Annual Presentation to Assembly Utilities & Commerce Committee

March 8, 2016

Michael Picker
President
California Public Utilities Commission
Agenda

✓ About the CPUC
✓ Budget
✓ CPUC 2015 Highlights
✓ 2016 Safety Action Plan
✓ SB 350 Implementation
✓ Electricity Rate Reform
✓ Hot Policy Issues
✓ CPUC Strategic Plan
About the CPUC

The CPUC regulates the following services:

- Electricity
- Natural Gas
- Telecommunications
- Water
- Rail and Transportation

Five Governor-appointed Commissioners serve staggered six-year terms.
**Utility Regulation**

**Electricity:** 11.5 million customers; 32,698 miles of transmission lines; 239,112 miles of distribution lines; more than 200 electric generation units

**Natural Gas:** 10.7 million customers; 103,000 miles of pipelines

**Telecommunications:** Oversee 1,220 communication licenses; voice line customers: 36.4 million wireless & 10.7 million wireline; Oversee 6 Universal Service programs:

- California Teleconnect Fund
- California Advanced Services Fund
- California LifeLine
- Deaf & Disable Telecommunications Program
- California High Cost Fund A (CHCF-A) and B (CHCF-B)

**Water:** 108 water and 13 sewer utilities serving about 15 percent of California's population.
California Snapshot

✓ Average monthly electricity bill is $92 (national average is $110)

✓ Average monthly gas bill is $40 (national average is $60)

✓ The CPUC regulated water utilities on average charge water customers a monthly charge of $68

✓ Broadband service has reached more than 95% of California households
The CPUC’s budget for operations is $136 million annually. This supports staff salaries, benefits, and operational expenses including contracts, travel, etc.

<table>
<thead>
<tr>
<th>Appropriation</th>
<th>Positions</th>
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<tbody>
<tr>
<td>State Operations (Total)</td>
<td>136,450,000</td>
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<tr>
<td>Regulation of Utilities</td>
<td>98,499,000</td>
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<tr>
<td>Regulation of Transportation</td>
<td>30,488,000</td>
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<tr>
<td>Universal Service Telecommunication Programs</td>
<td>7,463,000</td>
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<tr>
<td>Administration**</td>
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2015 Highlights

The CPUC adopted 584 decisions

Statutory Implementation: 15 different new pieces of legislation were implemented

The Commission implemented 7 energy related bills, 4 safety related bills, and 4 telecommunication related bills.

Enforcement Initiatives

- 259 Gas Incidents Investigated.
- 263 Electric Incidents Investigated.
- $43 million of fines levied against telecommunication companies
- $1,618 million of fines levied against energy companies

Policy Initiatives

- Over 1,770 MW of Renewable Generation Added.
- Statewide Broadband Availability continues to be 95%
- Water conservation by PUC regulated utilities exceed 25%
2016 Safety Action Plan Update

Assuring Safety: The CPUC will continue to improve on assuring the safety of utility service and integrating safety into each agency division’s work by implementing the following 9 action items as part of the 2016 Safety Action Plan Update.

1. Utility Pole En Banc (Safety Policy)
2. Administrative Law Judge Training (Safety Policy)
3. Industry Division Staff Training (Safety Policy)
4. Reorganization of Safety & Enforcement Division (Safety Compliance and Enforcement)
5. Staff Reports on Safety-Related Expenditures (Risk Management)
6. Safety Review in General Rate Cases (Risk Management)
7. Safety Intervenor Workshop (Safety Promotion)
8. Advanced Safety Seminar (Safety Promotion)
9. Building Strong Safety Capacity Through Collaboration and Coordination With Other State Agencies (Safety Promotion)

Web Link: http://www.cpuc.ca.gov/general.aspx?id=7772
Senate Bill (SB) 350 (de León, Chapter 547, 2015) requires the CPUC to focus energy procurement decisions on reducing greenhouse gas emissions by 40 percent by 2030, including efforts to achieve at least 50 percent renewable energy procurement, doubling of energy efficiency, and promoting transportation electrification.

**CPUC Implementation Work Areas**

- Integrated resource planning
- Energy efficiency
- Renewable energy
- Transportation electrification
- Regionalization of electric transmission

**SB 350’s broad statutory requirements impact approximately 17 different proceedings**

Web Link: [http://www.cpuc.ca.gov/sb350](http://www.cpuc.ca.gov/sb350)
Assembly Bill (AB) 327 (Perea, Chapter 611, 2013) removed certain restrictions on residential rates, which had led to steeply inclining “tiered rates.” In July, 2015, the CPUC implemented AB 327 by adoption Decision D.15-07-001 on Residential Rate Reform including the following:

**Tier Flattening: Four-Year “Glidepath”**

- Compress rate tiers from 4 to 2 (with a 25% differential) on a gradual glidepath by 2019.
- This will bring rates more in line with cost over a reasonable time horizon.
- Some high usage customers currently paying above the cost of service will experience bill reductions, while some lower usage customers paying below the cost of service will experience bill increases.

**Default Time-of-Use (TOU) Rates**

- Residential customers will be defaulted to TOU rates on January 1, 2019.
- TOU rates reflect predictable daily changes in the cost of electricity service, and enable customers to reduce usage during peak hours when electricity prices are higher.
- Proposals for default TOU rates will be considered in the utilities’ 2018 Rate Design Window applications.
Aliso Canyon Leak – What happens next?

- CPUC’s root cause analysis is underway
- Assessing Southern California reliability needs

Renewable Energy and Preferred Resources

- Three large electric utilities are ahead of schedule towards meeting 33% RPS
- Successor to Net Energy Metering adopted
- Replacing fossil generation with preferred resources to meet Southern California reliability needs
- Electric vehicle infrastructure pilots commencing in SCE and SDG&E territories

Drought

- Water utilities are reaching the Governor’s water curtailment goals.
CPUC Strategic Plan

CPUC is conducting an agency-wide strategic planning process to align the organization around clear expectations set by all 5 commissioners.

In 2015 we adopted 14 Strategic Directives and in 2016 we will create an action plan for each directive:

1. Administration
2. Communications
3. Climate Change
4. Compliance & Enforcement
5. Consumer Protection, Education, Assistance, and Engagement
6. Decision-making
7. Economic Prosperity
8. Environmental Sustainability
9. Mission/vision
10. Rates and Affordability
11. Reliability and Resiliency
12. Risk Management
13. Safety
14. Universal Access

Web Link: http://www.cpuc.ca.gov/strategicplanninginitiative/
More Work To Be Done

The CPUC’s annual report covers in detail all the areas that the Commission oversees such as telecommunication and water and transportation and of course rail safety. [http://www.cpuc.ca.gov/AnnualReports/](http://www.cpuc.ca.gov/AnnualReports/)

The CPUC is committed to the following:

- **Transparency** of our work to the legislature and the public
- **Fairness** – everyone should have the same opportunity and access
- **Integrating** the CPUC with the rest of California government
- **Effectively regulating** the industries within the CPUC’s jurisdiction

Changing the CPUC’s culture is ongoing and will happen over time.

- I have been a Commissioner for over two years, and I’m still learning how to navigate the PUC’s process…

I will take your questions.
For Additional Information:
www.cpuc.ca.gov

Michael Picker
President
California Public Utilities
Commission