

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Administration Services Division

San Francisco, California  
Date: July 16, 2020  
Resolution No.: M-4841

**R E S O L U T I O N**

**Resolution M-4841. Adopts level of Public Utilities Commission  
Utilities Reimbursement Account User Fees, effective October 1, 2020.**

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**S U M M A R Y**

This resolution adopts Public Utilities Commission Utilities Reimbursement Account (PUCURA), Fund 0462, user fees as follows:

Electric Corporations	0.00130	\$/kwh
Gas Corporations	0.00577	\$/therm
Heat Corporations	0.05535	\$/thousands lbs. steam
Water and Sewer System Corporations	0.01430 (1.43%)	x Revenue
Telephone and Telegraph Corporations	0.00519 (0.52%)	x Revenue

The increased expenditure level granted by the Fiscal Year (FY) 2019-20 Governor's Budget and the expected increase in the FY 2020-21 Governor's Budget account for increases in rates. A modification was also made to align proportionate revenues and expenditures by utility class, pursuant to Public Utilities Code 432(a)(2).

**B A C K G R O U N D**

The California Public Utilities Commission (CPUC) uses Public Utilities Code as the basis for its methodology to annually assess user fees for energy, water, and telecommunication utilities.

Public Utilities Code Section 431:

- (a) The commission shall annually determine a fee to be paid by every electrical, gas, telephone, telegraph, water, sewer system, and heat corporation and every other public utility providing service directly to customers or subscribers and subject to the jurisdiction of the commission other than a railroad, except as otherwise provided in Article 2 (commencing with Section 421)
- (b) The annual fee shall be established to produce a total amount equal to that amount established in the authorized commission budget for the same year, including

adjustments for increases in employee compensation, other increases appropriated by the Legislature, and an appropriate reserve to regulate public utilities less the amount to be paid from special accounts or funds pursuant to Section 402, reimbursements, federal funds, and any other revenues, and the amount of unencumbered funds from the preceding year.

- (c) This article shall not apply to any electrical cooperative as defined in Chapter 5 (commencing with Section 2776) of Part 2.
- (d) On and after January 1, 1985, this article shall apply to radiotelephone utilities as defined in Section 4902 as those provisions read on December 31, 1984.
- (e) This section shall become operative on January 1, 2020.

Public Utilities Code Section 432:

The commission shall establish the fee pursuant to Section 431 with the approval of the Department of Finance and in accordance with all of the following:

- (a) In its annual budget request, the commission shall specify both of the following:
  - (1) The amount of its budget to be financed by the fee.
  - (2) The dollar allocation of the amount of its budget shall be financed by the fee by each class of public utility subject to the fee. The fee allocation among classes of public utilities shall reflect expenditures by the commission on regulatory and other authorized activities affecting each respective class, and shall bear the same ratio that the commission's workload for each class of public utility subject to the fee bears to the commission's total workload for all public utilities subject to the fee.
- (b) The commission may establish different and distinct methods of assessing fees for each class of public utility, if the revenues collected are consistent with paragraph (2) of subdivision (a), except that the commission shall establish a uniform charge per kilowatt hour for sales in kilowatt hours for the class of electrical corporations and a uniform charge per therm for sales in therms for the class of gas corporations.
- (c) Within each class of public utility subject to the fee, the commission shall allocate among the members of the class the amount of its budget to be financed by the fee using the following methods:
  - (1) For electrical corporations, the ratio that each corporation's sales in kilowatt hours bears to the total sales in kilowatt hours for the class.
  - (2) For gas corporations, the ratio that each corporation's sales in therms bears to the total sales in therms for the class.
  - (3) For telephone and telegraph corporations, the ratio that each corporation's gross intrastate revenues bears to the total gross intrastate revenues for the class. If the commission determines that there is a need for consultants or advisory services to assist in determining the reasonableness of capital

expenditures for a telephone corporation, the commission may adjust the fees within the class so that the expenses for the consultants and advisory services are fully allocated to that telephone corporation.

- (4) For water and sewer system corporations, the ratio that each corporation’s gross intrastate revenues bears to the total gross intrastate revenues for the class.
- (5) For all other public utilities, an appropriate measurement methodology determined by the commission.
- (d) Every public utility belonging to more than one class shall be subject to the fee for each class of which it is a member.
- (e) For every public utility with annual gross intrastate revenues of seven hundred fifty thousand dollars (\$750,000) or less, the commission shall annually establish uniform fees to be paid by each such public utility, if the revenues collected thereby are consistent with paragraph (2) of subdivision (a) and subdivision (c).

**DISCUSSION**

*Revenue and Expenditure Analysis*

The Governor’s Budget structures PUCURA’s authorized expenditures by Program and Subprogram, as shown below in Table 1. Subtasks, the most granular level of detail by utility class (electricity, gas, sewer, steam), are not displayed in the Governor’s Budget but tracked internally by CPUC.

**Table 1: Governor’s budget structure, PUCURA**

<b>Program</b>	<b>Subprogram</b>	<b>Subtask (Utility Class)</b>
Regulation of Utilities (6680)	Energy (6680055)	Electric Corporations Gas Corporations Steam Corporations
	Water (6680064)	Water Corporations Sewer Corporations
	Communications (6680073)	Telephone and Telegraph Corporations Video Service Providers

In addition to the CPUC’s budgeted expenditures from PUCURA, the fund supports expenditures of the Public Advocates Office (PUBADV) Fund 3089, the Air Resources Board (Org 3900), the Office of Environmental Health and Hazard Assessment (Org 3980), and statewide fund assessments.

Table 2 shows PUCURA’s current level expenditures and FY 2020-21 estimated changes distributed by Utility Class per Table 1. Estimated FY 2020-21 change is subject to adjustment in the Governor’s Budget process and subsequent legislative budget process.

**Table 2. PUCURA Expenditures**

Utility Class	Current Level 2019-20 <sup>1</sup>	PUBADV Allocated <sup>2</sup>	Fund User and Fund Assessment <sup>3</sup>	Estimated 2020-21 Change <sup>4</sup>	Total
Electric	\$145,268,000	\$28,076,000	\$6,686,000	\$32,672,000	\$212,702,000
Gas	40,936,000	6,569,000	2,545,000	2,432,000	52,482,000
Steam	24,000	1,000	-	-	25,000
Water /Sewer	12,408,000	4,531,000	872,000	118,000	17,929,000
Telco.	28,673,000	8,038,000	1,547,000	734,000	38,992,000
PUBADV	47,215,000				
<b>Total</b>	<b>\$274,524,000</b>	<b>\$47,215,000</b>	<b>\$11,650,000</b>	<b>\$35,956,000</b>	<b>\$322,130,000</b>

Table 3 and Table 4 display, by utility class, the comparison between revenue and expenditures. Table 3 shows that with no fee increase, PUCURA will incur an operating deficit of \$152,482,000. With no fee increase, there will be a projected negative fund balance for PUCURA for FY 2019-20 of \$69,669,000 (Table 5), a decrease of \$116,526,000 from the FY 2018-19 closing fund balance of \$46,857,000.

**Table 3. Comparison of PUCURA revenue to estimated expenditures by utility class, FY 2019-20**

Utility Class	Revenue at Current Rate	Expenditures (Table 2)	Net Revenue (Revenue – Expenditures)
Electric	\$82,450,000	\$212,702,000	\$(130,252,000)
Gas	35,204,000	52,482,000	(17,278,000)
Steam	19,000	25,000	(6,000)
Water/Sewer	28,032,000	17,929,000	10,103,000
Telco.	23,943,000	38,992,000	(15,049,000)
<b>Total</b>	<b>\$169,648,000</b>	<b>\$322,130,000</b>	<b>\$(152,482,000)</b>

<sup>1</sup> From the 2020-21 Proposed Governor's Budget; expenditures do not include reimbursable spending authority.

<sup>2</sup> From the 2020-21 Proposed Governor's Budget; allocated by workload data by utility class. Note: \$47,215,000 is not included when totaling across the total line as the amount is included in the Current Level 2019-20 column total.

<sup>3</sup> From the 2020-21 Proposed Governor's Budget; allocated by workload data by utility class.

<sup>4</sup> 2020-21 begins July 1, 2020, the 2020 fee increase covers these expenditures for half of calendar year 2020.

Table 4 shows the proportion of revenues to expenditures by utility class. “Adjustment to Align Proportional Revenue” is the adjustment needed to align revenues and expenditures by utility class. This rate is used in Table 7 to adjust current revenues to expenditures.

**Table 4. Proportional revenues and expenditures by utility class, data from Table 3<sup>5</sup>**

Utility Class	Revenue Ratio A	Expenditure Ratio B	Difference (A - B)	Adjustment to Align Revenue C	Adjusted Revenue Ratio A+C
Electric	48.60%	66.03%	(17.43)%	17.43%	66.03%
Gas	20.75%	16.29%	4.46%	(4.46)%	16.29%
Steam	0.01%	0.01%	0.00%	0.00%	0.01%
Water/Sewer	16.53%	5.57%	10.96%	(10.96)%	5.57%
Telco.	14.11%	12.10%	2.01%	(2.01)%	12.10%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>- %</b>	<b>- %</b>	<b>100.00%</b>

#### *Fund Reserve Analysis*

CPUC’s fund reserve policy for PUCURA requires a fund reserve of 25 to 50 percent of expenditures. Table 5 shows the expected fund reserve for FY 2019-20 and FY 2020-21, using current revenue rates. At the FY 2020-21 expected level of expenditures, the fund reserve policy requires at least \$80,533,000.

**Table 5. PUCURA Fund reserve summary, unadjusted revenue rates**

Line	Item	2019-20	2020-21
A	Beginning-of-Year Fund Reserve	\$46,857,000	\$(69,669,000)
B	Estimated User Fee Revenues (if no rate change)	169,648,000	169,648,000
C	Estimated Expenditures	(286,174,000)	(322,130,000)
D	Net Fund Increase/(Decrease) (B - C)	(116,526,000)	(152,482,000)
E	Estimated Ending Fund Reserve (A - D)	\$(69,669,000)	\$(222,151,000)
F	Necessary minimum reserve (25% of C for FY 2020-21)		\$80,533,000
G	Less: Beginning-of-Year Reserve (FY 2020-21)		\$69,669,000
H	Additional revenue required to maintain 25% reserve		\$150,202,000

<sup>5</sup> Ratios were calculated by dividing each utility type’s revenues and expenditures over the total estimated.

*Necessary Revenue Increase*

Using the revenue increases summarized in Table 6 below, PUCURA requires additional revenue of \$302,684,000 to maintain a sufficient fund reserve. The increase related to Line 1 will be collected in FY 2019-20. Lines 2 and 3 will be recovered over three years to reduce impact on ratepayers and allow CPUC to annually analyze received revenues and make any needed adjustments.

**Table 6. Required revenue increase, summary**

Line	Required Revenue Increase	Total	Revenue Required 2019-20	Revenue Required 2020-21 & 2021-22
1	Increase in revenue to match FY 2019-20 Net Fund Decrease (Table 5, Line D)	\$116,526,000	\$116,526,000	\$ -
2	Increase in revenue to maintain fund reserve (Table 5, Line H)	150,202,000	50,068,000	100,134,000
3	Increase in revenue required for FY 2020-21 commitments (Table 2)	35,956,000	11,985,000	23,971,000
	<b>Total increase in revenue required</b>	<b>\$302,684,000</b>	<b>\$178,579,000</b>	<b>\$124,105,000</b>

Using the Adjusted Proportional Revenue rates in Table 4, Table 7 allocates PUCURA's increase of \$266,728,000 (Table 6, Lines 1 and 2) for FY 2019-20. Line 3 amounts, FY 2020-21 commitments, are distributed by workload by utility class.

**Table 7. Revenue requirements by utility class**

Utility Class	Revenue at Current Rate	Revenue Ratio Adjustment per Table 4 <sup>6</sup>	Increase in Revenue Required	Revenue Required
Electric	82,450,000	\$4,979,000	\$130,699,000	\$218,128,000
Gas	35,204,000	(4,122,000)	20,046,000	59,372,000
Steam	19,000	-	19,000	38,000
Water/ Sewer	28,032,000	(7,269,000)	7,280,000	28,043,000
Telco	23,943,000	(1,832,000)	20,535,000	42,646,000
<b>Total</b>	<b>\$169,648,000</b>	<b>\$ -</b>	<b>\$178,579,000</b>	<b>\$348,227,000</b>

*User Fee Calculations*

Using the revenue requirement summarized in Table 7 by utility class, user fees were determined using the projected energy or revenue base for each utility class. Resulting user fees shown in

<sup>6</sup> From Table 4, "Adjustment to Align Proportional Revenue" percentage was applied to total revenue at current rate (\$169,648,000) and prorated over two years.

Table 8 below. Table 9 compares the proposed changes to PUCURA user fees to current fee levels.

**Table 8. User Fee Calculation**

Utility Class	Estimated Equivalent energy or revenue base A	Unit	Required Revenue (Table 6) B	Resulting (new) user fee B / A
Electric	168,357,403,000	kwh	\$218,128,000	0.00130
Gas	10,282,827,000	Therms	59,372,000	0.00577
Steam	686,500	thousand lbs. steam	38,000	0.05535
Water/ Sewer	1,961,455,000	Revenue (\$)	28,043,000	0.01430
Telco	8,224,564,000	Revenue (\$)	42,646,000	0.00519
<b>Total</b>			<b>\$348,227,000</b>	

**Table 9. User Fee Rates Comparison, Calendar Year 2019 to 2020<sup>7</sup>**

Utility Class	2019 User Fees	2020 User Fees	Base	Difference	% Change	\$ Change
Electric	0.00058	0.00130	\$/ kwh	0.00071	123.10%	\$135,678,000
Gas	0.00247	0.00577	\$/therm	0.00311	133.92%	24,168,000
Steam	0.02173	0.05535	\$/thousands lbs. steam	0.02823	104.05%	19,000
Water/ Sewer	0.01232	0.01430	x Revenue	0.00198	16.06%	11,000
Telco	0.00335	0.00519	x Revenue	0.00184	54.78%	18,703,000
						<b>\$178,579,000</b>

### **COMMENTS ON DRAFT RESOLUTION**

In accordance with Public Utilities Code Section 311(g), this draft resolution was published on its CPUC website and sent to the regulated entities on June 10, 2020.

On July 10, 2020, CPUC received comments from Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E). SCE requested to delay the implementation of the new user fee rate for electricity and water by two months to October 1, 2020 and gas by one month to September 1, 2020. PG&E stated that the full user fee rate would be implemented no later than October 1, 2020 for electricity and August 1, 2020 for gas. Since the user fees for each

<sup>7</sup> Numbers may not calculate due to rounding.

industry are determined under one resolution, the Draft Resolution has been revised in response to these comments. The effective date of the Draft Resolution has been changed from August 1, 2020 to October 1, 2020.

**THEREFORE, IT IS ORDERED THAT:**

1. Effective October 1, 2020 the current PUCURA user fees shall be revised as follows:

Electric Corporations	0.00130	\$/ kwh
Gas Corporations	0.00577	\$/therm
Heat Corporations	0.05535	\$/thousands lbs. steam
Water and Sewer System Corporations	0.01430 (1.43%)	x Revenue
Telephone and Telegraph Corporations	0.00519 (0.52%)	x Revenue

2. The effective date of this order is today.

I certify that the foregoing resolution was adopted by the California Public Utilities Commission at its regular meeting of July 16, 2020 and the following Commissioners approved favorably thereon:

/s/ ALICE STEBBINS  
 Alice Stebbins  
 Executive Director

MARYBEL BATJER  
 President  
 LIANE M. RANDOLPH  
 MARTHA GUZMAN ACEVES  
 CLIFFORD RECHTSCHAFFEN  
 GENEVIEVE SHIROMA  
 Commissioners



**APPENDIX A**  
**0462 Public Utilities Commission Utilities Reimbursement Account**  
**Fund Condition Statement with rate increase**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>
BEGINNING BALANCE	\$51,230,000	\$46,857,000
Prior Year Adjustments	4,070,000	-
Adjusted Beginning Balance	<u>\$55,300,000</u>	<u>\$46,857,000</u>
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>		
Revenues:		
Quarterly Public Utilities Commission Fees	161,959,000	295,200,000
Other Regulatory Fees	2,146,000	1,500,000
Other Regulatory Licenses and Permits	6,000	-
Document Sales	-	-
Misc. Services to the Public	227,000	-
Escheat of Unclaimed Checks, Warrants, Bonds and Coupons	48,000	5,000
Income from Surplus Money Investments	525,000	350,000
Miscellaneous Revenue	6,000	5,000
Transfers:		
Revenue Transfer to Ratepayer Advocate Account (3089) per Item 8660-011-0462, Various Budget Acts	(34,363,000)	(47,215,000)
Revenue Transfer from Propane Safety Inspection and Enforcement Program Trust Fund (0051) to Public Utilities Commission Utilities Reimbursement Account (0462) per Public Utilities Code 4458	-	100,000
Revenue Transfer from Prepaid MTS Account (3265) to Public Utilities Commission Utilities Reimbursement Account (0462) per Revenue and Taxation Code 42023 <sup>1</sup>	283,000	-
Total Revenues, Transfers, and Other Adjustments	<u>\$130,837,000</u>	<u>\$249,945,000</u>
Total Resources	<u>\$186,137,000</u>	<u>\$296,802,000</u>
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>		
Expenditures:		
Public Utilities Commission State Operations	132,872,000	227,309,000
3360 Energy Resources Conservation and Development Commission (State Operations)	-	2,157,000
3900 Air Resources Board	154,000	205,000
3980 Office of Environmental Health & Hazard Assessment	103,000	199,000
Statewide General Admin Expense (Pro Rata)	4,691,000	5,789,000
Supplemental Pension Payments	1,447,000	3,314,000
Financial Information System for CA	13,000	(14,000)
Total Expenditures and Expenditure Adjustments	<u>\$139,280,000</u>	<u>\$238,959,000</u>
FUND BALANCE	<u>\$46,857,000</u>	<u>\$57,843,000</u>

<sup>1</sup> For simplicity of calculating and displaying User Fees, this transfer is displayed here under “Quarterly Public Utilities Commission Fees”