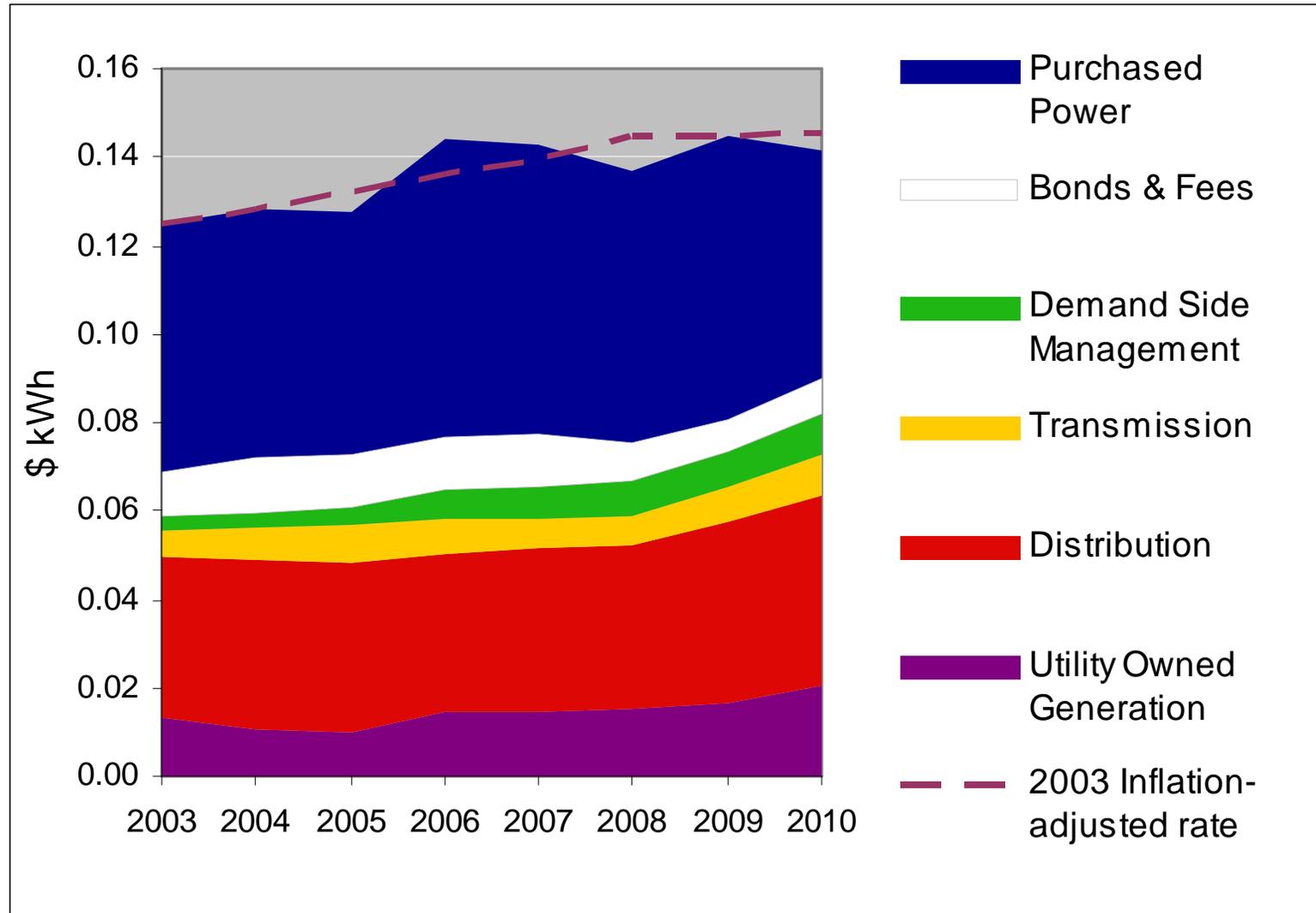


— PG&E Citygate   
 — SoCal Gas Border   
 — SoCalGas Citygate





## Electric Rate Changes Have Tracked Inflation Since 2003





## Low Income Programs Provide Bill Assistance and Energy Efficiency Improvements for Eligible Customers

### Two main programs for low income assistance:

#### 1. California Alternate Rates for Energy (CARE)

- Provides a 20% discount on electric and natural gas bills to more than 3 million households.

#### 2. Energy Savings Assistance Program (ESA)

- Provides low income households with energy efficient appliances and weatherization measures at no cost (formerly known as Low Income Energy Efficiency Program).

### Need for low income assistance expected to increase:

#### Increased Reach:

- Reached over 300,000 homes in 2010 with a goal to reach another 300,000+ in 2011.
- Utilities provided approximately 5 million people with assistance under CARE in 2010.
- With the CPUC's goal of 90% penetration as well as the current economic downturn, CARE enrollments are expected to rise.

#### Increased Budget:

- ESA will provide \$320 million in assistance to low income customers in 2011.
- CARE will provide about \$900 million in bill discounts in 2011.
- The total assistance provided will amount to approximately \$1.2 billion in 2011.





# Energy Efficiency Programs

## 2010-2012 Programs

- September 2009 Decision approved \$3.1 billion for efficiency programs, and additional \$750 million for low income home retrofits.
- Energy Efficiency is the least cost, most reliable, and most environmentally sensitive resource to meet growing demand and GHG reduction goals.
- Supports energy, greenhouse gas, and criteria pollutant savings equivalent to three new power plants.
- Estimated to save ratepayers \$4.2 billion.\*
- Estimated 15,000 to 18,000 new or retained jobs.\*\*
- Numerous innovative initiatives aimed at transforming the market.

\* Based on forecasted benefit-cost ratio of 1.36 in utility application.

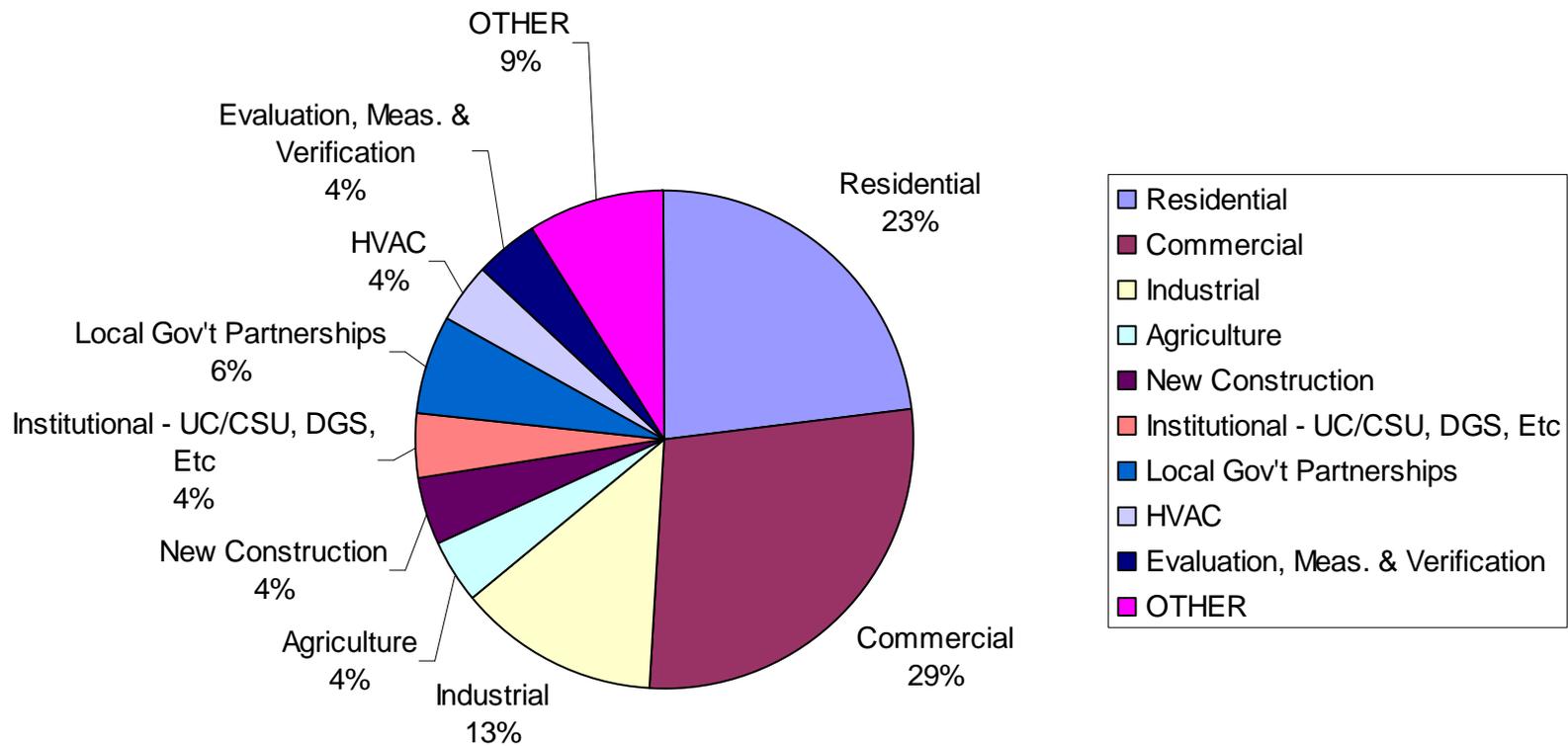
\*\*Job benefits calculated based on Council of Economic Advisers' May 2009 publication of *"Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009"*.





# Investor-Owned Utility 2010-12 Energy Efficiency Budget by Program Areas

Energy Efficiency Budgets 2010-2012





## CPUC Evaluation of IOU Energy Efficiency Programs

- CPUC evaluation addresses (a) savings impacts, (b) cost-effectiveness, and (c) lessons learned
- 2009 Evaluation, Measurement, and Verification study completed January 2011.
- Combined results of 2006-2008 and 2009 period:
  - 43,000 Gigawatt-hours net lifecycle energy reductions
  - 35 million metric tonnes of net lifecycle CO2 emission reductions
  - Verified net savings to ratepayers of \$800 Million
- 2010-2012 EM&V Workplan has broader focus
  - Capture more upstream / market transformation efforts, and
  - Compare delivery mechanisms – utility-run, local government, third-party





## Advanced Meters Leading the Way to Smart Grid

- Advanced Meters currently in full-scale deployment by PG&E, SCE, SDG&E, and SoCalGas.
  - \$5.6 billion investment
  - To date, 11.7 million meters installed out of 23 million meters
  - Expected completion by end of 2012 (electric)
  - Provides hourly consumption data, automatic data collection, and timely detection of grid reliability issues
- Enables significant operational savings and other system benefits driven by customer awareness of load profile and energy costs.
- Key to state goals for demand response/peak-reduction, conservation, and smart grid upgrade.
- 2010 independent evaluation of PG&E's advanced meter program found:
  - PG&E's advanced meters are accurately recording electric usage and are being accurately utilized in customer billing.
  - Customer billing complaints due to a recent rate increase, increased usage caused by a heat wave, inadequate customer service/billing quality control.
  - PG&E did not always follow industry best practices in its operation and deployment of advanced meters.
- On March 10, 2011, President Peevey announced he had asked PG&E to bring to the CPUC a proposal or a series of proposals that will allow customers with an aversion to wireless devices the option of being metered *without* the use of wireless technology.





## Alternative-Fueled Vehicle Rulemaking Status

- **Fall 2009:** Issued Order Instituting Rulemaking (OIR). Comments from 20+ parties signals broad engagement by stakeholders.
- **October 2009:** SB 626 (Kehoe) enacted.
- **July 2010:** CPUC Decision that 3<sup>rd</sup> party electric vehicle service providers will not be regulated.
- **Fall 2010:** Three staff issue papers released for public workshops on Phase II issues (metering, rates, utility notification, and utility consumer education).
- **Spring 2011:** Phase II Decision anticipated ahead of schedule for compliance with SB 626.





# Key Highlights of California Solar Initiative (CSI)

- CSI is 52% of the way towards its goals in 4 years.
  - CSI installed 28% of goal with 45,282 projects and 482 MW.
  - CSI has another 24% of goal pending installation with 10,814 projects and 425 MW.
  - CSI combined with other solar programs in State accounts for 78,000 solar projects and 790 MW statewide.

	CSI Installed	CSI Pending	Program Total
Number of Solar Projects	45,282	10,814	56,096
Megawatts (MW)	482	425	907
Incentives (millions)	\$ 935 M	\$ 541 M	\$ 1,476 M

- Average system costs have declined by 20%+ in 4 years. Source: www.CaliforniaSolarStatistics.ca.gov; March 7, 2011
- Incentives have declined 7 times since 2007.
  - Started at \$2.50/watt → Now \$0.35/watt.
  - CSI rebates now cover just 4% of the Average System Cost.
- Solar installations continue to rise despite decline in incentives.
  - CSI now installs an average of 14 MW per month.
  - CSI installed a monthly record of 25 MW at 1,786 projects in January 2011.
- CSI Research and Development (RD&D) Program focuses on integrating solar projects into the grid and new solar business models.
  - CSI RD&D program has awarded 18 grants for \$34 million in funding.
  - Projects work with 50 organizations and leverage \$17 million in matching funds.
- Low Income Solar Programs target affordable housing units with solar.
  - 1,100+ pending and installed projects, for 22 MW of new solar on affordable housing.





## Aggressive Implementation of Renewable Portfolio Standard (RPS)

- **Large IOUs achieved 18% RPS in 2010** (Increase from 15% in 2009)
  - PG&E - 17.7% (14.4% in 2009)
  - SCE - 19.4% (17.4% in 2009)
  - SDG&E - 11.9% (10.5% in 2009)
- **CPUC continues to push hard to reach 20% mandate and 33% goal**
  - CPUC has approved 181 contracts for 16,000+ MW of new and existing RPS-eligible capacity
    - An additional 34 contracts (for 4,000+ MW) are under review, nearly all for new capacity
  - 1,702 MW of new renewable capacity has come online since 2003
  - IOUs have sufficient projects under contract to meet a 33% RPS, but more work is needed to replace projects that may fail and to ensure that projects are developed in 2020 timeframe
- **CPUC authorized tradable renewable energy credits (TRECs)**
  - CPUC developed REC trading rules to promote an efficient market, with ratepayer protections
    - Clear definitions of bundled (energy + REC) and REC-only contracts will promote market certainty and assist staff review and application of TREC rules
    - Temporary limits on usage of TRECs and price utilities can pay for TRECs will protect ratepayers while we gain experience with the market
  - 33% RPS legislation (SBx1 2) would modify the recently-adopted TREC rules





## Increased focus on wholesale distributed generation (DG)

- **Diversifying RPS procurement with smaller RPS projects could potentially avoid the need for new transmission to meet RPS targets.**
  - In between the RPS program and the customer-side DG programs (e.g. CSI) is the emerging wholesale DG market. Potential benefits of the sector include:
    - Quick project development timelines
    - Avoidance of new transmission
    - Declining technology prices (i.e., solar PV)
    - Insurance for riskier, large-scale renewable projects
- **CPUC adopted the Renewable Auction Mechanism (RAM) (December, 2010)**
  - RAM solicitations open to all technologies, 0 - 20 MW in size
  - Project viability screens, standard contract, and pay as bid
- **CPUC implementing SB 32 (Negrete McLeod, 2009)**
  - Briefs filed on March 7, 2011; ALJ will issue Scoping Memo to set implementation schedule.
- **Distribution interconnection reform**
  - Interconnection delay is a barrier to system-side DG development
  - CPUC staff's recent Renewable Distributed Energy Collaborative (Re-DEC) workshop updated stakeholders on CAISO's and IOUs' interconnection reform and discussed proposals for expediting interconnection for wholesale DG projects.





## Coordination of Planning Processes to Facilitate Achievement of RPS Goals

### Transmission planning within California and throughout the West:

- With broad stakeholder group in the Renewable Energy Transmission Initiative (RETI), developed statewide conceptual transmission plan for reaching 33% RPS and updated assessment of generation resources throughout CA and the West.
- Working closely with CAISO and stakeholders to facilitate necessary “network” expansions of the grid to support clean energy goals, through addition of new category of transmission projects to CAISO tariff.
- Active in formulation of Western proposal to DOE for American Recovery and Reinvestment Act (ARRA) funding for expanded West-wide transmission planning; now participating in committees engaged in that planning.
- Continuing to participate actively in ongoing transmission planning efforts at the Western Electricity Coordinating Council and its Transmission Expansion Planning Policy Committee (TEPPC).

### Coordinating resource and transmission planning:

- RETI’s work is now a direct input to resource and transmission planning processes by many agencies and entities, bringing some consistency to processes at the CPUC, CAISO, CEC and IOUs.
- Working with CAISO to ensure consideration of long-term procurement priorities and high-level siting considerations *early* in the transmission planning process, to smooth permitting at the CPUC.





## **Resource Adequacy and Energy Procurement Programs Ensure Reliable Electric Service at Reasonable Cost**

### **Ensuring resource adequacy**

- The CPUC's Resource Adequacy program ensures that sufficient generation is under contract to meet short term needs (1 year out).
- The CPUC's Long Term Procurement Program ensures sufficient new resources are constructed to meet long term needs (10 years out).
  - 962 MW of new natural gas fueled generation came into operation in 2010 as a result of utility procurement activities.
  - CPUC approved applications for the construction of 1,743 MW of new natural gas fueled generation in 2010.
  - Analysis of Energy Efficiency programs, Demand Response programs, Renewable energy projects, and cost effective combined-heat and power projects are on-going to ensure use of fossil generation is minimized.
  - CPUC is working closely with California agencies to ensure the need to eliminate once-through-cooling systems in electric power plants and meet air restrictions in the L.A. Basin does not threaten reliability.

### **Implementing energy procurement policy to ensure reliable service at a reasonable cost**

- Increased focus on integrating preferred renewable resources at lowest cost.





# Electric Energy Storage

- July 2010: CPUC releases Staff White Paper on barriers and opportunities for energy storage.
- September 2010: AB 2415 (Skinner) chaptered
  - Asks CPUC to determine appropriate targets to procure viable and cost-effective energy storage.
  - Procurement targets, if any, to be achieved by end of 2015 and 2020.
- December 2010: Issued Order Instituting Rulemaking
  - Legislation asks for proceeding to commence by March 2013; CPUC is ahead of schedule.
  - Will address overall policy goals of energy storage and establish cost-effectiveness methodology.
  - Held workshop March 9, 2011.





## Combined Heat and Power (CHP)

- CHP is a larger cornerstone of the CA electric grid (6,000+ MW) and is a preferred resource.
  - GHG Benefits, economic development, locational benefits to the grid and reliability.
- December 2010: CPUC adopted a major all party settlement agreement creating a new CHP program through 2020, resolving major pending litigation and provides orderly transition into new competitive procurement paradigm.
- December 2010: Finalized CHP Feed-in Tariff (AB 1613, Blakeslee) based on previous work done in 2009.
- July and October 2010: CPUC effectively argued at FERC to pave the pathway for Feed-in Tariffs for preferred resources (small new highly efficient CHP in this instance).
- Overall, the CPUC was able to break the “logjam” that was hampering the industry over the last decade; we anticipate major activity over the next few years.





# The Communications Industry



*The CPUC manages universal telephone service programs, issues video franchises, monitors customer service and public safety standards for telephone services, regulates rates for basic phone service and rural carriers, licenses telephone corporations, and responds to federal telecommunications initiatives.*





# Ensuring Universal Telephone Service

## ● LifeLine Program

- LifeLine provided discounted basic local telephone service to an average of 1.8 million subscribers per month.
- In 2011, the CPUC will implement Decision 10-11-033 which adopted comprehensive reforms to the LifeLine program:
  - Delinks LifeLine rates from AT&T's basic service rates;
  - Provides a set monthly subsidy to customers to be used with provider of choice, including wireless and VoIP providers;
  - Allows non-traditional carriers (wireless and VoIP) to participate in the program;
  - Caps current LifeLine rate at \$6.84 until December 31, 2012, and limits the LifeLine rate to no more than 50% of a carrier's basic service rate;
  - Eliminates excess payments to carriers for administrative and bad debt expenses and to make up for forgone Federal support;
  - Expands the LifeLine program to include data services for consumers that receive wireless equipment through the DDTP program.





## Ensuring Universal Telephone Service (continued)

- **Deaf and Disabled Telecommunications Program (DDTP)**
  - Expanded Pilot Program to distribute free wireless phone equipment to low-vision and hard-of-hearing, with Jitterbug.
  - In 2011, CPUC will continue to examine whether to include wireless equipment as a permanent part of DDTP.





## Ensuring Universal Telephone Service (continued)

- **California Teleconnect Fund (CTF) Program :**
  - CTF provides a 50% discount on telecommunications and Internet access services to schools, libraries, health care organizations, non profit community-based organizations (CBOs), and California Community Colleges.
  - At the end of 2010, the CTF program had approximately 5,600 participants, an increase of 29% over the prior year.
  - From 2009 to 2010, CBO participants increased 60% to 2,900 participants. They now represent more than 50% of all CTF entities.





# Telephone Corporation Billing Rules

- **Final Decision Adopting California Telephone Corporation Billing Rules improving anti-cramming rules (D.10-10-034)**
  - Clarifies that billing telephone corporations must verify a disputed charge from a 3<sup>rd</sup> party. May not shift responsibility to third-party service provider or billing agent
  - Requires Telephone Corporations to offer customers an option to block all third-party billing
  - Beefs up Reporting Requirements and expands reporting to include wireless carriers.
  - Ordered CPUC staff to conduct on-going Collaborative Workshops on Consumer Education





# Service Quality

**CPUC standard (G.O. 133-C) is that communications carriers restore customer telephone service within 24 hours 90% of the time.**

- The 4 Large Local Exchange Carriers did not meet the goal in 2010.
  - Verizon, Sure West and Citizens of California restoral percentage ranged from a low of 60% to a high of 96%.
  - AT&T's results ranged from a low of 32% to high of 70%
  - Average duration for outages for AT&T is 36 hours.
- Of the 12 Small Local Exchange Carriers, 9 met or exceeded the 90% in 24 Hour Standard in most cases
  - Pinnacles, Ponderosa and Volcano fell short of the goal.





# Service Quality

## Carrier Corrective Action Plans

- AT&T's plan is to supplement maintenance work hours to achieve the goal of 90% restoral in 24 hours or less by:
  - Increasing overtime hours.
  - Borrowing personnel from other workgroups and assigning them to maintenance fieldwork.
  - Increasing seasonal workforce in anticipation of possible storms.
  
- Verizon's plan to achieve 90% restoral within 24 hours is to:
  - Hire Contractors.
  - Initiate Workforce reassignments.
  - Initiate Software enhancements to improve out of service ticket dispatching.
  - Initiate Performance education for staff.





# Service Quality

## Acute Out of Service Issue in 2010

### Winter Storm Related Service Outages and States of Emergency Declared in 12 Counties (December 2010).

- Outages related to states of emergency are excluded from GO 133C (Service Quality) reporting.
- AT&T reported 187,159 storm related trouble tickets between 12/19/10 and 1/22/11, with a peak of 79,000 in late December.
- As of the beginning of March, AT&T reported to being back to non-storm related outage levels.





# Service Quality

## Next Steps

- Staff is drafting a report on the results of reported General Order 133-C Service Quality measures, as well as the impact of storms on service outages
- The Commission may consider issuing an Order Instituting Investigation and/or Rulemaking to:
  - Revisit the existing standards
  - Consider incentive/penalty mechanisms
  - Implement Real-time reporting processes during states of emergency or catastrophic events





# California Advanced Service Fund (CASF) Projects Approved for Funding

- The total CASF award to date is \$57.87 million for 41 projects covering 15,161 square miles and benefiting 318,788 households
  - Unserved areas : \$ 4.91 million for 15 projects covering 3,236 square miles and benefiting 27,427 households
  - Underserved areas : \$52.96 million for 26 projects covering 11,925 square miles and benefiting 291,361 households
- Out of the 41 CASF projects awarded;
  - 14 projects have been completed
  - Other projects are either:
    - Under construction and will be completed in mid-2011 through 2013
    - Under CEQA review or undergoing pre-construction activities





## Recent CASF Developments

- **Governor Schwarzenegger signed Senate Bill 1040 (Padilla) in August 2010 which:**
  - **Increases CASF appropriation from \$100 million to \$225 million**
  - **Establishes and allocates the additional \$125 million to be collected after January 1, 2011 to the following accounts:**
    - **The Broadband Infrastructure Grant Account - \$100 million**
    - **The Rural and Urban Regional Broadband Consortia Grant Account - \$10 million, and**
    - **The Broadband Infrastructure Loan Funds Facility Account - \$15 million**
  
- **The Commission opened Order Instituting Rulemaking (OIR) 10-12-008 in December 2010 to:**
  - **Implement details to support the provisions of SB 1040; and**
  - **Address possible changes to the program based on CASF's two- year implementation experience**





## DIVCA Implementation of State Issued Video Franchises

- Under DIVCA, video competition has increased quickly
- The CPUC has issued 128 Video Franchises to 25 companies
- AT&T and Verizon more than quadrupled the number of households offered video between 2007-09
- 62% of all video customers in the state are now served by state video franchise holders





# Mapping Broadband Deployment

- **CPUC received a \$7.9 million dollar federal Recovery Act grant in order to collect broadband availability data from all broadband providers in the state and to support the California Broadband Council**
- **Data collection and mapping efforts support both state and federal programs**
  - Spring 2011 submission to the NTIA
  - CASF, DIVCA, RTI
- **Broadband Deployment is increasing**
  - 66% of households served by state-issued video franchisees and their affiliates subscribe to wireline broadband
  - 7.2% of the California population subscribe to mobile wireless broadband service plans.





# The Water Industry



*The CPUC is responsible for ensuring that investor-owned water utilities deliver clean, safe, and reliable water service at reasonable rates.*





# Advancing Water Regulation

- **CPUC regulates 127 water utilities serving about 18% of California residents; and 13 sewer utilities.**
  
- **Water Supply and Conservation**
  - **Water Action Plan 2010 Update Adopted**
    - *Water Conservation* is the best, lowest cost of supply.
    - Implementing the 2009 Comprehensive Water Package – 20% reduction in water use by 2020 - now.
    - Coordinating our efforts with other state agencies.
  - **Aggressive water conservation policies in place for our larger water utilities**
    - Decoupled Sales and Revenues.
    - Implemented Tiered Rates.
    - Increased water conservation budgets
  - **Recycled Water rulemaking opened**





# Advancing Water Regulation

- **Low-Income Ratepayer Assistance**
  - Programs in place at our ten largest water utilities, serving 95% of our water ratepayers.
  - Rulemaking currently open to increase up-take rate for these programs.
    - Sharing of information among water and energy utilities.
  
- **Water / Energy Nexus**
  - Re-defining water conservation as an energy efficiency strategy
    - Conserve water, use less energy intensive water, make delivery systems more efficient.
  - RD&D programs underway now
    - Operating well pump / motor combination at optimal efficiency levels using specialized software programs.
    - Replacement of mechanical pressure reducing valves with modern electrical regenerative flow control valves.





# CPUC Administrative Initiatives





# CPUC Initiatives

## SB 960 Compliance

- Resolved 311 of 313 proceedings consistent with legislative deadlines (99 percent) and continue to work on closing older proceedings.
- Closed 358 proceedings in 2009 and reduced the average time that formal matters were open by approximately 44%.
- **Modernizing the Commission**
  - Continued to streamline processes and procedures to take advantage of new technology while maintaining parties' due process rights.
  - Electronic filing is a success! In 2009 we received 91% of filings electronically and processed them 29% faster (on average) than in 2008. These documents are all available on the Commission's web site.
  - We are in the process of expanding our e-filing system to allow submission of testimony and exhibits electronically.
- **Reviewing CPUC processes**
  - Implemented a new agenda format to highlight proposed outcome and costs.
  - Launched a subscription service to allow the public to follow proceedings more easily.
  - Established working groups with internal and external stakeholders to focus on improving ex parte rules, public access, and practice and procedure at the CPUC.





## Working to Reduce Service Disconnections

- In February 2010, the CPUC issued a Rulemaking ordering the utilities to offer any customer who is in danger of being disconnected with an extended bill payment plan for three months extending up to twelve months.
- The CPUC ordered the utilities not to charge customers, who have already established credit, additional deposits following non-payment of bills or disconnections.
- The CPUC ordered the utilities to leverage CARE funds with ARRA (American Recovery and Reinvestment Act) matching dollars channeled through the Temporary Assistance to Needy Families (TANF) Emergency Contingency Fund to offer additional bill payment assistance to low income customers.
- Subsequent to the expiration of ARRA, the CPUC approved a SoCalGas request for an additional \$3 million in bill payment assistance.
- The CPUC also approved a settlement between SDG&E, SoCalGas, and the consumer advocates including TURN and DRA to adopt disconnection benchmarks for the two utilities and to impose measures such as extended payment plans, minimum payment requirements, and abolition of reconnection deposits if benchmarks are exceeded.





# Electric Utility Rate Cases

## **PG&E 2011 General Rate Case**

- March 2011 – Commission scheduled to adopt a decision authorizing the appropriate level of funding through 2013 to ensure adequate service and allow necessary capital investments.
- 2<sup>nd</sup> quarter of 2011 – Commission will adopt decisions in the rate design phase of proceeding to assure a fair allocation of revenues to all customer classes, and cost based rates.

## **SCE 2012 General Rate Case**

- November 2010 – SCE filed its 2012 GRC application addressing revenue requirements. SCE requests increases in electric revenues to accommodate increased customer and load growth, replace aging distribution infrastructure and business systems, and make contributions to employee pension funds.
- June 2011 – SCE will file the electric rate design portion of its 2012 GRC in June 2011.

## **SDG&E 2012 General Rate Case**

- December 2010 – SDG&E its 2012 GRC application addressing revenue requirements. SDG&E requests increases revenues to own and operate the facilities needed to generate and distribute electricity to its customers, distribute gas, and to fulfill its customer service function.
- SDG&E will file the electric rate design portion of its 2012 GRC in September 2011.





**Thank you.**

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