



Regulatory Responsibilities of the California Public Utilities Commission

Overview

The California Public Utilities Commission (CPUC) is dedicated to ensuring that consumers have safe, reliable utility service at reasonable rates, protecting against fraud, and promoting the health of California's economy. The CPUC is a constitutional agency with broad constitutional and statutory powers to regulate investor-owned electric, natural gas, telecommunications, and water utilities. The CPUC has licensing authority over household goods carriers (moving companies) and charter party and passenger stage carriers (limousines, shuttles, etc.). In addition, the CPUC has substantial safety enforcement responsibilities and is charged with investigating the cause of all accidents on the property of any public utility and all rail accidents, including those involving public transit vehicles. While much more limited in scope, the CPUC also has regulatory authority over chilled water and steam based district heating/cooling systems and propane, water, and electric systems in mobile home parks. The CPUC has five Governor-appointed Commissioners, a staff of approximately 1,000, and a Division of Ratepayer Advocates with a statutory mission of obtaining the lowest possible rate for service consistent with reliable and safe service levels.

Electricity

California has three major investor-owned electric utilities (Pacific Gas and Electric Company (PG&E), Southern California Edison, and San Diego Gas and Electric Company (SDG&E)) and four smaller electric utilities. The CPUC has full plenary authority over the operations of the electric utilities and sets and designs their retail rates through traditional General Rate Cases as well as allocating costs among utility customers in other types of proceedings. In addition, it is responsible for ensuring that electric utilities meet the state's Renewables Portfolio Standard of utilities procuring 20 percent of their power by renewable sources by 2010, as well as the Governor's higher goal of 33 percent by 2020. The CPUC also regulates electric safety and the state's electric distribution safety standards through its General Orders. When a utility proposes to build a major electric transmission line, power plant, or other major facility within California, the CPUC serves as the lead agency under the California Environmental Quality Act to review the environmental effects of the proposed project and propose mitigation measures. As part of its oversight of electric utilities, the CPUC also administers the state's Public Purpose Programs for electricity such as utility sponsored energy efficiency efforts and renewable energy programs. The CPUC also coordinates its regulatory activities with those of the California Energy Commission and the California Independent System Operator. On the federal level, the CPUC represents California and its ratepayers in proceedings before the Federal Energy Regulatory Commission (FERC).

Natural Gas

Similar to the electric industry, California has three major and one smaller investor-owned natural gas utilities. Two of these gas utilities, PG&E and SDG&E, are combined electric and natural gas utilities; whereas, Southern California Gas Company is a stand-alone natural gas utility, although it is part of Sempra, which owns both SDG&E and Southern California Gas Company. Southwest Gas is a much smaller gas utility that provides gas in the Lake Tahoe Basin and in parts of Southern California. Similar to the electric industry, the CPUC sets retail natural gas rates and allocates costs for all different categories of gas customers through traditional General Rate Cases and/or cost allocation proceedings. The CPUC also administers gas-related Public Purpose conservation programs and sites gas storage fields through the Certificate of Public



Convenience and Necessity (CPCN) process. Over the years, the CPUC has intervened in various gas-related proceedings before FERC, including major cases involving El Paso Pipeline.

Communications

The CPUC develops and implements policies for the telecommunications industry, including ensuring fair, affordable universal access to necessary services; developing clear rules of the game and regulatory tools to allow flexibility without compromising due process; removing barriers that prevent a fully competitive market; and reducing or eliminating burdensome regulation. The CPUC's California Advanced Services Fund provides matching grants for the deployment of broadband infrastructure in unserved and underserved areas in California. The CPUC's communications work also includes licensing video franchises; addressing area code and number conservation issues; licensing wireline, wireless, two-way paging, cable telephony, and mobile radio providers serving residential and business customers; representing California in proceedings before the Federal Communications Commission; overseeing the Consumer Protection Initiative to help consumers manage their phone services in a changing marketplace; and investigating illegal activity by industry participants, including prepaid phone card providers.

Water

Approximately 120 investor-owned utilities provide approximately 20 percent of the residential water used in California. The CPUC regulates this industry in a traditional cost-of-service fashion and sets rates for the largest 10 water utilities through contested General Rate Cases. The CPUC also has a responsibility to ensure that water provided by these companies meets all applicable state and federal water quality standards. Rates for smaller water utilities are set through the submittal of Advice Letter filings, which are akin to small-scale General Rate Case filings. Under statute, if one of the state's water utilities is abandoned by its owner or becomes insolvent or otherwise unresponsive to the CPUC, the CPUC may seek the appointment of a receiver to take over the operation of the water company and sell its assets to a potential buyer.

Transportation

The CPUC licenses charter party carriers, passenger stage carriers, and household goods carriers. Companies interested in entering into these businesses must demonstrate that their drivers are properly licensed and participate in the state's drug and alcohol testing program; have adequate liability and property damage insurance coverage; and have paid all applicable fees to the CPUC. The CPUC's staff investigates unlicensed operators and issue citations and other enforcement measures to remove unlicensed firms from business. In the area of rail safety, the CPUC is responsible for licensing new rail crossings, safety enforcement for traditional rail freight and passenger traffic, as well as rail-based public transit including unmanned trains such as at the San Francisco International Airport.

For more information on the CPUC, please visit www.cpuc.ca.gov or contact the News and Public Information Office at (415) 703-1366 or news@cpuc.ca.gov.

California Public Utilities Commission
505 Van Ness Ave., San Francisco, CA 94102
(415) 703-2782

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