California Public Utilities Commission

Update to the
Senate Energy, Utilities and Communications Committee

Michael R. Peevey, President
California Public Utilities Commission
August 7, 2012
Presentation Overview

- About the CPUC
- Helping Customers and Promoting Diversity
- Safety and Enforcement
- Implementing Energy Priorities and Overseeing Key Issues
- Encouraging Broadband and Promoting Universal Service
- Protecting Water Customers
About the CPUC

• 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.
Helping Customers and Promoting Diversity

The CPUC responds to ratepayer inquiries, resolves customers’ informal complaints regarding their utility billing and services, assists the public participating in CPUC proceedings, and promotes diversity in utility contracting practices.
Resolving Consumer Complaints

- Resolved through the Consumer Affairs Branch (CAB) more than 18,887 written utility customer complaints and helped to obtain $1.7 million in refunds/bill credits in 2011.

- Improved CAB response time to consumers by over 7%.
Promoting Diversity

Supplier Diversity – General Order (GO) 156 Results

2011 Performance

• Collectively, more than 30 participating GO 156 companies procured more than $7 billion from diverse suppliers.
  – In 2010 these same companies procured just over $5 billion.

• AT&T Wireless and Sprint Wireless had the biggest increase in supplier diversity year over year:
  – AT&T Wireless jumped from 11% to 21% equaling $712 million in 2011 ($333 million in 2010).
  – Sprint Wireless jumped from 15% to 28% equaling $686 million in 2011 ($334 million in 2010).

• We are working to expand GO 156 in two areas:
  – Increased focus on capacity building and technical assistance.
  – Entry to the electric procurement market.
  – Working with the State of New York’s Public Service Commission and California’s Department of Insurance to help develop a similar model for their respective organizations.

• Extending the reach of GO 156 to other companies:
  – Comcast filed their second annual report and T-Mobile is slowly joining diversity efforts.
Safety and Enforcement

The CPUC has safety oversight of electric and communications facilities, natural gas and propane gas systems, railroads, light rail transit systems, and highway/rail crossings, licensing, consumer protection, and safety oversight of motor carriers of passengers, household goods, and water vessels.
Safety Staff Enhancement

• New Director of Consumer Protection and Safety: Brigadier General (CA) Jack Hagan.

• The 2012-2013 budget increased the number of inspectors in the Gas Safety and Reliability Branch to 29.
  • The 12 new positions have been posted and interviews are underway to fill the positions.

• New inspectors are undergoing required training to become federally certified inspectors, conducting audits of mobile home parks and propane systems, participating in large operator audits with more senior staff, and conducting field inspections.

• Risk Assessment staff authorized in the 2011-2012 budget have all been hired and produced their first report in March 2012.
Natural Gas Enforcement Post-PG&E Pipeline Rupture in San Bruno

- PG&E fined $38 million for Rancho Cordova, and faces significant fines for San Bruno.
- Issued $16 million citation to PG&E for failure to conduct pipeline leak surveys under new citation program.
- Considering penalties against PG&E for pipeline rupture.
- Considering penalties against PG&E for recordkeeping practices.
- Considering penalties against PG&E for pipeline classification violations.
- Conducting, with assistance from PHMSA, comprehensive audits of all aspects of PG&E’s pipeline operations.
- Scrutinizing Costs: Directed PG&E to provide reports regarding what pipeline projects were high priority, which projects were actually conducted, the reasons for utility re-prioritization, and whether utilities are appropriately spending approved costs and expenses.
Safety and Reliability: Electric and Gas

• **Pole Overloading**: Increase of pole failures recently in Southern California. CPUC examining loading requirements for poles.

• **Grid Modernization**: Enables wider utilization of Distributed Generation and ability to isolate customers remotely.

• **Plant Outages**: CPUC routinely visits power plants to inspect outages and repairs. Comprehensive audits evaluate plant safety, maintenance, and upkeep.

• **Mobilehome Master-Meters**: CPUC evaluating what can be done to encourage a timely and fair replacement of master-metered services provided to mobilehome residents.
Safety: Railroad, Rail Transit, and Rail Crossings

• CPUC’s rail safety programs:
  • Railroad safety – joint jurisdiction with the Federal Railroad Administration.
  • Rail transit safety - state safety oversight agency with exclusive jurisdiction.
  • Rail crossing safety - exclusive jurisdiction for authorization and safety.

• New risk assessment staff will integrate engineering, audit, inspection, maintenance, operations, and accident data.

• A new database system will provide risk assessment, work tracking, rail infrastructure, accident, and investigation data management.

• CPUC rail safety inspectors conducted 3,925 inspections in 2011.
  • Inspector recruitment and retention is currently a problem.

• First of its kind in the nation, CPUC regulation prohibits the use of personal electronic devices by rail transit operators, enforced with inward-facing in-cab video cameras.

• Positive Train Control
  – Staff is monitoring Positive Train Control (PTC) installation for federal and state compliance.
  – PTC is designed to prevent collisions, such as the 2008 Chatsworth passenger train collision that resulted in 25 fatalities.
  – CPUC opposed a bill in Congress that would delay the PTC implementation deadline from 2015 to 2020.
Implementing Energy Priorities and Overseeing Key Issues

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.
Combined IOU Electric Rates Have Roughly Tracked Inflation Since 2003
Generation and Distribution Costs are the Largest Rate Components

2012 Rates
Update on Smart Meters

• Smart Meter Deployment Status
  - SDG&E / PG&E: Over 90% complete (13 million total)
  - SCE: ~80% complete (4 million total)

Customers with Smart Meters are beginning to see benefits, such as availability of interval data through the utility websites and 3rd party apps, such as those enabled by the “Green Button”.

• Smart Meter Opt-Out Approved
  o CPUC approved smart meter Opt-Out (analog option) for PG&E, SCE, and SDG&E with the same fee to be assessed for opt-out for all three utilities.
    - Non-CARE: $75 upfront + $10 / month
    - CARE: $10 upfront + $5 / month
  o Of the 194K customers on PG&E’s “delay list”, ~30,000 have elected opt-out to date (~15,000 chose to keep smart meter).
  o SCE and SDG&E opt-out numbers are lower, with under 2,000 customers who have opted-out in total.
  o CPUC began Phase 2 to examine estimated costs and cost allocation issues associated with Smart Meter Opt-Out; Scoping ruling issued June 8, 2012.
San Onofre Nuclear Generating Station Update

- San Onofre Nuclear Generating Station (SONGS) units 2 and 3 are out of service due to a failure of operation in unit 3; public safety is the primary concern.

- Southern California Edison will not restart the generators until the Nuclear Regulatory Commission (NRC) approves the corrective measures taken at the plant.

- Coordination among the CPUC, the Governor’s Office, the IOUs, ISO, and other agencies has been strong to ensure execution of all reasonable actions that ensure system reliability and public safety.

- These measures include maximizing demand response, expediting construction of the Sunrise Powerlink, and establishing alternative generation to maintain system reliability.
Demand Response Efforts

• Approved new demand side programs in SCE & SDG&E service territory providing an additional 26 MWs.
  – SCE 10-10 Program: 12 MW
  – SDG&E Peak Time Rebate: 4 MW and Demand Bidding Program: 10 MW

• Coordinated with the ISO and utilities on DR planning, reporting, operation, and monitoring.
  – Mapping of DR programs with the ISO’s five different types of system contingencies
  – Utilities’ daily reporting of available DR resources and DR event details to the CPUC/ISO starting June 1, 2012.

• Flex Alert Campaign
  – Authorized Flex Alert this summer: incl. multilingual messages
# 2012 Summer DR Availability

**Demand Response Load Impact Forecast**

*(MW)*

<table>
<thead>
<tr>
<th>Utility</th>
<th>2012 RA Counting (w/o T&amp;D Line Loss Adj.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June</td>
</tr>
<tr>
<td>SCE</td>
<td>1,494</td>
</tr>
<tr>
<td>- LA Basin</td>
<td>1,141</td>
</tr>
<tr>
<td>- So Orange Co.</td>
<td></td>
</tr>
<tr>
<td>- So of Lugo</td>
<td></td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>108</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>545</td>
</tr>
</tbody>
</table>
# 2012 Summer DR Events

<table>
<thead>
<tr>
<th>Utility</th>
<th>Event Date</th>
<th>Actual</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCE</td>
<td>06/22/12</td>
<td>56</td>
<td>DO</td>
</tr>
<tr>
<td></td>
<td>06/29/12</td>
<td>395</td>
<td>43+DO</td>
</tr>
<tr>
<td></td>
<td>07/10/12</td>
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<td>DO</td>
</tr>
<tr>
<td></td>
<td>07/12/12</td>
<td>148</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td>07/20/12</td>
<td>12</td>
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<td></td>
<td>07/23/12</td>
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<td>56</td>
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<tr>
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<td>07/24/12</td>
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<td></td>
<td>07/30/12</td>
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<tr>
<td></td>
<td>07/31/12</td>
<td>NA</td>
<td>0.1</td>
</tr>
<tr>
<td>SDG&amp;E</td>
<td>07/20/12</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>PG&amp;E</td>
<td>07/09/12</td>
<td>35</td>
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<td>07/10/12</td>
<td>80</td>
<td>76</td>
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<td></td>
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<td>305</td>
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<td>68</td>
</tr>
<tr>
<td></td>
<td>07/23/12</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>08/02/12</td>
<td>NA</td>
<td>18</td>
</tr>
</tbody>
</table>

Note:
[1] The IOUs have the discretion to trigger any combination of programs (price-responsive or emergency) depending on system conditions. CAISO can also request the IOUs to trigger specific programs to address system conditions detected by the CAISO. No emergency programs have been triggered to date.

[2] MWs are the total of individual program average over the event hours.

[3] A range from the event hours will be provided if no individual program forecast is available at the time of this report.

DO = Day Of Event (forecast info. not available prior to 7/12/12)

NA = Not available (DR results will be available 7 days after the events)
Tehachapi Renewable Transmission Project

• 173 mile 500kV transmission line designed to deliver renewable energy from the Tehachapi foothills to the Los Angeles Basin.

• Approved by CPUC in December 2009 and currently about 60% complete, with construction scheduled for completion in 2015.

• CPUC stopped construction through the City of Chino Hills (portion of Segment 8A) in November 2011 in response to community concerns about the larger towers visibility and safety.
Renewables Portfolio Standard (RPS) Progress

- **Large IOUs achieved overall 20% RPS in 2011** (up from 18% in 2010)
  - PG&E – **19.3%** (17.7% in 2010)
  - SCE – **20.7%** (19.4% in 2010)
  - SDG&E – **20.8%** (11.9% in 2010)

- **CPUC aggressively pursuing 33% RPS goal by 2020**
  - CPUC has approved 200+ contracts for 18,500+ MW of new and existing RPS capacity.
  - Approximately 2,800 MW of new renewable capacity has achieved commercial operation since 2003.
  - In the first half of 2012, CPUC approved 48 contracts for 2,450 MW of existing and new renewable capacity, 95% of which is for new projects.
  - **Overall Progress:** 61% of the renewable generation needed in 2020, on a risk-adjusted basis, to attain 33% RPS in 2020 is currently under contract with the three IOUs.
    - This number increases to 90% when assuming all expiring contracts are re-contracted with and deliver in 2020.

- **Large IOUs filed 2012 RPS Procurement Plans**
  - Decision authorizing next large-scale RPS solicitations expected by the end of the year.
  - Expect strong market response and competitively priced bids.
33% RPS Implementation Update

- CPUC has implemented highest priority policies within new 33% RPS law, Senate Bill 2 (1X) (Simitian, 2011)
  - Established 33% Procurement Targets – Decision adopted December 2011
  - Implemented Portfolio Content Categories – Decision adopted December 2011
  - Established New Compliance Rules – Decision adopted June 2012
    - On August 20, 2012, retail sellers will file “Closing Reports” identifying RPS compliance position for years prior to 2011

- Initiated work on new Cost Containment framework
  - Scoped into RPS proceeding R.11-05-005
  - Issued ALJ Ruling requesting comments on procurement expenditure limitations for the RPS Program
  - Finalizing contract with technical consultant to assist with cost containment proposal

- Next Steps
  - Implement RPS enforcement rules
  - Implement new cost containment framework
Pursuing Distributed Generation

• Diversifying RPS procurement with smaller RPS projects could potentially avoid the need for new transmission to meet RPS targets.

• Robust response to Renewable Auction Mechanism (RAM) auctions.
  – RAM: competitive auction process with standard contract for RPS projects ≤ 20 MW.
  – Program adopted by CPUC in December 2010.
  – First RAM auction closed November 2011 with strong response from market:
    • Over 1,800 MWs bid into the first auction – more than 9x the total capacity targeted for the first auction.
    • Robust response allowed IOUs to select high value, viable projects for execution.
  – Second RAM auction closed May 2012 with an even larger market response.
    • IOUs expected to file executed contracts from RAM2 in late August 2012, at which time public data will become available for RAM2 results.

• Distributed Generation Interconnection Proceeding (R.11-09-011).
  – Goal: To develop transparent rules that provide a clear and predictable path to interconnection for Distributed Generation projects while maintaining safety and reliability.
  – Parties reach consensus on many issues: Revisions to Tariff Interconnection Rules expected to be Filed with the CPUC end of March 2012.
  – Next Steps: During 2012, Phase 2 of the proceeding will address issues that could not be settled by parties.
CPUC Implementing Revised Renewable Feed-in-Tariff

- CPUC adopted Renewable Market Adjusting Tariff (Re-MAT) for the revised Renewable Feed-in-Tariff Program.
  - D.12-05-035 adopted Re-MAT pricing mechanism in May 2012, and adopted other changes including increasing the max. eligible project size from 1.5 MW to 3 MW.
  - Three large IOUs filed standard PPA and Tariffs in July 2012.
  - Revised Feed-in-Tariff utilizing Re-MAT expected to become effective by end of 2012.

- **Re-MAT: Market-based pricing to provide greater ratepayer value**
  - Re-MAT will offer a separate feed-in-tariff price for three different product buckets, depending on a project’s particular generation profile:
    - Baseload (e.g., bioenergy, geothermal)
    - Peaking As-available (e.g., solar)
    - Non-Peaking As-available (e.g., wind)
  - Re-MAT will adjust the price every other month based on the level of market subscription the previous month for the particular product bucket.
  - Allowing market subscription to set the price will ensure ratepayers benefit from procurement of the most cost-effective projects, while allowing the market to determine the price it needs to develop projects within this market segment.
Pursuing Distributed Generation

• Diversifying RPS procurement with smaller RPS projects could potentially avoid the need for new transmission to meet RPS targets.

• Robust response to 1st Renewable Auction Mechanism (RAM) auction.
  – RAM: competitive auction process with standard contract for RPS projects ≤ 20 MW.
  – Program adopted by CPUC in December 2010.
  – First RAM auction closed January 2012 with strong response from market:
    • Over 1,500 MWs bid into the first auction – more than 7x the total capacity allocation for the first auction.
    • Robust response allowed IOUs to select high value, viable projects for execution.
  – Second RAM auction to be held Q2 2012.

• CPUC implementing SB 32 Feed-in-Tariff (FiT) for projects up to 3 MW.
  – FiT pricing mechanism – CPUC Decision expected in Q2 2012.
  – Joint IOU FiT contract being developed – CPUC Decision expected in Q2 2012.

• Distributed Generation Interconnection Proceeding (R.11-09-011).
  – Goal: To develop transparent rules that provide a clear and predictable path to interconnection for Distributed Generation projects while maintaining safety and reliability.
  – Parties reach consensus on many issues: Revisions to Tariff Interconnection Rules expected to be Filed with the CPUC end of March 2012.
  – Next Steps: During 2012, Phase 2 of the proceeding will address issues that could not be settled by parties.
Research and Development – Electric Program Investment Charge

• In October of 2011, the CPUC opened a proceeding to address the sunset of the PGC and the potential policy gap the loss of the PGC created.

• CPUC found that ongoing investment in emerging clean energy technologies and systems can provide substantial benefits to electricity ratepayers and the state of California more generally.

• In a series of decisions, the CPUC established the Electric Program Investment Charge (EPIC) and a framework to govern the use of those monies to provide ratepayer support for research, development, demonstration, as well as market facilitation activities related to emerging clean energy generation technologies. These programs must provide direct ratepayer benefits.

  • Established an annual budget of $162 million.
  • Divided program budget and administrative responsibilities between the California Energy Commission and the three Investor Owned Utilities (IOUs).
  • Adopted a framework and schedule for the coordinated development and CPUC approval of triennial investment plans to serve as the basis for project/funding determinations to be made by the program administrators consistent with those investment plans.
  • Identified key principles to which all investment plans must adhere, with the overarching requirement that all activities provide benefits to the electricity ratepayers that are the source of the EPIC funds.
Research and Development – Electric Program Investment Charge

<table>
<thead>
<tr>
<th>Funding Element</th>
<th>CEC</th>
<th>Utilities</th>
<th>CPUC</th>
<th>Total ($ Millions)</th>
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<tbody>
<tr>
<td>Applied Research</td>
<td>$55.0</td>
<td>-</td>
<td>-</td>
<td>$55.0</td>
</tr>
<tr>
<td>Technology Demonstration and Deployment</td>
<td>$45.0*</td>
<td>$30.0</td>
<td>-</td>
<td>$75.0</td>
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<tr>
<td>Market Facilitation</td>
<td>$15.0</td>
<td>-</td>
<td>-</td>
<td>$15.0</td>
</tr>
<tr>
<td>Program Administration</td>
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<td>Program Oversight</td>
<td>-</td>
<td>-</td>
<td>$0.8</td>
<td>$0.8</td>
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<tr>
<td>Total ($ Millions)</td>
<td>$127.8</td>
<td>$33.4</td>
<td>$0.8</td>
<td>$162.0</td>
</tr>
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</table>

Applied Research: Activities supporting pre-commercial technologies and approaches that are designed to solve specific problems in the electricity sector.

Technology Demonstration and Deployment: The installation and operation of pre-commercial technologies or strategies at a scale sufficiently large and in conditions sufficiently reflective of anticipated actual operating environments to enable appraisal of the operational and performance characteristics and the financial risks.

Market Support: Incentives to support technologies that are commercially proven but need assistance to achieve economies of scale and be competitive with other more established technologies.

Market Facilitation: A range of activities including program tracking, market research, education and outreach, regulatory assistance and streamlining, and workforce development to support clean energy technology and strategy deployment.
<table>
<thead>
<tr>
<th>Funding Period</th>
<th>Investment Plan 1</th>
<th>Investment Plan 2</th>
<th>Investment Plan 3</th>
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<tbody>
<tr>
<td>Proposed Plan Submitted to CPUC</td>
<td>Nov. 1, 2012</td>
<td>May 1, 2014</td>
<td>May 1, 2017</td>
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*The CEC and IOUs are conducting a number of workshops in August pursuant to the CPUC decision, which required extensive stakeholder engagement.*
California Solar Initiative (CSI) Update

The CSI Program provides incentives for solar photovoltaic and solar water heating systems.

CSI Program Includes 5 Sub-Components:

1. **General Market Program**: Provides incentives to all buildings except new homes.
   - 77,000+ projects installed worth 882 MW.
   - More than a quarter of these projects are third-party owned PV systems.

2. **Single-family Affordable Solar Homes (SASH) Program**: Provides rebate to low income customers in deed-restricted single-family homes.
   - 1,800+ projects installed worth 5.5 MW.

3. **Multifamily Affordable Solar Housing (MASH) Program**: Provides rebates to multifamily affordable housing in deed restricted multi-family residences.
   - 180+ projects installed worth 9.1 MW.

4. **RD&D Program**: Provides up to $50 million in a program for projects related to CSI goals.
   - $31.6 million in funding awarded to 24 projects.

5. **CSI-Thermal Program**: Provides rebates for solar water heating and solar heating/cooling technologies.
   - 500+ systems installed.
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.
  – The programs are in their final year of implementation and on track to meet savings 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.

Proposed 2013-2014 Programs
• The IOUs have submitted proposals for the 2013-2014 program cycle, which include greater emphasis of deep retrofits and financing, and are being reviewed by Energy Division.

* Based on forecasted benefit-cost ratio of 1.36 in utility application.
Investor-Owned Utility 2010-12 Energy Efficiency Expenditures by Program Areas

Greenhouse Gas Rulemaking Update

• Between 2013 and 2020 IOUs will receive approximately 470 million allowances pursuant to the ARB’s Cap & Trade regulation.
  • Per the Cap & Trade regulation, the IOUs are required to consign 100% of these allowances to auction.
  • The sale of these allowances will generate an estimated $13 billion over the 2013 to 2020 period.
• In March of 2011, CPUC opened Rulemaking 11-03-012 to address three issue areas:
  • Use of Cap & Trade allowance revenues.
  • Use of revenues generated from sale of Low Carbon Fuel Standard Credits that may accrue to the IOUs.
  • GHG-related compliance issues for the gas utilities.
Greenhouse Gas Rulemaking Update (continued)

• We have received extensive input from a broad range of stakeholders regarding the use of Cap & Trade allowance revenues via two rounds of proposals, workshops, and comments.
• Proposal themes:
  • Return revenue through rates to all customer classes on a cents/kWh basis (volumetrically).
  • Return revenue through a separate, off-bill credit either volumetrically or non-volumetrically.
  • Address concerns regarding “economic leakage”.
  • Assign a portion of revenue for investment in other GHG-reduction programs.
Greenhouse Gas Rulemaking Update (continued)

• Since opening the rulemaking, a number of additional issues/factors have been introduced.
  • Budget trailer bill (SB 1018):
    1) Requires revenues be directly credited to residential, small business, and emission intensive trade exposed entities;
    2) Requires adoption/implementation of education/outreach program to achieve “maximum feasible public awareness” of the crediting of Cap and Trade allowance revenues;
    3) Caps the amount of revenues that can go toward clean energy and energy efficiency projects to 15% of total revenues collected.
  • Pursuant to a decision in the long-term procurement planning proceeding, the GHG proceeding will also consider how to address pre-AB32 contracts that do not allow for GHG cost pass through.

Given the trailer bill, we anticipate a Proposed Decision to be issued in the September/October timeframe with adoption by the CPUC before the end of the year.
Implementation of the Community Choice Aggregation Program

- Marin Clean Energy (MCE), which is operated by Marin Energy Authority (MEA), is the only active CCA program in California. MCE consists of 11 cities/town and the County of Marin.

- MCE is currently serving approximately 95,000 customers, and intends to enroll approximately 30,000 customers in the City of Richmond in 2013. With the inclusion of the City of Richmond, MCE forecasts to serve power to 125,000 customers (approx. 1,300 GWh annually).

- On June 22, 2012, MEA submitted its 2012 Energy Efficiency (EE) Program Administration Plan requesting $428,270 in funds collected from MEA customers through non-bypassable charges authorized by the CPUC for cost-effective EE and conservation programs. The CPUC is likely to vote on a resolution at its August 23, 2012, meeting.

- San Francisco and San Joaquin Valley Power Authority are the other two registered CCAs, (although they are not currently serving load). Neither of these entities has notified the Energy Division of firm plans to serve load, although we understand that San Francisco is still actively investigating its CCA options.

- CCA customers pay the Cost Responsibility Surcharge (CRS), making the remaining IOU bundled service customers financially indifferent to departure of load.
Representing California Customers at FERC

• The CPUC, as part of its statutory function, represents California ratepayers at FERC in Transmission Owner (TO) rate cases.

• Since 1997, the CPUC’s participation along with other parties, has saved ratepayers more than $900 million.

• TO rate cases are filed at FERC by IOUs and Independent Transmission Owners.
  – IOU transmission owners: PG&E, SCE, and SDG&E
  – Independent Transmission Owners: Trans Bay Cable, Atlantic Path 15 (formerly Trans-Elect), Citizens Energy, and Startrans. These are non-utility transmission-only owners that compete in the market with the IOU’s.

• The CPUC is currently working on SCE’s TO 6 rate case and SDG&E’s sixth annual update to its TO 3 rate case. PG&E is expected to file its TO 14 rate case in the middle of August 2012.
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.
**CASF Broadband Program**

- California Advanced Services Fund (CASF) encourages broadband deployment to and adoption by Californians (P.U. Code § 281):
  - Financing capital costs of broadband facilities (Broadband Infrastructure Grant and Loan Accounts).
  - Funding broadband deployment activities other than the capital cost of facilities (Rural and Urban Regional Broadband Consortia Grant Account).
- Program improvements adopted by the CPUC in Feb. 2012:

<table>
<thead>
<tr>
<th>Previous</th>
<th>40%</th>
<th>60% Underserved Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in Award Amounts</td>
<td>40%</td>
<td>60% Underserved Areas</td>
</tr>
<tr>
<td>Increase in Advertised Speeds</td>
<td>3 mbps down</td>
<td>6 mbps down</td>
</tr>
<tr>
<td>Supplemental CASF Funding</td>
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<td>CASF Loan up to 20% of total project costs; $500,000 maximum</td>
</tr>
<tr>
<td></td>
<td>1 mbps up</td>
<td>1.5 mbps up</td>
</tr>
</tbody>
</table>

- **Implementation**
  - Approved 14 Consortia grant awards for deployment, access, and adoption activities in 50 out of the 58 counties of California.
  - Developing Revolving Loan Account program to provide supplemental funding to CASF projects (operational late 2012).
  - Grant applications will be received in October 2012 for unserved areas, and February 2013 for underserved areas and hybrid projects covering both unserved and underserved areas.
DIVCA - Current Issues

In 2012, AT&T and Verizon must meet video build-out requirements:

- Verizon – Must offer Broadband to 40% of homes in its territory;
- AT&T – Must offer Broadband to 50% of homes in its territory;
- At least 30% of homes offered video service must be low income households.

Rulemaking on video franchise renewal process to begin in 2012.
## California Broadband Availability Statistics as of Dec. 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>Total Households (Projected from 2010 Census)</th>
<th>Households Served Broadband service at least 6 mbps down and 1.5 mbps up</th>
<th>Households Underserved Broadband service slower than 6 mbps down or 1.5 mbps up</th>
<th>Households Unserved Either no service is available, or Internet access is slower than 768 kbps down or 200 kbps up</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CALIFORNIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Service</td>
<td>12,577,498</td>
<td>11,761,012</td>
<td>653,502</td>
<td>162,984</td>
</tr>
<tr>
<td></td>
<td></td>
<td>93.51%</td>
<td>5.20%</td>
<td>1.30%</td>
</tr>
<tr>
<td>Mobile Service</td>
<td>12,577,498</td>
<td>11,671,166</td>
<td>884,485</td>
<td>21,847</td>
</tr>
<tr>
<td></td>
<td></td>
<td>92.79%</td>
<td>7.03%</td>
<td>0.17%</td>
</tr>
<tr>
<td>Fixed or Mobile Service</td>
<td>12,577,498</td>
<td>12,218,745</td>
<td>347,130</td>
<td>11,623</td>
</tr>
<tr>
<td></td>
<td></td>
<td>97.15%</td>
<td>2.76%</td>
<td>0.09%</td>
</tr>
</tbody>
</table>

Data from CPUC State Broadband Initiative
The definition of “basic telephone service” was established by Decision 96-10-066 in the mid-1990s for a predominantly wireline market. The term provides the minimum level of service a customer should expect.

Today’s telecommunications marketplace has changed and offers consumers an increasingly diverse range of products and technology options.

The CPUC is expected to consider a Proposed Decision this Fall that will update the definition of the elements of basic telephone service.

This new definition would consolidate the existing elements into eight more concise requirements that are designed to apply on a technology-neutral basis.

If adopted, the updated basic service definition would apply to any telephone company serving as Carrier of Last Resort and/or offering Universal Lifeline Telephone Service within California.
California High Cost Fund-A (CHCF-A) OIR

- The CPUC is currently reviewing the California High Cost Fund-A (CHCF-A) program, in response to market, regulatory, and technological changes as well as substantial increases in program costs since the CHCF-A was established in 1987.

- When the program was created over two decades ago, landline telephone service was the only widely available form of affordable telecommunications technology.

- A recent CPUC study found that from 2005 to 2010 CHCF-A funding per Access Line increased by 60% and CHCF-A carriers are currently spending 52% to 456% more on operating expense components than Non-CHCF-A carriers.

- In light of these facts, we must determine if the program remains necessary, and if so how the program can more efficiently and effectively meet its stated goal of enhancing universal service in today’s telecommunications environment where varied technologies compete to fulfill the communication needs of consumers.
Telecommunications Service Quality

Rulemaking 11-012-001 was opened to address the following:

- Poor Industry performance in restoring service.
  - Many carriers are not meeting the existing CPUC standard to restore service within 24 hours 90% of the time.


- Other Service Quality issues under consideration:
  - Achieving CPUC obligation to ensure safe and reliable service.
  - Relevance of Service Quality rules in a communications industry.
  - Need for service quality standards for non-wireline telephone services such as VoIP and wireless.
The CPUC is responsible for ensuring that investor-owned water utilities deliver clean, safe, and reliable water service at reasonable rates.
Water Regulation

- CPUC regulates 121 water utilities serving about 17% of California residents; and 14 sewer utilities.

- Water Supply and Conservation:
  - Aggressive water conservation policies in place for our larger water utilities.
    - Decoupled Sales and Revenues.
    - Implemented Tiered Rates.
    - Increased Water Conservation Budgets.
  - Decreased water usage.
    - Drought, Recession.
    - Customer Conservation Ethic.
  - Increasing operating costs; purchased water.
Water Regulation

• **Low-Income Ratepayer Assistance**
  – Programs in place at our 10 largest water utilities, serving 95% of our water ratepayers.
  – Rules issued to increase up-take rate for these programs.
    • Sharing of information among water and energy utilities.

• **Water Quality**
  – Water Action Plan
    • Objective #1: Maintain Highest Standards for Water Quality.
    • The Plan highlights two major contaminants:
      • Arsenic – naturally occurring in the west, herbicides.
      • Nitrates – fertilizers, farm run-off.
  – Work closely with the Department of Public Health.
    • Monitor water systems.
    • Grants available for treatment.
Thank you.

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