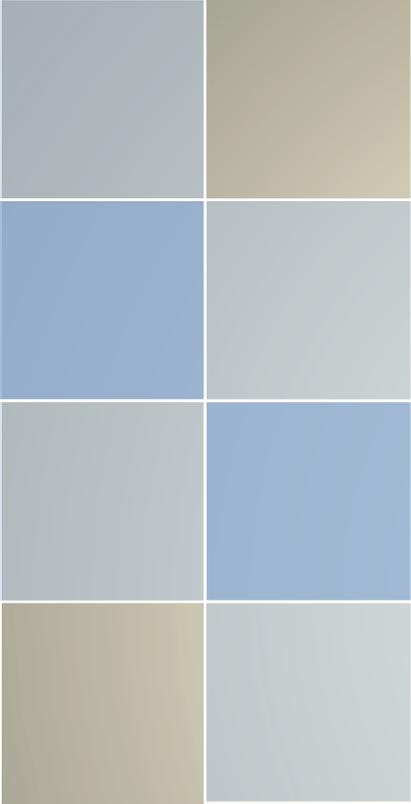




2015

# California Public Utilities Commission Annual Report





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## Letter to the Governor and Legislature



PUBLIC UTILITIES COMMISSION  
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PRESIDENT

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January 26, 2016

Honorable Edmund G. Brown Jr.  
Governor of the State of California  
State Capitol, Suite 1173  
Sacramento, CA 95814

Honorable Edmund G. Brown Jr., Governor of the State of California, and distinguished members of the California State Legislature:

I am pleased to present to you the California Public Utilities Commission's (CPUC) 2015 Annual Report. This report highlights major activities and key actions of the CPUC in regulating the State's energy, water, transportation, and communications industries in 2015. The CPUC is tasked with ensuring that Californians receive safe, reliable utility service and infrastructure at reasonable rates, with a commitment to environmental quality and a prosperous California economy. Our responsibilities involve regulating a wide range of companies, from energy and water utilities to telecommunications companies, railroads, and transit operators. California consumers pay a cumulative \$50 billion annually for services produced by these companies. Our principal goals this year have been to 1) improve CPUC's accountability and accessibility while modernizing the agency, 2) strengthen and enforce the safe operation of California utilities, and 3) continue implementation of California's climate change initiatives.

In 2015, my fellow Commissioners and I have made a number of significant personnel changes and begun important internal initiatives. Early this year, the CPUC hired Timothy Sullivan as our new Executive Director and Arocles Aguilar as General Counsel. And, very importantly, Commissioners are taking even more responsibility in the oversight of executive management of the CPUC. The Commissioners are now acting as a governing body for the organization. Commissioners have already established three Committees and are meeting on a regular basis, in addition to Voting Meetings. These Committees, Finance and Administration, Policy and Governance, and Modernization, set strategic directions to guide staff action planning, as well as address needed changes in how we operate as a policy and regulatory decision-making body. Major reform efforts have already begun with the adoption of a new code of conduct for Commissioners. In addition, our new Internal Audit Unit will perform regular management audits of the CPUC's internal

controls and programs and report back to the CPUC. Two outside consultants reviewed existing CPUC protocols in an effort to help enforce internal ex parte rules when communicating with external parties. Finally, we have initiated a strategic planning process pointed at aligning our management processes and staff resource allocation with our core responsibilities and strategic directions. The fourth chapter of this annual report covers these reform initiatives in detail.

Safety must take increasing precedence in the operation and management of the State's utility infrastructure. From the Chairman of the Board to field crews to customer representatives, all employees of California utilities must promote and embody a culture of safety and accountability as a condition of doing business in this State and a requirement for any utility to receive a reasonable rate of return. The CPUC is ramping up enforcement of safety requirements on all regulated utilities and will continue to mandate nothing less than the safest possible operations from California's investor-owned utilities. To this end, early in 2015 the CPUC imposed a record fine of \$1.6 billion on Pacific Gas and Electric Company (PG&E) for its negligence that resulted in the San Bruno pipeline explosion. We have also initiated a \$2 million audit to evaluate PG&E's gas operations. A CPUC investigation this year revealed that the State's natural gas utilities have not maintained appropriate control of records of gas distribution systems, resulting in inaccurate maps and incomplete records. The investigation found that this failure to follow required procedures contributed to numerous incidents that impacted public safety. The CPUC will continue to hold the management and shareholders of California's investor-owned utilities (IOUs) accountable and will aggressively enforce improvements in management and infrastructure. Our intention is that California will soon lead the nation in utility safety.

With the Governor's inaugural announcement of new climate change goals for California and the passage of Clean Energy and Pollution Reduction Act of 2015, the CPUC continues its leadership role in meeting the most ambitious efforts in the nation to reduce the emission of greenhouse gases. We have already started work to implement the Legislature's direction to establish an overall goal for greenhouse gas reductions in the industries we regulate, and to develop new programs to implement them, including a new procurement system that also values demand response tools, as well as doubling energy efficiency and increasing our share of electricity from renewable power sources to 50 percent.

Our success in these many initiatives will be measured by the ability of Californians to enjoy safe, affordable, sustainable, and reliable utility service, today and far into the future.

I hope you find this Annual Report informative.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Picker', with a long horizontal stroke extending to the right.

Michael Picker  
President  
California Public Utilities Commission

## Key Performance and Accomplishment Statistics for 2015

2015 CPUC Performance Results	Total
Decisions Adopted	584
Days of Evidentiary Hearings Held	307
Public Participation Hearings	31
Advice Letters Processed	3,330
Resolutions Adopted	154
White Papers and Staff Reports	81
Workshops Held	98
Consumer Complaints & Questions Received	302,861
Refunds to Consumers from Informal Complaints	\$1.4M
Electrical Incidents Investigated	263
Gas Incidents Investigated	259
Rail Transit Incidents Investigated	266
Audits Completed on Energy Programs	26
Audits Completed on Telecommunication Programs	8
Audits Completed on Water Utilities	5
Number of Natural Gas Pipeline Safety Inspections	73
Number of Natural Gas Incident Investigations	189
Fines and Penalties Levied against Energy Utilities	\$1,618M
Fines Levied for Telecommunications Companies	\$43M
Fines Levied against Transportation Companies	\$7.3M

2015 CPUC Program Accomplishments	Total
Statewide Wired Broadband Availability	95.5%
Water Conserved by CA IOU Water Districts Compared to 2013	25%
Low Income Assistance Funding (Energy)	\$1,672M
Universal Service Programs Funding (Telecommunication)	\$723M
Supplier Diversity Procurement Program Funding	\$8.65B
Renewable RPS Generation Added (MW)	1,770
Energy Efficiency Savings – Electric (GWh)	1,813
Energy Efficiency Savings – Gas (therms)	36M
Demand Response Savings (MW)	2,151
Net-metered Solar PV Added (MW)	915

## Chapter One – The Year in Review

Along with the major reforms outlined in Chapter 4, 2015 was marked by several substantive CPUC initiatives focused on improving utility safety, reforming residential electric rates, and addressing California’s drought.

### *Top Safety Issues*

#### **Penalties against PG&E for San Bruno Explosion and Fire**

On April 9, 2015, the [CPUC adopted penalties assessed against Pacific Gas and Electric Company](#) (PG&E) for violations arising from September 9, 2010 San Bruno explosion and fire and for negligent recordkeeping practices. The penalty was \$200 million over what had been recommended by the Administrative Law Judge and will be paid by shareholders and are not recoverable from PG&E’s customers. The decision ordered PG&E to pay \$850 million in gas transmission pipeline safety infrastructure improvements, \$300 million in a fine to the state’s General Fund, \$400 million in a one-time bill credit to PG&E gas customers and \$50 million toward other remedies to enhance pipeline safety. When added to the disallowances already adopted in a prior CPUC Decision, the penalties and remedies exceed \$2.2 billion.

#### **Safety Action Plan and Regulatory Strategy**

At the February 12, 2015, Voting Meeting, the CPUC formally adopted a [Safety Action Plan and Regulatory Strategy](#) for the CPUC as an agency. This document integrates safety into all aspects of CPUC activities and is based on four pillars: 1) safety compliance and enforcement, 2) risk management, 3) safety policy and 4) safety promotion. This document also served as the 2015 Safety Workplan. This work-plan outlined eight actions to improve effectiveness of the CPUC’s safety program:

- Case tracking and program performance reporting
- Target enforcement policy
- CPUC incident command system
- Staff “safety flag” system
- Staff cybersecurity team
- Safety advocacy and advisory roles
- Inclusion of safety information for CPUC applications, and safety awareness

#### **Recommendations for Improvement of Natural Gas Safety and Reliability Programs**

In 2014, the CPUC had acquired the services of Crowe Horwath to conduct an assessment of its natural gas safety and reliability programs. The assessment was completed in early 2015 and presented to the CPUC on March 12. The resulting [report](#) made 33 specific recommendations. These recommendations covered the areas of utility inspections, incident investigation, work prioritization, staffing and training, technology and tools, communication and change management, and risk assessment approach. Key areas for improvement included utility inspection performance, upgrading outdated technology, and reducing inspection backlogs.

#### **Methane Emissions from Natural Gas Systems**

CPUC initiated a new [Rulemaking \(R.\) 15-01-008](#) to adopt rules and procedures to reduce natural gas leakage that results in methane emissions and contributes to climate change. Per Senate Bill (SB) 1371 (Leno), the CPUC, in consultation with the State Air Resources Board, aims to adopt rules and procedures to minimize natural gas leaks from CPUC-regulated pipeline facilities. The adoption of such rules and procedures will improve safety and environmental protection by minimizing leak hazards and reducing greenhouse gas emissions.

## **New Rule to Require Safety Considerations in All Applications**

On July 23 a new [rulemaking](#) was initiated by the CPUC to amend Rule 2.1 of the CPUC's Rules of Practice and Procedure to require all applications to include a detailed showing of relevant safety considerations. As recommended in the Safety Action Plan adopted in early 2015, once adopted, this new requirement will strengthen regulatory oversight of utility safety policies and practices.

## **Investigation of Whether PG&E Organizational Culture and Governance Prioritize Safety**

The CPUC opened [Investigation \(I.\) 15-08-019](#), Order Instituting Investigation on the Commission's Own Motion to Determine Whether Pacific Gas and Electric Company and PG&E Corporation's Organizational Culture and Governance Prioritize Safety. The CPUC's Safety and Enforcement Division will investigate PG&E's organizational culture, governance, safety culture, and answer the questions raised in this order. The CPUC was compelled to begin this investigation by persistent safety issues. The investigation will evaluate PG&E's and PG&E Corporation's organizational culture, governance, policies, practices and accountability metrics in relation to PG&E record of operations, including its record of safety incidents. The investigation will analyze the methods that executive management use to hold themselves accountable for their decisions and actions, including executive compensation policies. A final report will detail findings after which the CPUC may then consider revising existing or imposing new orders and conditions on PG&E or PG&E Corporation as necessary and appropriate to optimize public utility resources and achieve the operational standards and performance record required by law.

## **First En Banc on Utility Safety**

As directed in its Safety Action Plan, the CPUC hosted its first annual Safety En Banc on September 24 to enable an interactive discussion on utility safety with Chief Executive Officers of all California investor-owned energy utilities, Pacific Gas and Electric Company, Southern California Edison, Southern California Gas Company, and San Diego Gas & Electric. The day-long forum included a report from the CPUC's Director of Safety and Enforcement Division on audits, inspections, and investigations performed in 2014. Stakeholders from the City of San Bruno, the Office of Ratepayer Advocates, the Utility Reform Network, and the Utility Workers Union of America also participated in the meeting.

## ***Top Energy Issues***

### **Residential Rate Reform**

Pursuant to Assembly Bill (AB) 327 (Perea), the CPUC implemented residential rate reform with [Decision \(D.\)15-07-001](#). With the goal of transitioning the residential customer electricity rates to a more effective and cost-based structure, the CPUC established default time of use rates starting on January 1, 2019, moved rates from four to two tiers, postponed a monthly fixed charge, and required the utilities to create a special outreach program to educate lower tier customers on no-cost and low-cost conservation measures. Commissioners have attended public Rate Design Forums in Fresno, Stockton, and Santa Ana in the latter half of 2015 to hear from the public about the coming changes, and will attend several additional forums around California in 2016.

### **Net Energy Metering (NEM)**

In December the CPUC issued a [Proposed Decision establishing a NEM successor program](#) that would continue the existing NEM structure while making some adjustments to align the costs of NEM successor customers more closely with those of non-NEM customers. In creating a successor program to the existing NEM program, the CPUC was directed by AB 327 (Perea, 2013) to ensure that customers pay their appropriate share of costs while encouraging a sustainable customer-sited renewable distributed generation program. These new costs for NEM successor customers include: 1) a

one-time interconnection fee (likely to be approximately \$75-\$150). This fee, which represents the costs for a utility to review and ensure that a NEM system interconnects safely to the grid, has historically been borne by all utility customers, including non-NEM customers, and 2) non-bypassable charges that all utility customers pay. Non-bypassable charges are used to fund low income and efficiency programs. They are the equivalent of approximately 2-3 cents per kilowatt-hour of energy consumed. Historically, NEM customers have only paid for non-bypassable charges if over the course of a year they consumed more electricity from the grid than their installation produced. The Proposed Decision is scheduled for the CPUC's January 28, 2016, Voting Meeting.

### **Advancing Distributed Energy Resources – Distribution Resources Plans (DRP) and Integrated Distributed Energy Resources (IDER)**

The DRP proceeding is primarily concerned with distribution grid planning and identifying enhancements required for optimal placement and operation of distributed energy resources (DER). IDER is focused on DER sourcing, i.e., guiding optimal sets of resources to the appropriate locations on the grid. Both proceedings are directly concerned with meeting the policy objectives expressed in California Public Utilities Code (PU Code) Section 769 and should be coordinated accordingly. In February the CPUC issued guidance for content and structure of utility distribution resource plans, and ordered the utilities to file their respective plans for approval. These plans mark an important step forward in establishing a new framework for utility distribution planning, and have the potential to achieve major reductions in greenhouse gas emissions and help to usher in a more sustainable energy future. In July, six utilities filed their distribution resource plans for approval. The plans as well as all related information can be accessed [on the CPUC's website](#).

### **Energy Efficiency**

The CPUC has taken a series of steps to reduce regulatory uncertainty and “bureaucratic churn” associated with past practice of adopting new energy efficiency portfolios every several years by transitioning to a “Rolling Portfolio Cycle” with a rolling 10-year funding commitment. This approach will provide energy efficiency markets with greater certainty, provide more opportunities for stakeholder input into the design and implementation of energy efficiency programs, and modernize regulatory oversight of the portfolios by requiring Program Administrators to maintain transparent websites and use online tools to provide portfolio details and track proposed modifications.

### **Local Capacity Requirements for Edison**

The CPUC in 2013 ordered Southern California Edison to procure between 1,400 and 1,800 megawatts (MW) of electrical capacity in the Western L.A. Basin to meet the identified long-term local capacity requirements (LCR) by 2021. The CPUC found the Western L.A. Basin LCR existed, in large part, due to the expected retirement of once-through-cooling (OTC) generation facilities. In 2014 the CPUC ordered Edison to procure an additional 500 to 700 MW by 2021 to meet local capacity needs stemming from the retirement of the San Onofre Nuclear Generating Station (SONGS). In November 2015 the CPUC approved [Decision 15-11-041](#) authorizing Requests for Offers to procure minimum amounts of the specified resources, including Preferred Resources, Energy Storage, and Gas-Fired Generation.

### **Energy Storage**

California is recognized as a global leader in introducing energy storage as a significant element of the State's electric grid. The CPUC has set an energy storage target of 1.325 GW for the three IOUs to be procured by 2020. Pursuant to AB 2514 (Skinner), the CPUC continued its work to develop policy and program details to develop a market-based energy

storage program. The California Independent System Operator (CAISO), the CPUC, and the California Energy Commission jointly issued a [roadmap](#) to assess the current market environment and regulatory policies for connecting new energy storage technology to the state's power grid. Subsequently, the CPUC initiated [Rulemaking \(R.\)15-03-011](#) to consider refinements to the State's energy storage procurement framework. In the new rulemaking, the CPUC will consider recommendations included in the California Energy Storage Roadmap. This will also be the forum for program details for future solicitations beyond the 2014-2016 procurement periods.

### **Demand Response**

Over the course of several decisions, the CPUC has stated its policy objective of growing the role of demand response in the operation of California's electricity grid. To that end, the CPUC continued its efforts to build the role of demand response as a market-based, highly responsive resource. In Resolution E-4728, the CPUC approved a market-based auction design, protocols, standard contract, evaluation criteria, and non-binding cost estimates for the first year of the Demand Response Auction Mechanism (DRAM) pilot program for the three investor-owned electric utilities that will encourage third-party implemented demand response resources that are bid into wholesale markets.

### **Increasing Access to Affordable Energy**

Pursuant to AB 2672 (Perea) the CPUC opened [Rulemaking \(R.\)15-03-010](#) to identify disadvantaged communities in the San Joaquin Valley and to evaluate economically feasible options to improve access to affordable energy in those communities.

### **Electric Vehicle Charging Infrastructure Development**

The CPUC continued to examine the feasibility and financing of alternative-fueled vehicle infrastructure to support the Governor's goal of 1.5 million alternative-fueled vehicles in California by 2025. Because alternative-fueled vehicles can play a load management role in the local electric system through charging and discharging, the investor-owned electric utilities have incentives to engage in pilot programs and develop electric vehicle infrastructure. The CPUC's ongoing role will be to assess the reasonableness of utility proposals. To that end, as part of [Rulemaking \(R.\) 13-11-007](#), in June the CPUC held two workshops to address two technical areas related to electric vehicle charging stations. The first addressed plug-in electric vehicles infrastructure site selection. The second examined charging station data and performance metrics for measuring the effectiveness of deploying such stations. In December the CPUC also issued two Proposed Decisions addressing Edison's and SDG&E's proposals for electric vehicle infrastructure programs. The Proposed Decisions support widespread transportation electrification by incentivizing and targeting the installation of a combined total of at least 4,500 electric vehicle charging stations in Edison and SDG&E territories.

## ***Top Water Issues***

### **Emergency Regulation for Statewide Urban Water Conservation**

In order to preserve sufficient water supplies for the State, in 2014 the Governor issued Executive Orders, which directed the State Water Resources Control Board (Water Board) to implement mandatory water reductions in urban areas to reduce potable urban water usage by 25 percent statewide. On April 1, 2015, Executive Order B-29-15 ordered mandatory state-wide rationing of 25 percent. This action was followed by Water Board Resolution 2015-0032, which established water use reduction targets across the largest 411 water agencies, as well as by CPUC Resolution No. W-5041, which ordered water utility compliance with the Water Board's Resolution and the Governor's Executive Order.

The CPUC is pleased that utilities under its jurisdiction have met the overall reduction target of 25 percent in 2015. With the establishment of the Water Action Plan a decade ago, the CPUC put into place rate mechanisms, including inclining

block tier rates, to incentivize consumers and utilities alike to save water. These mechanisms have enabled the utilities to achieve their water use reduction targets during this unprecedented four-year long drought.

### **Adoption of Water-Energy Cost Calculator Tools**

CPUC initiated [Rulemaking \(R.\) 13-12-011](#) to develop policies that promote a partnership framework between energy and water utilities in order to promote water-energy nexus programs. In 2015 the CPUC adopted new tools that are the first of their kind in the U.S. and allow the CPUC to better quantify the energy benefits of water-savings programs. ([D.15-09-023](#)).

### **Monterey County Desalination Proposal**

The California American Water Company (Cal-Am) applied in 2012 to the CPUC for a Certificate of Public Convenience and Necessity (CPCN) to build and operate a desalination plant on the Monterey Peninsula, referred to as [the Monterey Peninsula Water Supply Project \(MPWSP\)](#). Due to unexpected events following the CPUC Energy Division's issuance of the Draft Environmental Impact Report (DEIR) for this project, this proceeding was extended and its scope broadened to address issues that were not originally considered. The CPUC learned in June that a CPUC subcontractor worked on the DEIR had a conflict of interest. In response, several parties asked for data related to the DEIR, which the CPUC then provided. The Monterey Bay National Marine Sanctuary (Sanctuary) requested that the environmental review of this project consist of a joint state/federal environmental document. In response to these events, the CPUC agreed to coordinate with the Sanctuary, hire a new subcontractor to review the original subcontractor's work, and broaden the scope of the review to include two other active desalination proposals in Monterey County. It is expected that a draft EIR/EIS will be issued in early 2016 and a final EIS/EIR will be issued mid to late 2016. A final decision on the project is anticipated by the end of 2016.

## ***Top Communications Issues***

### **California Tele-connect Fund (CTF)**

CTF provides a 50 percent discount on certain communications services to schools, libraries, hospitals, and other non-profit organizations. In July 2015, in recognition of the program's importance in bridging the digital divide, the CPUC adopted Decision (D.) 15-07-007, which aims to modernize certain aspects of the CTF program. The Decision adopts restated program goals and a number of program design reform measures in response to technological advances and public policy changes since the last major program evaluation in 2008. ([D.15-07-007](#))

### **Communications Network Study**

At its August 27, 2015, Voting Meeting, the CPUC directed staff to initiate a study of AT&T's and Verizon's respective network infrastructure, to commence within six months of the Decision. AT&T and Verizon will pay for the study, which will be conducted by a consultant to be retained by the CPUC. The study is consistent with the CPUC's responsibility under the state law, including PU Code Section 451, to ensure that utilities provide a quality of service sufficient to support the safety, health, comfort, and convenience of Californians, and with the CPUC's responsibility under PU Code Section 2889.8 to assess the reliability of the public communications network. ([D.15-08-041](#))

### **Comcast Penalty and Restitution for Disclosing "Non-Published" Consumer**

In 2013, Comcast notified the CPUC and the California Attorney General that it had erroneously disclosed the names, addresses, and phone numbers of approximately 75,000 Comcast customers in California who paid for unlisted numbers. In 2015, the CPUC approved a Settlement Agreement between staff and Comcast under which Comcast will

pay \$25 million in penalties, \$8.4 million in restitution to affected customers, and make process improvements designed to better protect customer information. The settlement was reached after three days of CPUC Evidentiary Hearings, and multilateral negotiations with the California Attorney General's office and consumer groups. ([D.15-09-009](#))

#### **TracFone Penalty for Failure to Pay Surcharges**

In December, 2015 the CPUC approved a final settlement of the long-running investigation into the failure of TracFone Wireless Inc. to pay California public purpose surcharges and user fees on its prepaid wireless service. In 2014, the CPUC ordered TracFone to pay \$24.4 million in back surcharges and user fees, dating from the early 2000s. TracFone paid under protest, while appealing the ruling. In 2015, staff and TracFone reached a final settlement of all issues, pursuant to which TracFone agreed to pay a further \$10 million penalty for its failure to timely pay the surcharges and to withdraw its pending appeals. ([D.09-12-016](#))

#### **Governor Brown's Request for Timely Resolution of Small Local Interexchange Carrier GRCs**

In September 2014, Governor Brown urged the CPUC to create a plan to ensure timely resolution of small local interexchange carrier general rate cases. In June 2015, the CPUC adopted a General Rate Case Plan for California High Cost Fund-A recipients. This Decision will help ensure the continued provision of high quality communications services in rural areas at just and reasonable rates. ([D.15-06-048](#))

#### **Implementing Mobile Telephony Services Surcharge, Assembly Bill 1717**

The Prepaid Mobile Telephony Services Surcharge Collection Act enacted by AB 1717 (Chapter 885, Statutes 2014) creates a new point-of-sale mechanism for collecting and remitting taxes and fees (the MTS surcharge) assessed on prepaid wireless telephone service. The Act is effective as of January 1, 2016, and remains in effect until January 1, 2020. The Act directs the CPUC to prepare a resolution or other public document to adopt and provide public notice of the proposed MTS surcharge rates. In response to this requirement, the CPUC passed a Resolution outlining the methodology and specific calculations used to arrive at the new prepaid MTS surcharge rates for 2016. The proposed rates are to be assessed on the sale of intrastate prepaid wireless telephone services in California. ([Resolution T-17504](#))

#### **Market Share Analysis**

In order to measure the state of competition in the communications industry in California, the CPUC's Communications Division analyzed the market share of retail communications services (wireline voice, wireless voice, Voice over Internet Protocol, and broadband) in California from June 2001 through June 2013. Staff concluded that while there is a considerable degree of concentration in individual communications technologies, the intermodal voice and broadband markets have become less concentrated over time.

#### **Settlement Concerning AT&T's Basic and Lifeline Telephone Rates**

The CPUC approved a Settlement Agreement between The Utility Reform Network (TURN) and AT&T concerning rates for AT&T's rates for Basic Residential and LifeLine wireline telephone service. The Settlement limits rate increases for AT&T customers subscribing to Basic Residential and Lifeline service in California through January 1, 2021. ([D.15-10-027](#))

#### **Transfer of Verizon California Wireline Assets to Frontier Communications**

In December 2015, the CPUC approved the transfer of wireline assets held by Verizon California and Verizon Long Distance LLC, including all residential and business wireline customer accounts, to Frontier. The transfer will involve roughly 2.2 million customers of Verizon California, the physical assets of Verizon California such as poles, wires, switches, trucks, central offices, and other landline facilities that cover a large part of the state and include some of

California's most isolated rural communities. In approving the transfer, the CPUC imposed conditions on the sale and transfer of the properties to ensure that the transaction is in the public interest and will improve service in the affected areas. ([A.15-03-005](#))

## ***Top Transportation Issues***

### **Annual Railroad Safety Report**

Public Utilities Code Section 765.6 requires the CPUC to report on the actions the CPUC has taken to ensure the safe operations of railroads in this state. In addition, Section 765.6 requires the CPUC to report annually on the impact on competition, if any, of the regulatory fees assessed railroad corporations for the support of the CPUC's activities. The CPUC's [Annual Railroad Safety Report](#) details the more than 3,000 inspections performed and more than 9,000 defects identified by CPUC staff in 2015.

### **Expanding Rail Transit Systems and New Lines**

The CPUC continues to conduct safety oversight of transit agency capital projects and system expansions, which have grown significantly over the past several years. Nearly every California rail transit agency is building new line extensions and system expansions. Each project requires a Safety Certification Plan and continual involvement of CPUC staff to oversee project implementation and inspect installations for safety and compliance. Capital projects under construction or placed in service during the past year include:

1. BART – Oakland Airport Connector, BART extension to San Jose, new vehicle procurement, eBART to Contra Costa County
2. Santa Clara VTA – Mountain View pocket track
3. SFMTA – Central Subway
4. Sacramento Regional Transit-South Line Phase 2
5. San Diego Trolley – Blue Line Crossovers project, Mid-coast project
6. LA Metro – Foothills Extension Phase 2, Expo Line Extension Phase 2, Regional Connector project, Crenshaw Transit Corridor project, Westside Subway project, new P3010 vehicle procurement

Additionally new streetcar projects are now being pursued by Anaheim, Los Angeles, Sacramento, and Santa Ana/Garden Grove.

### **California High Speed Rail Activities - California**

California High Speed Rail Authority (CHSRA) submitted the first rail crossing application for the California High-Speed Train System (CHSTS) to the CPUC Docket Office. This Application involves a proposed underpass at Raymond Road in the County of Madera. The CPUC's Railroad Operations & Safety Branch (ROSB) is working with CHSRA in reviewing the application.

### **Rail Transit Citation Program**

In December 2014 the CPUC adopted Resolution ST-163, which approved a Rail Transit Safety Branch (RTSB) citation program that became effective January 1, 2015. This delegated CPUC authority follows the citation programs implemented for several other industries regulated for safety by the CPUC. The citation program imparts to CPUC staff the authority to take prompt action to protect public and worker safety in urgent circumstances: when rail transit agencies fail to timely correct noncompliance and safety issues, are responsible for repeated noncompliance, or when

noncompliance is particularly egregious or willful. RTSB staff issued its first citation to a public transit agency in February, citing the Sacramento Regional Transit District (SRTD) \$10,000 for actions leading to a runaway train.

### **Federal Transit Administration (FTA) State Safety Oversight Grant**

The 2012 Federal transportation bill, the *Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21) Act*, required the FTA to make safety a higher priority. MAP-21 directed the FTA to develop criteria and certify state agencies to conduct oversight of rail transit systems and to make grant funding available to fund such efforts. California has a long-standing rail transit safety program that pre-dates the FTA programs and was one of two state programs certified. In 2015, the FTA approved the CPUC's grant application, which will help sustain the CPUC's safety oversight of FTA-funded agencies.

### **Federal Transit Administration Rulemakings**

The MAP-21 legislation required FTA to become more involved in safety. As part of the Act, the FTA is required to undertake rulemakings and other programmatic activities to support the State Safety Oversight Program. To that end, the FTA has issued a number of rulemakings pertaining to rail transit safety, including transit asset management, state safety oversight agency requirements and roles, and a national public transportation safety program.

The CPUC authorized filing specific comments to the FTA to pursue consistency with the CPUC's existing safety oversight program. The FTA is expected to open additional rulemakings in 2016.

### **Roadway Worker Protection – General Order 175**

The CPUC continues to work through its open proceeding ([R.09-01-020](#)) to establish a final General Order for California's first-in-the-nation rail transit roadway worker protection rules. The proceeding was opened several years ago and rules were adopted as General Order 175 in November 2013. In 2015 the CPUC analyzed early implementation efforts and held workshops to examine implementation problems or concerns. A final Staff report was issued and included a proposed final General Order 175-A. A final decision is expected to be issued in early 2016.

### **Transportation Network Companies (TNCs)**

The CPUC examined existing and emerging regulatory questions with respect to TNCs, including the appropriate background check standard for drivers primarily transporting unaccompanied minors, trade dress standards for all TNCs, and data and information appropriate for collection by the CPUC's Safety and Enforcement Division. Proposed decisions on these issues are anticipated in early 2016.

## ***Other Notable Issues***

### **Penalties Levied for Ex Parte Violations**

The [CPUC penalized Southern California Edison \\$16.7 million](#) in December 2015 for failure to timely report ex parte communications and for misleading the CPUC, in violation of CPUC rules. The CPUC determined that Edison engaged in eight unreported ex parte communications between March 26, 2013, and June 17, 2014, related to the shutdown of the San Onofre Nuclear Generating Station, in violation of Rule 8.4 of the CPUC's Rules of Practice and Procedure stemming from failure to report, before or after, ex parte communications that occurred between an Edison executive(s) and a Commissioner. In addition, the CPUC determined that Edison twice violated Rule 1.1, the CPUC's ethics rule, as a result of the acts and omissions of Edison and its employees, which misled the CPUC, showed disrespect for the CPUC's Rules, and undermined public confidence in the CPUC.

## **Investigation Opened to Review Ex Parte Violations**

The CPUC in November 2015 opened a [penalty consideration case against Pacific Gas and Electric Company](#) (PG&E) for violations of the CPUC's ex parte rules. The violations include failure to timely file ex parte communication notices with the CPUC and engaging in prohibited ex parte communications. In opening this penalty consideration case, the CPUC determined that several ex parte notices filed by PG&E constitute an admission that PG&E knowingly failed to comply with the CPUC's *Rule 8: Communications with Decision-makers and Advisors*. The investigation is considering: 1) the sanctions that should be imposed for the violations, and 2) whether the violations also constitute a violation of Rule 1.1 of the Rules of Practice and Procedure regarding ethics. Under California law, the CPUC can sanction utilities under its jurisdiction for violations by imposing a fine of \$500 to \$50,000 per violation payable to the state's General Fund from shareholder funds, and/or by imposing other equitable remedies as it deems warranted.

## **Residential Electric Rate Summit**

The CPUC held four community forums to discuss and answer questions about the CPUC's July 2015 decision to significantly change residential electricity rates, including the requirement that starting in 2019, all residential customers will be offered time of use rates as a default. These forums have been held throughout California (Fresno, San Francisco, Santa Ana, and Stockton) to allow residential customers an opportunity to learn about time of use rates, the transition from four to two rate tiers, the economic and environmental benefits of these new rates, and the CPUC's plans to work closely with utilities and communities to ensure that consumers are ready for these changes. For more information about future forums, please visit the [Outreach](#) section of the CPUC's website.

## **Chapter Two – Legislation Implemented in 2015**

The following chapter provides a summary of CPUC implementation of 2013 and 2014 legislative directives.

### ***Safety & Enforcement***

#### **Senate Bill 291 Safety Enforcement (Hill 2014)**

CPUC Decision [D.14-12-001](#) issued December 8, 2014, adopted an electric safety citation program to further implementation of the CPUC's natural gas and electric safety enforcement programs. Program activities to implement this decision were carried out throughout 2015.

#### **Senate Bill 699 Electrical Corporations (Hill 2014)**

The CPUC held a two-day workshop on substation physical security in June 2014 and subsequently in February 2015, CPUC issued a white paper on regulation of physical security for the electrical distribution system.

#### **Senate Bill 1371 Natural Gas Emissions (Leno 2014)**

The CPUC initiated a rulemaking to adopt rules and procedures governing CPUC-regulated natural gas pipelines and facilities to reduce natural gas leakage. Rulemaking [R.15-01-008](#) activities have included a white paper on natural gas leak detection issued in March 2015 and two related workshops in April and September 2015. The same proceeding will examine program design in 2016 and ratemaking and performance-based financial incentives in 2017.

### **Assembly Bill 2293 Transportation Network Companies (Bonilla 2014)**

CPUC Decision [D.14-11-043](#) issued November 25, 2014, instituted regulations addressing commercial insurance coverage. Program activities to implement this decision were carried out throughout 2015. Additional portions of AB 2293 will be addressed in an upcoming decision in 2016.

## ***Energy***

### **Senate Bill 43 Green Tariff (Wolk 2013)**

CPUC Decision [D.15-01-051](#) was issued on February 2, 2015, approving green tariff shared renewables (GTSR) programs for investor-owned electric utilities, who submitted their plans for GTSR implementation in May 2015. All IOUs plan to begin offering GTSR to their customers by 2016.

### **Assembly Bill 66 Electric Reliability (Muratsuchi 2013)**

The CPUC approved an Order Instituting Rulemaking [R.14-12-014](#) on December 18, 2014, regarding policies, procedures, and rules for reliability reporting and issued a related Scoping Memo. The Rulemaking is currently ongoing with completion expected in late 2015 or early 2016.

### **Assembly Bill 217 Low Income Solar (Bradford 2013)**

CPUC Decision [D.15-01-027](#) was issued on January 30, 2015, instituting Rulemaking regarding policies, procedures, and rules for the California Solar Initiative, the Self-Generation Incentive Program, and other distributed generation issues. This Decision established budgets, incentives, and evaluation requirements for the Multifamily Affordable Solar Housing (MASH) and the Single Family Affordable Solar Homes (SASH) programs. On July 31, 2015, the CPUC approved the MASH Handbook, outlining information and guidelines for the reauthorized program.

### **Assembly Bill 327 Rate Reform (Perea 2013)**

The CPUC implemented residential rate reform in July 2015 with the adoption of decision [D.15-07-001](#). A Proposed Decision has been issued for the [Net Energy Metering](#) successor tariff. Electric utilities filed [distribution resource plans](#) on July 1. The CPUC is currently working through development of time-of-use rate designs.

### **Senate Bill 861 Self Generation (Budget Committee 2014)**

CPUC Decision [D.14-12-033](#) was issued on December 23, 2014. The Decision authorized IOUs to continue to collect funds for the Self-Generation Incentive Program. Program activities to implement this decision were carried out throughout 2015.

### **Senate Bill 900 Safety and Rate Cases (Hill 2014)**

Legislation directs the CPUC to consider ways in which utility safety records should influence rate case applications. CPUC Decision [D.14-12-025](#) was issued December 9, 2014, which incorporated a risk-based decision-making framework for rate cases. Program activities to implement this decision were carried out throughout 2015.

### **Assembly Bill 2672 Access to Affordable Energy in the San Joaquin Valley (Perea 2014)**

In response to this legislation, the CPUC initiated Rulemaking [R.15-03-010](#) on March 26, 2015, and held a Public Participation Hearing in Allensworth, California in November 2015.

## *Communications*

### **Senate Bill 740 Universal Service (Padilla 2013)**

In Decision [D.14-02-018](#) issued March 4, 2014, the CPUC implemented revised eligibility rules for the California Advanced Services Fund (CASF), which enables non-telephone corporations to apply to and participate in the program.

### **Assembly Bill 1299 Universal Service (Bradford 2013)**

AB 1299 expanded CASF in September 2013 by creating a fourth account to the CASF program dedicated to broadband access and adoption in publicly supported housing communities. On December 18, 2014, the CPUC approved the rules implementing the new Broadband Public Housing Account (BPHA).

Under the BPHA, the CPUC will award up to \$20 million in grants and loans to a publicly supported community, as defined in the statute, to finance a broadband network project. The CPUC also will award up to \$5 million for grants and loans to a publicly supported community to support programs designed to increase broadband adoption rates.

### **Assembly Bill 1717 Mobile Telephone Surcharge (Perea 2014)**

CPUC [Resolution T-17504](#) allows Mobile Telephony Services surcharge rates to be assessed on prepaid wireless telephone service effective January 1, 2016.

### **Assembly Bill 2272 Public Works (Gray 2014)**

AB 2272 revises the definition of "public works" to also include infrastructure project grants funded in whole or in part by the CASF, which are subject to California's prevailing wage requirements. While the CPUC has not issued a formal policy statement implementing these new requirements, it is expected that CASF applicants will comply.

## Chapter Three – Budget

### CPUC Fiscal Year 2015-2016 Operational Budget

The CPUC’s budget for operations is \$136 million annually. This supports staff salaries, benefits, and operational expenses including contracts, travel, etc.

The CPUC also redistributes more than \$1.2 billion in local assistance funding through the Universal Service programs, energy low income assistance, as well as energy efficiency programs.

	<b>Appropriation</b>	<b>Positions</b>
<b>State Operations (Total)</b>	<b>136,450,000</b>	<b>951.9</b>
Regulation of Utilities	98,499,000	516.6
Regulation of Transportation	30,488,000	171.1
Universal Service Telecommunication Programs	7,463,000	36.4
Administration**		227.8

\*\* The costs for Administration are included in the expenditure amounts listed for each of the programs.

#### **Public Purpose Programs**

The CPUC manages telecommunication and energy public purpose program funds. These funds are called "Local Assistance" in the budget, and monies are passed through to consumers in 2015. These include \$723 million for telecommunications, \$1,672 million for income-qualified energy programs, \$990 million for energy efficiency, and \$170 million for energy research & development (EPIC).

#### Definitions

1. **Regulation of Utilities** = Energy, Water, Communications (other than Universal Service Programs) and Federal Grant Funding (for Pipeline Inspectors)
2. **Regulation of Transportation** = Rail Crossings, Rail Transit, Heavy Rail, Passenger Carriers, and Moving Companies
3. **Universal Service Telecommunications Programs** = California High Cost Funds A and B, Lifeline, Deaf and Disabled Telecommunications Program, California Tele-connect Fund, and California Advanced Services Fund

**Note:** The budget is not fungible between programs or between State Operations and Local Assistance. Also, this budget does not include the operational budget for the Office of Ratepayer Advocates (ORA). This is just the CPUC’s operational budget.

## Chapter Four - 2015 CPUC Reform Efforts

In response to internal and external feedback, the CPUC undertook many reform initiatives in 2015 to improve the agency's administrative infrastructure and organizational management. These activities included:

1. Creation of an Internal Audit Unit
2. Commissioner engagement in administrative oversight
3. Development of an organization-wide strategic plan
4. A new regulatory compliance tracking database
5. *Ex parte* communications rule review
6. Increased internal communications
7. Development of a new, more user friendly CPUC website
8. Adoption of employee Core Values
9. Tracking and posting of agency workflow metrics

### Internal Audit Unit

The CPUC initially created its Internal Audit Unit in 2014 on a provisional basis. In 2015, the CPUC was able to obtain budgetary resources for this unit with the support of the Department of Finance and the Legislature. A Chief Internal Auditor has been named, and permanent staff is being hired. Internal Audit Unit performs audits of the CPUC's internal controls and management, oversees organizational risk assessment and enterprise risk management, and provides consulting services as requested to assist CPUC operations. It reports directly to the CPUC through its Finance and Administration Committee, and operates under a charter approved by the CPUC on May 21, 2015.

In January 2015, the Internal Audit Unit released a report to the Commissioners on the status of the vehicles provided by the Department of General Services (DGS) and maintained by the CPUC, as well as the management of the fleet. This report covered internal controls related to the maintenance of the motor pool function, and identified control weaknesses and inefficient operations, policies, procedures, and systems.

In October 2015, the Internal Audit Unit released another report on CPUC workforce planning, career development, and succession planning. The goal of this audit was to better understand how the CPUC is managing its workforce in order to carry out its constitutional and statutory responsibilities. The report identified several issues with workforce planning and development, and provided the Commissioners and Executive Management with a series of recommendations on improvements. Another audit report, on agency emergency preparedness, is nearly complete and should be released around the end of the year. The Internal Auditors also plan to begin reviewing compliance with standards practices for prudent financial management of public goods funds in 2016.

### Commissioner Engagement in Administrative Oversight

The Commissioners are taking greater responsibility to help the CPUC become more accountable to statute, to adopted rules and procedures, and to CPUC policy. Part of that effort is the strategic directions and staff planning process outlined below. But, in an effort to involve all five Commissioners in this decision making, the CPUC is departing from past practice. Previously, the CPUC President had exercised administrative oversight over executive management activities. In an effort to provide a much higher level of transparency into how the organization is being run, the

Commissioners created three Committees to provide guidance and monitoring to CPUC management and staff. The three Committees are: 1) Finance and Administration; 2) Policy and Governance; and 3) Modernization.

Meetings are publicly noticed and conducted like any public agency meeting governed by the Bagley-Keene Act. However, unlike traditional CPUC business meetings, Committee agenda items are not formal regulatory actions pertaining to regulated entities. Instead, the discussion focusses on improvements needed to support accessible, fair, efficient, and accountable agency direction and functions. The initial Committee meetings were held on April 15, 2015. Each Committee adheres to an adopted charter to guide its activities:

- **Policy and Governance Committee** is responsible for recommending policies related to the CPUC's governance role over the organization, and developing policies that guide individual Commissioners in fulfilling the CPUC's constitutional and statutory mandates.
- **Finance and Administration Committee** is responsible for recommending performance goals, planning tools, and budgets that support the CPUC mission, and reviewing major fiscal or administrative changes.
- **Modernization Committee** is responsible for identifying and recommending modernization initiatives, and updating CPUC procedural process.

## Strategic Planning Initiative

In 2015, the CPUC retained an outside management consulting firm to facilitate an enterprise-wide strategic planning initiative after not having carried out such an exercise for more than 20 years. The strategic planning process represents an opportunity to holistically assess the current status of the CPUC, develop priorities for the agency going forward, and create an action plan to align the CPUC's responsibilities and goals with its capabilities. Through the Commissioner Finance and Administrative Committee, the Commissioners have provided direct engagement in this important initiative.

The strategic planning process is a 12-month endeavor broken into five phases:

- ✓ **Phase 1:** *Develop project scope, work plan, schedule, project charter, planning methodology, and staff engagement plan.*
- ✓ **Phase 2:** *Organizational assessment process to identify core regulatory and statutory responsibilities, and organizational alignment with these responsibilities.*
- ✓ **Phase 3:** *Setting strategic priorities to develop a set of agency-wide mission, vision, and value statements; identify five critical focus areas for the next 3 to 5 years; and develop metrics to measure progress toward strategic priorities.*
- ✓ **Phase 4:** *Workforce analysis on staff capacity needed to align regulatory responsibilities to capabilities; define potential resource needs; and assess criteria needed to develop staff code of conduct.*
- ✓ **Phase 5:** *Develop proposed action plan; identify measurable goals, develop operational steps to support the achievement of those goals; develop tracking system to check progress; and develop internal communications plan and training program to facilitate on-going implementation.*

## **Compliance with Ordering Paragraphs (COPs) Database**

Ordering Paragraphs are the basic building blocks of CPUC regulation of regulated entities. In the past, each CPUC industry Division employed program-specific methods to track compliance with Ordering Paragraphs. However, the CPUC lacked a systematic and enterprise-wide method to track the many Ordering Paragraphs issued through formal Decisions to ensure compliance by regulated entities.

In 2015, the CPUC completed the tabulation of all Ordering Paragraphs into a central database so that compliance by regulated entities can be systematically monitored and enforced. This database provides clarity to each CPUC division on the progress made in each program area and allows for easier tracking and identification of noncompliance. The Administrative Law Judge Division has adopted procedures to clarify and strengthen compliance language in Ordering Paragraphs.

## **Ex Parte Communications**

In 2015, the CPUC retained both Michael Strumwasser, a legal consultant and expert in administrative law, and Dr. Michael Asimow of the Stanford Law School, to conduct independent reviews of the decision making process at the CPUC, with emphasis on *ex parte* rules and practices. The CPUC also worked with the Governor's special advisor on CPUC modernization and reform, Edward O'Neill, on his independent review of CPUC audits; organizational assessment; information and available data regarding CPUC programs, policies, and formal proceedings; studies of other state and federal agencies; and pertinent organizational and management issues.

The Commissioner Policy and Governance Committee issued a list of proposed reforms in August 2015. That list included reforms that the CPUC has authority to undertake without legislative approval, or, in some instances, regulatory rules changes. The Policy and Governance Committee has posted an updated work plan with a schedule for considering the reforms.

In addition to cooperating and participating in public hearings by the Legislature, Little Hoover Commission, and the Governor's office on *ex parte* communications, the CPUC also initiated an internal effort to require members of the executive management team to log and [track meetings with regulated entities](#). This is one of the reforms that the Policy and Governance Committee is considering making permanent, in an effort to make the agency's operations more transparent.

## **Internal Communications**

Since the beginning of the year, the Executive Director has initiated multiple efforts to develop new lines of internal communication among staff, between staff and leadership, and between CPUC Divisions. New modes of communication include the Executive Director's weekly blog, an internal newsletter, in-person staff workshops and forums with CPUC leadership, public meetings of Commissioner Committees, and a dedicated email address for employees to send comments to the Executive Office. Through these new lines of communication, CPUC employees and leadership have more frequent opportunities to share information and provide updates and feedback on the status of various internal reform initiatives.

## CPUC Website Re-design

In the spring of 2015 the CPUC began the process of upgrading its external website, [www.cpuc.ca.gov](http://www.cpuc.ca.gov). The purpose of the upgrade is to comply with the California Department of Technology website templates for all State agencies and an effort to increase transparency to the public. The external website has thousands of daily users and is critical to ensuring that the CPUC meets the needs of California consumers, practitioners, and other users. The goals are to:

- Update the outdated content management system (CMS) and hardware infrastructure
- Make it easier to navigate and find key information
- Refresh existing and add new content across all Divisions
- Redesign the look and feel consistent with State templates
- Present the CPUC's best face to Californians.

## Core Values

In the third quarter of 2015, members of the Executive Division team organized a series of facilitated meetings with staff from all parts of the CPUC to help identify and refine core agency values to support the strategic planning process. In addition to considering the key professional and ethical values that everyone should bring to their jobs at the CPUC, these brainstorming group sessions also allow staff to provide their comments and constructive critiques about current reform efforts. The values adopted include: accountability, excellence, integrity, open communication, and stewardship. The CPUC envisions workshops over the next year to explore how to apply these values in all aspects of its work.

## Agency Workflow Metrics

In summer 2015, the Executive Director released data and summary analysis of [statistics on open proceedings](#), including the number of proceedings open each month, the average and median age of open proceedings, and a detailed list of all open proceedings. Similar statistics are made available for [Advice Letters](#) on a monthly basis. This is the first step in a multi-phase process to increase agency performance through greater transparency on workflow statistics. Since posting, the average duration of open proceedings and Advice Letters has decreased, and we expect this trend to continue as management finds new ways to use workflow metrics to improve performance and efficiency.

## Chapter Five – 2016 Workplan

Pursuant to PU Code Section 910, the CPUC must develop, publish, and annually update an annual work-plan that describes in clear detail the scheduled ratemaking proceedings and other decisions that may be considered by the CPUC during the calendar year. In 2016, the CPUC will most likely administer more than 350 formal proceedings. These proceedings range from individual complaints to utility Applications, CPUC-initiated investigations, and Rulemakings. Additionally, pursuant to PU Code Section 910, the CPUC also files a separate report titled, “Timely Resolutions of Proceedings and Commissioner Presence at Hearings.”

This report will highlight some of the proceedings that may be of interest to the legislature and the public in 2016.

### 1. Implementation of SB 350

SB 350 encourages widespread transportation electrification, requires doubling of energy efficiency savings from electricity and natural gas end-uses by 2030, increases renewable requirements from 33 percent by 2020 to 50 percent by 2030, and requires resource optimization and an Integrated Resource Planning (IRP) process. Implementation of these bills will impact four broad work areas and at least 20 separate cases including Long Term Procurement Planning ([LTPP](#)), Integrated Resource Planning (IRP), Distribution Resource Plans ([DRP](#)), Energy Efficiency ([EE](#)), and Renewable Portfolio Standards ([RPS](#)). (See SB 350 Summary Work Breakdown Infographic on page 20.)

### 2. Energy Efficiency Rolling Portfolios and AB 802

Phase I of the proceeding placed 2015 funding in place. Phase II aims to develop rolling portfolio review processes and update various portfolio metrics, among other things. This proceeding will also consider adoption of regulatory changes necessary to implement AB 802 in order to increase energy efficiency of existing building. ([R.13-11-005](#))

### 3. Residential Rate Reform

The CPUC will continue its efforts to reform residential rates. In this phase, the CPUC will consider: 1) interpretation of PU Code Section 745 conditions that must be met for implementation of default time-of-use rates; 2) potential changes to the California Alternative Rates for Energy (CARE) program under AB 327; and 3) requirements for supporting information for the 2018 residential rate design window (RDW) applications and general time-of-use (TOU) pilot implementation issues. ([R.12-06-013](#))

### 4. Assessing Electricity Usage Patterns for Time of Use Rates

This Rulemaking will assess peak electricity usage patterns and consider appropriate time periods for future time-of-use rates and energy resource contract payments. ([R.15-12-012](#))

### 5. PG&E General Rate Case

The CPUC will determine the utility’s gas and electric system revenue requirements and address related issues. PG&E seeks authority to increase its base revenue requirements for its gas and electric distribution systems and electric generation by \$457 million, effective January 1, 2017. ([A.15-09-001](#))

### 6. Safety Model Assessment

This case continues the development of a Risk-Based Decision-Making Framework to evaluate safety and reliability improvements. In this case, as well as the accompanying Applications from the other utilities, the

CPUC will review utility safety assessment models, which show how utilities plan to assess risk and mitigate or minimize such risks. ([A.15-05-002](#) and consolidated cases)

#### **7. Energy Storage Procurement**

The CPUC will consider various issues for the continued development and refinement of the Energy Storage Procurement Framework and Design Program. ([R.15-03-011](#))

#### **8. Pipeline Safety**

San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCalGas) submitted an Application for a Certificate of Public Convenience and Necessity (CPCN) for the Pipeline Safety & Reliability Project. According to the utilities, the proposed project will expand the capacity of the SDG&E gas transmission system by 200 MMcf/d and will improve the system's reliability. The Proposed Project will also replace and augment the transmission capacity of Line 1600. ([A.15-09-013](#))

#### **9. Integrated Demand Resources**

In its September 2015 Decision the CPUC addressed foundational matters pertaining to demand-side resources. [D.15-09-022](#) expanded the original scope of the integrated demand-side resources proceeding by determining that "the integration of demand side resources is a regulatory framework, developed by the Commission, to enable customers to effectively and efficiently choose from an array of demand-side and distributed energy resources. This framework is based on the impact and interaction of resources on an individual customer's energy usage as well as the system as a whole." It also adopted the goal for the integration of demand-side resources: To deploy resources that are accounted for in system planning provide optimal customer and system benefits, and allow California to reach its climate and system planning objectives. It expanded the scope of the proceeding to consider the adoption of localized incentives and the methodology to determine the incentives as well. ([R.14-10-003](#))

#### **10. Fire Safety**

The CPUC will focus on fire safety in a new proceeding, which will develop and adopt maps that depict areas of the State where there is an elevated risk of power-line fires. The California Department of Forestry and Fire Protection will have a primary role in the development of these fire-threat maps. The adopted fire-threat maps will then be used to: 1) accurately designate the high fire-threat areas where many of the fire-safety regulations adopted in Rulemaking [R.08-11-005](#) apply, and 2) assess the need for additional fire-safety regulations. New fire-safety regulations will be adopted, as appropriate. ([R.15-05-006](#))

#### **11. Issues related to Penalties on PG&E**

The CPUC will address the issue of penalties determined in [Decision 15-04-024](#), which adopted penalties on Pacific Gas and Electric Company (PG&E) for violations arising from three investigations associated with the September 9, 2010, gas transmission pipeline explosion and subsequent fire in San Bruno, California. In specific, the CPUC will determine which remedies adopted in D.15-04-024, and subject to shareholder funding, overlap with work forecast; how much PG&E's proposed revenue requirement should be reduced to account for the costs for this overlapping work; and, which programs and projects are safety related and should be funded by the \$850 million disallowance adopted in D.15-04-024. ([A.13-12-012](#))

**12. PG&E’s Recordkeeping Policies and Practices**

The CPUC examines whether or not PG&E violated any provision of the Public Utilities Code, General Orders, federal law adopted by California, other rules or requirements, and/or other state or federal law, by its recordkeeping policies and practices with respect to maintaining safe operation of its gas distribution system. ([I.14-11-008](#))

**13. State of Competition among Telecommunications Providers**

The CPUC intends to look into the state of competition among telecommunication providers. Towards this end, it will gather data related to competition in the retail and wholesale telecommunications markets in California and comment on existing reports and studies (including by the CPUC’s Communications Division) related to the price and availability of competing telecommunications services across California’s diverse population, and its large and diverse geography. ([I.15-11-007](#))

**14. Revisions to the Lifeline Program**

The CPUC will consider participation in LifeLine service by Voice over Internet Protocol (VoIP) enabled providers that do not have a Certificate of Public Convenience and Necessity. ([R.11-03-013](#))

**15. California Teleconnect Fund**

The CPUC opened this Rulemaking in 2013 to undertake a comprehensive examination of the California Teleconnect Fund (CTF). With its 2015 decision the CPUC has already restated program goals, retained the 50 percent discount structure for all eligible CTF services except for voice where a 25 percent discount will apply, set new eligibility criteria for participants, service providers and CTF services, directed service providers to post and submit CTF contact information, customer service and eligible service information, including pricing information after the Phase 3 decision having further developed the reporting requirements. In this phase, the CPUC will examine program administration, results measurement, and implementation issues. ([R.13-01-010](#))

**16. Promoting Water-Energy Nexus**

The CPUC’s goal in this proceeding is to develop a partnership framework between investor-owned energy utilities and the water sector. ([R.13-12-011](#))

**17. Cal-Am Conservation and Rationing Rules for Monterey District**

The CPUC is considering Cal-Am’s requested authorization for modifications to its conservation and rationing plan. Cal-Am contends that the proposed changes are also necessary for the securitization authorized in Senate Bill 936. The proposals and possible alternatives involve potential modifications to applicant’s 1) Water Revenue Adjustment Mechanism (WRAM) and the Modified Cost Balancing Account (MCBA), 2) rate design, and 3) Monterey District Rule 14.1.1. The scope also includes other rate design and bill impact issues. The CPUC is to determine whether applicant’s proposals, and any alternatives proposed by parties, are just and reasonable. ([A.15-07-019](#))

# Clean Energy and Pollution Reduction Act of 2015 (SB 350)

## Major CPUC Work Areas

	Integrated Resource Plan	Energy Efficiency	Renewable Energy	Transportation Electrification
<b>Cross-cutting Statutory Requirements</b>	<ul style="list-style-type: none"> <li>Establish disadvantaged community advisory group; minimize localized air pollutants; account for economic and environmental benefits; and establish publicly available tracking system on SB 350 implementation progress. §400, § 454.52</li> </ul>	<ul style="list-style-type: none"> <li>Establish strategies for, and provide updates on, progress toward maximizing energy efficiency savings in disadvantaged communities. §454.55-56</li> </ul>	<ul style="list-style-type: none"> <li>Account for the use of distributed generation to the extent it provides economic and environmental benefits; create high-quality jobs or other economic benefits in disadvantaged communities. §400, § 740.8</li> </ul>	<ul style="list-style-type: none"> <li>Increase access for disadvantaged, low- and moderate-income communities to enhance air quality, lower GHGs, and provide overall benefits in those communities. §740.12</li> </ul>
<b>Work Area-specific Statutory Requirements</b>				
<b>2016</b>	<ul style="list-style-type: none"> <li>Prior to 2017, hold a joint workshop with CEC and ARB if CAISO proposes certain governance modification regarding regional expansion. §599.5(e)(2)</li> </ul>	<ul style="list-style-type: none"> <li>Review and update policies governing energy efficiency programs funded by utility customers to facilitate the doubling of energy efficiency savings. §399.4(d)</li> </ul>	<ul style="list-style-type: none"> <li>By Dec. 2016, achieve 25 percent renewable procurement. §399.15(b)(1)(B)</li> </ul>	<ul style="list-style-type: none"> <li>Direct IOUs to file applications for programs and investments to accelerate widespread transportation electrification. §740.12(b)</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>Commencing in 2017, adopt a process for each load-serving entity to file an integrated resource plan, and a schedule for periodic updates to the plan. §454.52(a)</li> <li>On an on-going basis, identify a diverse and balanced portfolio of resources needed to ensure optimal renewable integration in a cost-effective manner and a strategy for least-cost-best-fit procurement. §454.51</li> </ul>	<ul style="list-style-type: none"> <li>Authorize market transformation, pay-for-performance, and operational / behavior-driven programs to achieve deeper energy efficiency savings. §399.4(d)</li> </ul>	<ul style="list-style-type: none"> <li>By Jan. 1, 2017, establish procurement target for each compliance period. §399.15(b)(2)(A)</li> </ul>	<ul style="list-style-type: none"> <li>Review data concerning current and future electric transportation adoption and charging infrastructure. §740.12(c)</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>Conduct integrated resource planning to facilitate the achievement of 40 percent greenhouse gas reduction from 1990 levels by 2030. §454.52(a)(1)(A)</li> </ul>	<ul style="list-style-type: none"> <li>By Jul. 1, 2019, report to the Legislature on progress toward doubling energy efficiency savings, establish strategies for disadvantaged communities. §454.55-56</li> </ul>	<ul style="list-style-type: none"> <li>By Dec. 31, 2020, achieve 33 percent renewable energy procurement §399.15(b)(1)(C)</li> </ul>	<ul style="list-style-type: none"> <li>Provide reasonable showing that investment in charging infrastructure would not result in long-term stranded costs for ratepayers. §740.12(c)</li> </ul>
<b>2030</b>	<ul style="list-style-type: none"> <li>Continue program implementation</li> </ul>	<ul style="list-style-type: none"> <li>By Dec. 31, 2023, undertake a comprehensive review of the feasibility, costs, barriers, and benefits of achieving a cumulative doubling of EE savings and demand reduction by 2030. §454.55</li> </ul>	<ul style="list-style-type: none"> <li>By Dec. 31, 2024, achieve 40 percent renewable energy procurement §399.15(b)(1)(B)</li> <li>By Dec. 31, 2027, achieve 45 percent renewable energy procurement §399.15(b)(1)(B)</li> </ul>	<ul style="list-style-type: none"> <li>Program implementation to meet 2030 and 2050 goals consistent with guidance provided under Health &amp; Safety Code Sec 44258 (Charge Ahead California)</li> </ul>
<b>2050</b>	<ul style="list-style-type: none"> <li>Continue program implementation</li> </ul>	<ul style="list-style-type: none"> <li>Continue program implementation</li> </ul>	<ul style="list-style-type: none"> <li>By Dec. 31, 2030, achieve 50 percent renewable energy procurement §399.15(b)(1)(B)</li> </ul>	<ul style="list-style-type: none"> <li>Continue program implementation</li> </ul>

### Greenhouse Gas Reduction Goals Relative to 1990 Levels

40 percent Reduction  
80 percent Reduction

\*All code sections reference the Public Utilities Code unless otherwise specified. Each work area may be addressed through one or multiple formal proceedings.

## Appendix A – Ongoing Programs

The CPUC is tasked with protecting consumer rights and ensuring safe and reliable utility service at reasonable rates. Over the years legislation and executive orders have raised the CPUC’s role in addressing environmental and economic stewardship of California’s utility infrastructure. By regulating utility services, stimulating innovation, and promoting competitive markets, the CPUC works to better the lives of Californians with recognized leadership in innovative policies, regulations, and programs in the communications, energy, transportation, and water sectors. In addition to the issues covered in Chapter 1, the CPUC continues to work on many other issues that help accomplish what the legislature and the Governor have envisioned for the agency. The CPUC’s work includes:

1. Providing access to all Californians through Universal Service program and other Public Purpose Programs
2. Traditional ratemaking through review of utility general rate cases
3. Implementing California’s environmental policies within the electricity and natural gas sectors the CPUC regulates
4. Assuring the safety of utility infrastructure through compliance and risk -based decision-making.

### ➤ *Consumer Programs*

The CPUC provides complaint resolution services for individual consumers. The CPUC also provides the public with assistance in participating in its proceedings. This assistance is provided across regulated industries including water, energy, transportation, and communications. Additional information is available on the [CPUC’s website](#).

### ➤ *Energy*

#### **California Climate Change Strategy**

The CPUC continues engage in multiple initiatives to address climate change. This includes emerging procurement strategies, cap and trade, alternative-fueled vehicles, combined heat and power, and research and development. More information is available on the CPUC’s [website](#).

#### **Integrated Demand-Side Management**

The CPUC is pursuing policies and programs that will enable California electric utilities to integrate demand-side energy solutions and technologies through utility programs. More information is available on the CPUC’s [website](#).

#### **Smart Grid**

The CPUC has initiated a rulemaking ([R.08-12-009](#)) to consider policies for California investor-owned electric utilities to develop a smarter electric grid in the State. Smart grid annual deployment plan updates and annual report are available on the CPUC’s [website](#).

#### **Renewable Portfolio Standards (RPS)**

The CPUC implements and administers RPS compliance rules for California’s retail purveyors of electricity. California’s three large investor-owned electric utilities collectively served 22.7 percent of their 2013 retail electricity sales with renewable power. More information is available on the CPUC’s [website](#).

## **Electric and Gas Rates**

The CPUC sets electric and natural gas rates for California’s investor-owned utilities. More information on electric rates is available on the CPUC’s [website](#).

### ➤ *Transportation and Utility Safety*

## **Electric Safety and Reliability**

The CPUC issues rules and regulations to ensure that California electric utilities are run in a safe and reliable manner. Regular safety audits, inspections, and investigations are conducted to monitor compliance. More information is available on the CPUC’s [website](#).

## **Natural Gas Pipeline Safety**

The CPUC ensures that the state's natural gas and liquid petroleum gas (LPG) pipeline systems are designed, constructed, operated, and maintained according to safety standards set by the CPUC and the federal government. More information is available on the CPUC’s [website](#).

## **Rail Safety**

The CPUC oversees all aspects of rail safety in California. More information is available on the CPUC’s [website](#).

## **Passenger/Moving Companies**

The CPUC administers safety oversight and enforcement of moving companies and passenger carriers (e.g., limousines, shuttles). More information is available on the CPUC’s [website](#).

### ➤ *Water*

The CPUC is responsible for ensuring California’s investor-owned water utilities deliver clean, safe, and reliable water to their customers at reasonable rates. There are 113 such utilities under the CPUC’s jurisdiction, providing water service to about 16 percent of California’s residents. More information is available on the CPUC’s [website](#).

### ➤ *Communications*

The CPUC develops and implements policies for the telecommunications industry in California, ensuring fair, affordable universal access to necessary services. Additional information is available on the CPUC’s [website](#).

**Authors:** CPUC Policy & Planning Division

Marzia Zafar, Nilgun Atamturk, and Rebecca Lee

## Appendix B – Commissioners

**Michael Picker**  
President



**Mike Florio**  
Commissioner



**Catherine J.K. Sandoval**  
Commissioner



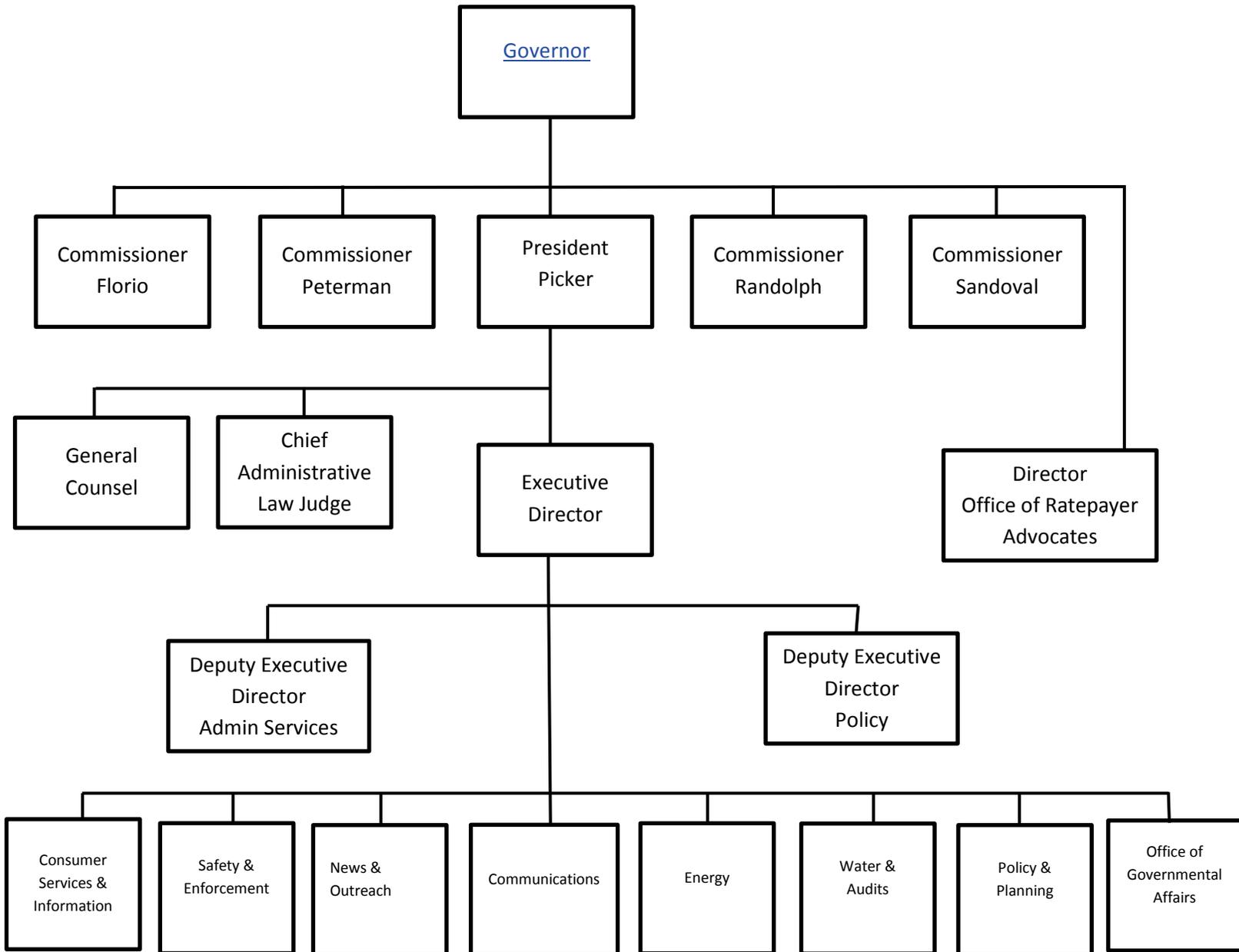
**Carla J. Peterman**  
Commissioner



**Liane M. Randolph**  
Commissioner



## Appendix C - Organizational Chart



## **Appendix D – 2015 Safety Investigations Annual Report**

Senate Bill 1409 signed into law on September 25, 2014, created PU Code Section 911. This section requires the CPUC beginning February 1, 2016, to annually publish a report that includes all investigations into gas or electric service safety incidents reported, pursuant to CPUC requirements, by any gas corporation or electrical corporation. Furthermore, the law asks that the report shall succinctly describe each safety investigation concluded during the prior calendar year and each investigation that remains open. And, the categories within the description shall include the month of the safety incident, the reason for the investigation, the facility type involved, and the owner of the facility.

As per the requirements of Senate Bill 1409 and PU Code Section 915 attached to the annual report are two Excel spreadsheets detailing the gas and electricity safety incidents for calendar year 2015.