



# California Public Utilities Commission Committee on Finance and Administration



## **Strategic Directive 10 – Economic Prosperity June 20, 2018**

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# Strategic Directive 10 – Economic Prosperity

The CPUC promotes a strong California economy that provides jobs and general prosperity.

Within its jurisdictional authority, the CPUC will:

1. Encourage regulated entities to purchase goods and services competitively from a wide and diverse range of potential suppliers;
2. Encourage innovation, competition, and consumer choice in the services and technologies available to consumers;
3. Consider the economic impact of CPUC decisions and policies on California's disadvantaged communities and low-income individuals;
4. Analyze and seek to minimize the costs and adverse economic impacts of regulatory actions;
5. Consider the impact of CPUC decisions and policies on California jobs and employers.





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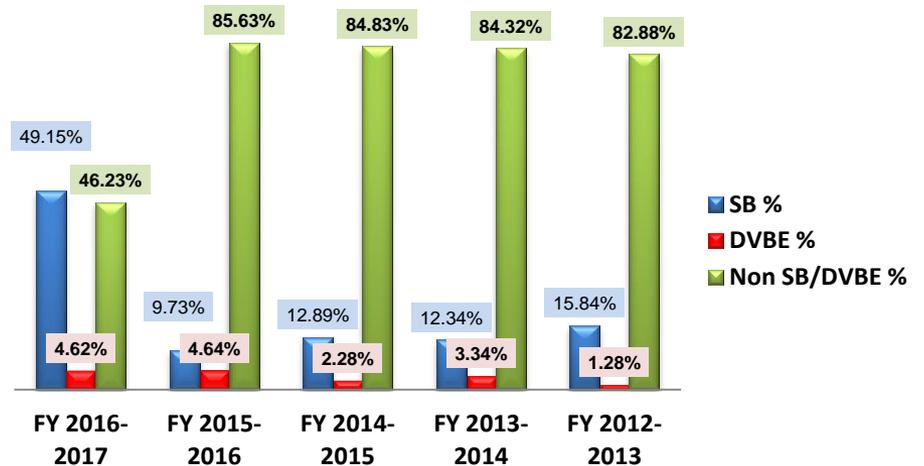




# CPUC SB/DVBE Business Program

- As part of California's goal to meet 25 percent procurement from small businesses (SB) and 3 percent from disabled veteran business enterprises (DVBE), in the 2016-2017 fiscal year, the CPUC exceeded these goals.
  - **Small Business: 49.15%**
  - **DVBE: 4.62%**

	Total Contract \$ in million	SB \$ in million	DVBE \$ in million
FY 2016-2017	\$19.02	\$9.35	\$.878
FY 2015-2016	\$93.7	\$9.11	\$4.35
FY 2014-2015	\$102	\$13.11	\$2.32
FY 2013-2014	\$99.35	\$12.26	\$3.32
FY 2012-2013	\$116.64	\$18.48	\$1.5



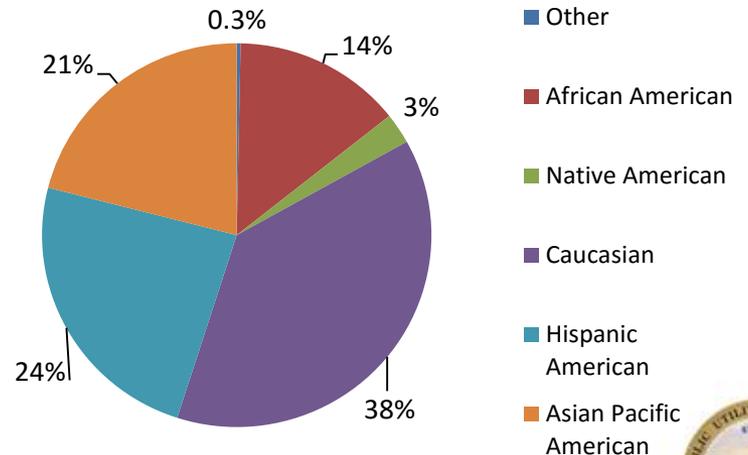


# CPUC Utility Supplier Diversity Program

- Utilities with gross annual revenues exceeding \$25 million are encouraged to purchase goods and services from diverse businesses: 15% from minority, 5% from women, and 1.5% from disabled veteran owned businesses.
- The Supplier Clearinghouse certifies women, minority and LGBT-owned businesses
- The Department of General Services establishes the eligibility of DVBEs and provides the information to the Supplier Clearinghouse

## Supplier Clearinghouse Database

Certification Type	No. of Businesses
WBE	2,596
MBE	2,494
WMBE	1,166
LGBT	126
SBA 8a	49
DVBE	1,663
TOTAL*	7,872



\* The total is less than the sum of the individual types since some businesses holding multiple certifications

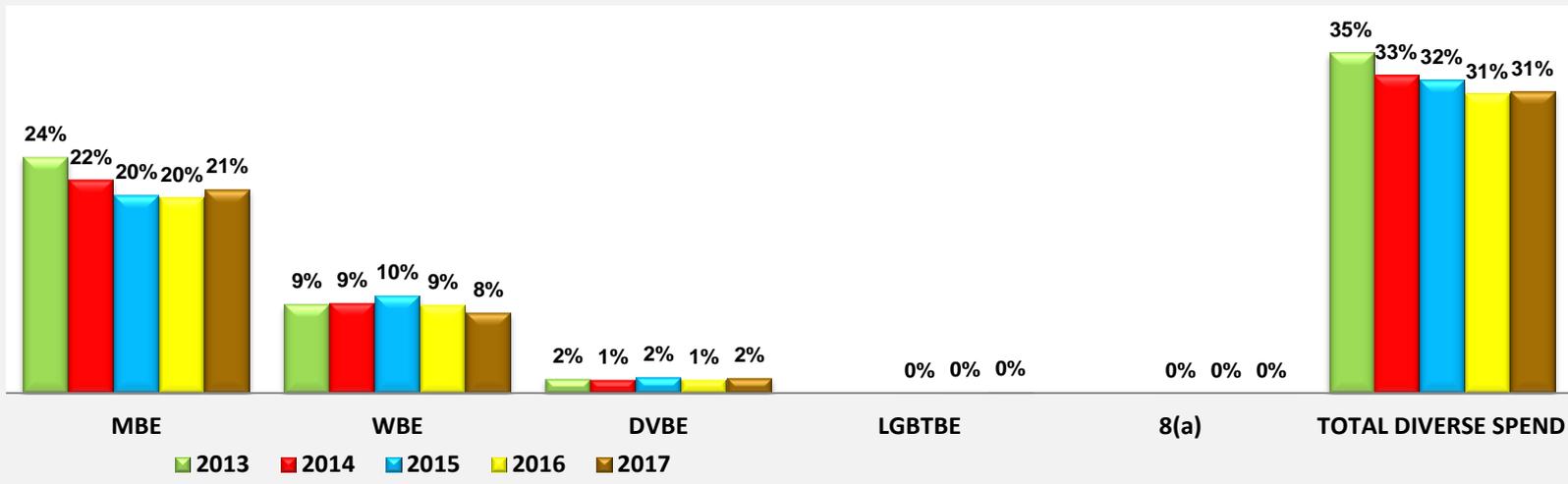




# Utilities Procurement from Diverse Suppliers

	2013	2014	2015	2016	2017
MBE	\$6 billion	\$5.82 billion	\$5.59 billion	\$6.13 billion	\$7.13 billion
WBE	\$2.27 billion	\$2.47 billion	\$2.76 billion	\$2.77 billion	\$2.83 billion
DVBE	\$374 million	\$377 million	\$464 million	\$435 million	\$544 million
LGBTBE			\$6.12 million	\$36.6 million	\$48.2 million
8(a)			\$1.57 million	\$1.01 million	\$414,857
<b>TOTAL Utilities Diverse Spend</b>	<b>\$8.65 billion</b>	<b>\$8.67 billion</b>	<b>\$8.82 billion</b>	<b>\$9.37 billion</b>	<b>\$10.55 billion</b>

2013 - 2017 Diverse Spend Percentage Comparison



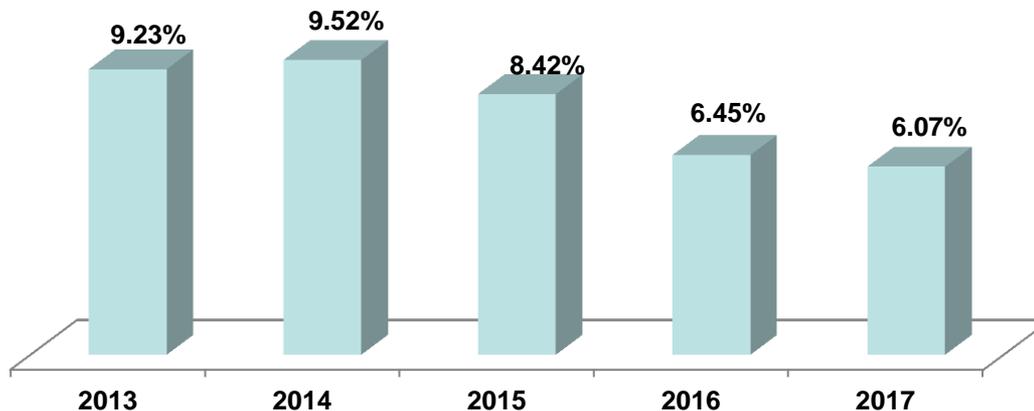


# Utility Subcontracting Program

Utilities with gross annual revenues exceeding \$25 million are encouraged to have a diverse subcontracting program

	2013	2014	2015	2016	2017
<b>Diverse Supplier Subcontracting Spend</b>	\$2.27 billion	\$2.51 billion	\$2.3 billion	\$1.96 billion	\$2.06 billion

**2013 - 2017 Diverse Subcontracting Spend Percentage Comparison**





# Small and Diverse Business Programs Outreach

- In 2017, CPUC staff attended more than **50 events** to promote CPUC's business programs. In 2018 so far, staff has promoted the programs at **24 business events**
- In 2017, the CPUC hosted two business Expos to promote procurement opportunities and educate businesses by creating the opportunity for small and diverse businesses to meet with experts in procurement from public agencies, utility companies and resource centers. The events attracted more than **1,000** small and diverse businesses. In 2018, the CPUC has held one business Expo that had more than **700** business attendees
- The CPUC hosted a Public Hearing on General Order (GO) 156 in 2017 to discuss utilities' 2016 GO 156 performance and 2017 GO 156 plans





# Strategies to Sustain CPUC's Business Programs

- Frequently engage with small and diverse business professionals to review and update best practices
- Continue to engage utilities, business organizations, and new market entrants to enhance and expand small and diverse business capacity building and technical assistance programs
- Engage utilities, businesses, chambers of commerce, and other business organizations to exchange ideas and discuss issues concerning the performance of the programs
- Work with utilities to improve subcontracting performance
- Continue creating networking opportunities for businesses to take advantage of these programs and other similar programs
- Continue to support outreach efforts to certify diverse suppliers and program performance
- Keep up to date with issues affecting businesses and anticipate challenges
- Periodically provide information and/or train internal staff





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# Communications Public Purpose Programs

Help deliver broadband/voice to:

- Rural areas (A-Fund)
- Low income (Lifeline)
- Deaf/disabled (DDTP)
- Anchor institutions (CTF)
- Unserved/underserved (CASF)





# Serving Unserved / Rural (Disadvantaged) Areas

## **CASF** (Broadband to Unserved Areas):

- 64 Broadband Infrastructure grants approved
- 41 Broadband networks built / completed
- 72,407 Households have been offered broadband as a result of CASF grants
- **CHCFA- Fund**
- Annual subsidies granted to 10 small rural telephone corporations - now includes funding for building broadband infrastructure (Approx. \$40 million)





## Number of Service Providers in CA

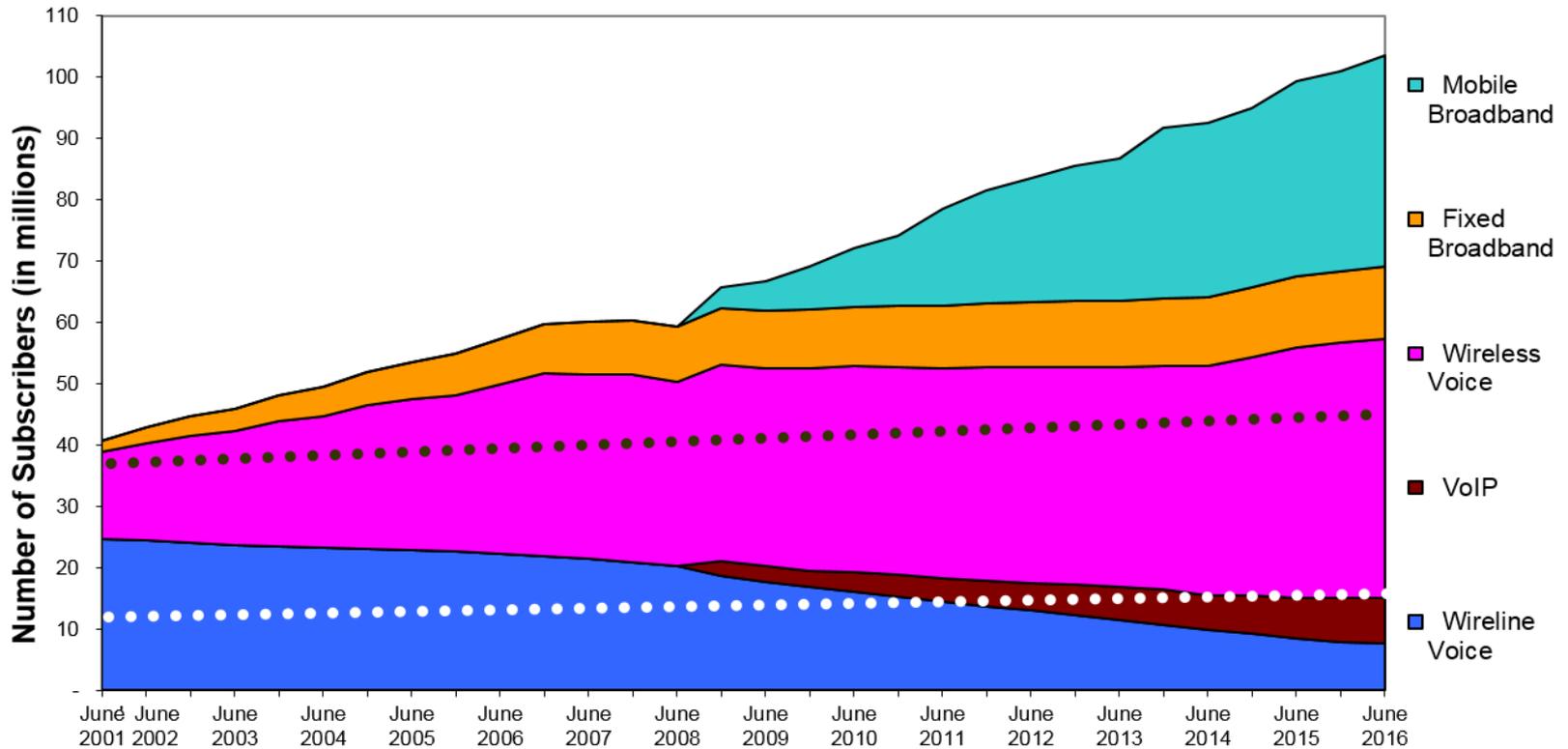
Service Provider Type	Number of Service Providers
VoIP – Voice over IP (Telephone)	414
Long Distance – Facilities Based	220
CLEC – Facilities Based	188
Long Distance – Resellers	173
CLEC - Resellers	149
Wireless - Resellers	111
Video Franchise Holders	54
WISPS – Wireless Internet Service Prov.	47
Wireless – Facilities Based	20
LEC – Facilities Based	19
Two-Way Radio / Paging	4
Paging / Messaging – Wireless	2
Total	1,401





# Over 100 Million Broadband and Voice Connections Intermodal Competition / Consumer Choice

Subscribership Trend of All Communications Services In California by  
Technology June 2001 - June 2016 (in Millions of Subscriptions)



sources: FCC Form 477 filings, June 2001 - June 2016; US Census Bureau

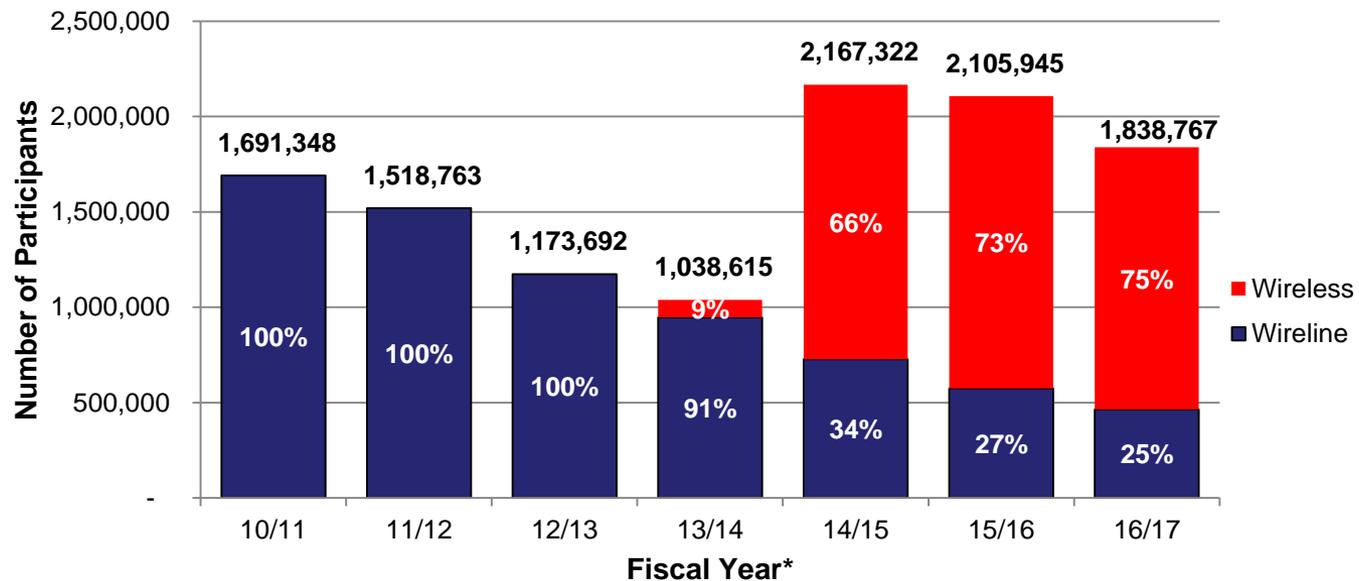




# Consumer Choice/Competition (cont.)

- Lifeline provided consumer choice by opening to wireless service providers in 2014
- 13 wireless service providers entered the market
- Lifeline subscribership shifted to mobile service w/data

CA LifeLine Recent Participation 2010 - 2017





## Consumer Choice/Competition (cont.)

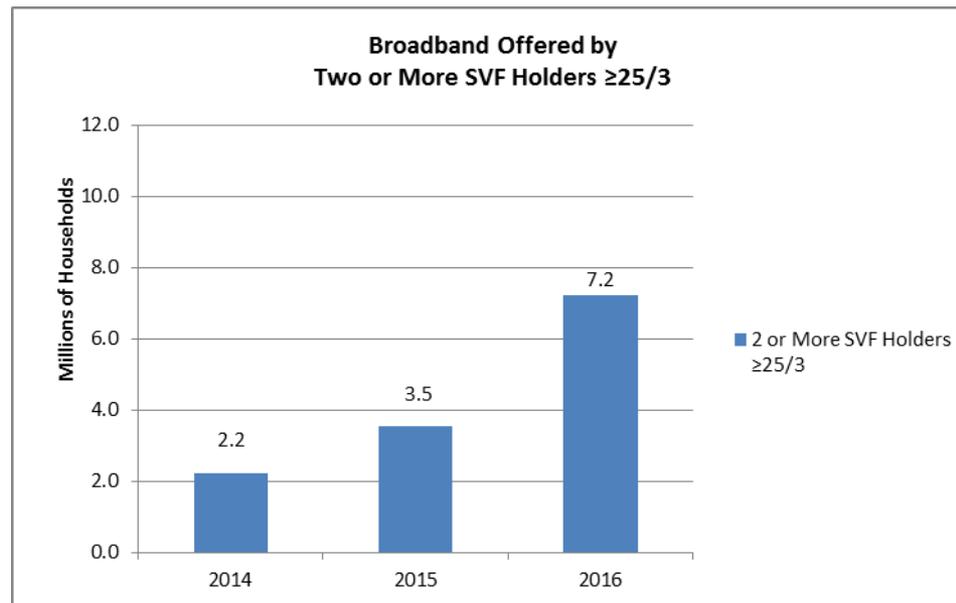
- **Lifeline** – Opening program to 13 wireless service providers resulted in competition / new services offered
  - More voice minutes
  - Free SMS texting
  - Data plans offered, and over time increased data caps
  - Lower prices
- **DDTP** – Recently began encouraging equipment vendors to offer new and better products
  - Example: Offering cell phone amplifiers; as a result 3,000 new participants signed up for cell phone amplifiers





## Consumer Choice/Competition (cont.)

DIVCA facilitated video competition (2 or more SVF holders) and data shows an increase in speed provided for broadband as well





# Innovation/Consumer Choice/Competition

## Benefits of Utility Pole Access OIR

- Increase consumer choice, competition and innovation by reducing barriers to entry for new entrants/new technologies (5G) and enabling existing providers and competitors to expand into new markets
- Encourage cross platform (wireless/fiber-optic) competition/complimentary integration of equipment
- Enable expansion of networks (wireline/wireless) in rural/underserved areas, which can contribute to reducing the digital divide
- As consumer choice increases, innovations in new services / technologies also increase





# Economic Prosperity is Challenging to Measure

CD programs **currently** measure:

- Dollars distributed to service providers/individuals
- Number of participants enrolled in programs
- Number of service providers offering services funded by programs
- Broadband Speeds





# What Does the Agency Want to Measure?

- Number of individual people served?
- Demographics of people served?
- Economic prosperity?
  - Economic impact?
  - Quality of life impact?
- Customer Satisfaction?





# Encouraging Innovation and Choice through Distributed Energy Resources (DERs)

*By the Numbers* (IOUs statewide, 2017 data except where noted):

- **BTM Solar:** 6,228 MWs and 725,426 projects installed (thru 2017). About 5% of CAISO peak.\*
  - Participation rate: 6.6% of PG&E customers; 5.3% SCE; 3% SDG&E
- **SGIP** (Many Technologies): 318 MWs installed of non-PV self generation (including 10 MWs storage). About 4% of CAISO peak\*
- **Demand Response:** About 4% of CAISO peak\*
  - IOUs' DR portfolios: 1,952 MWs\*\*
  - DRAM: 125 MWs
  - LCR contracts delivering (in 2018): 13 MWs
- **Energy Efficiency:** 705 MWs and 3,534 GWhs saved

21 \* 2017 IEPR: CAISO Load Modifiers\_Mid Baseline\_Mid AAEE\_AAPV\_CED 2017. Available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=222470>. Based on consumption, not sales.

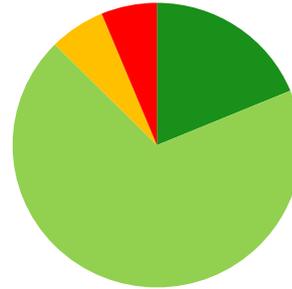
\*\* Roughly 1/2 is emergency-triggered DR programs; 1/2 is economically dispatched.





# DER Action Plan Achievements

## Track 1: Rates and Tariffs



 Completed

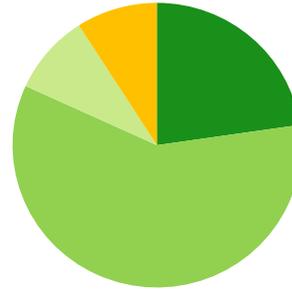
 On Track

 Deferred  
(Intentionally  
Delayed)

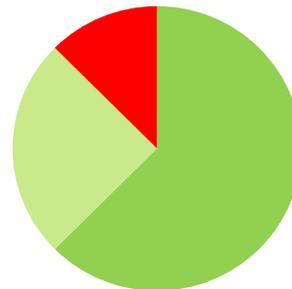
 Delayed

 Off Track or  
Not Scoped

## Track 2: Distribution Planning, Infrastructure, Interconnection, and Procurement



## Track 3: Wholesale DER Market Integration and Interconnection





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# Recent CPUC Milestones Addressing Energy Equity

1. Established the Disadvantaged Communities Advisory Group.
2. Initiated the Environmental Justice Action Plan to address DACs within CPUC programs and proceedings.
3. Integrated an equity focus into Energy proceedings, and launched new initiatives.





# CPUC Implementation of Equity Initiatives to Improve Economic Impacts

- **Solar on Multi-family Affordable and Housing (SOMAH)**
  - The CPUC implemented AB 693 by incentivizing up to \$100 million annually from GHG auction proceeds for 300 MW of solar on deed-restricted, low-income housing by 2030 to lower tenant utility bills, and expand local workforce development in DACs. (D.17-12-022)
- **Energy Efficiency Business Plans**
  - The CPUC directed Program Administrators (P.A.s) to track energy savings progress in DACs and hard-to-reach communities to identify best practices for maximizing energy efficiency. (D.18-05-041)
- **Self-Generation Incentive Program (SGIP) Equity Budget**
  - The CPUC directed 25% of SGIP funds for energy storage in DACs and low-income communities, including non-profits, educational institutions, small businesses, and eligible low-income housing. (D.17-10-004)





# Equity Initiatives

- **Integrated Resource Planning (IRP)**
  - The CPUC required Load Serving Entities (LSEs) to have specific information on DACs in their filings.
- **Transportation Electrification**
  - The CPUC approved a minimum of \$300 million for infrastructure projects in DACs.
- **Electric Program Investment Charge (EPIC)**
  - The CPUC directed 25% of R&D funds to benefit disadvantaged communities.
- **Affordable Energy in San Joaquin Valley (AB 2672)**
  - The CPUC held a series of workshops in San Joaquin Valley communities to share pilot proposals for increasing access to affordable energy and gather input.
- **Alternatives for Expanding Solar in DACs**
  - The CPUC has issued proposed/alternate decisions proposing a new green tariff, single family solar, and community solar programs.
- **Demand Response Pilots**
  - The CPUC allocated \$2.5 million to create demand response pilots in DACs.



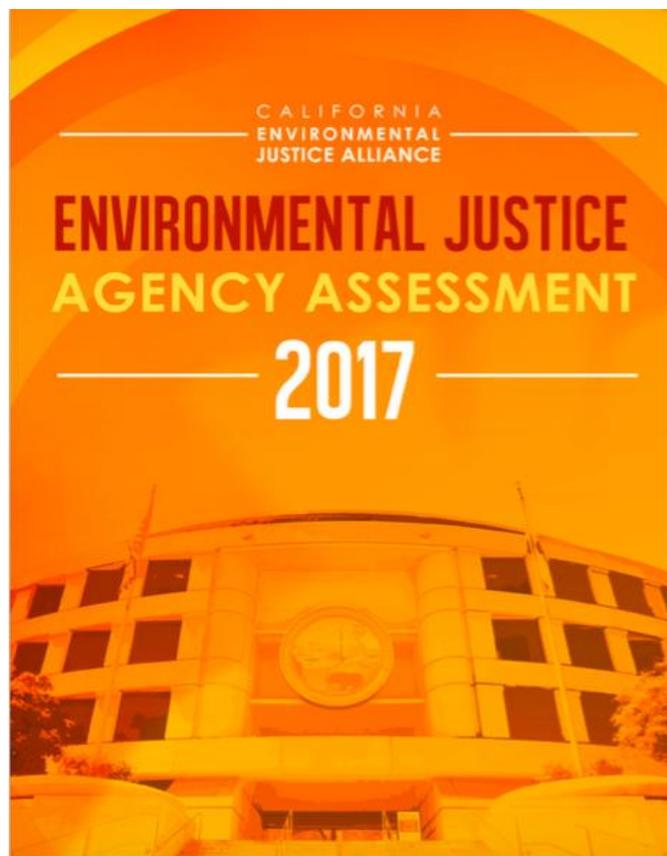


# CPUC has Demonstrated Improvements in Environmental Justice for Energy

- CEJA's 2017 Environmental Justice Agency Assessment stated the CPUC was a "bright spot," finding the CPUC:

*"...improved their inclusion of EJ principles in both their processes and final decisions."*

- The CPUC improved from largely "poor" ratings in 2016 CEJA Assessment to largely "fair" and "good" in 2017.





# Suggested Metrics to Demonstrate Achievements in Disadvantaged and Low-Income Communities

- Measure participation of community groups in CPUC proceedings.
- Measure DAC customer program participation.
- Achieved targets for DAC program deployment (e.g., # of charging stations, # of solar roofs).
- Demonstrated energy and bill savings for tenants and building owners in DACs.





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# The “Florio Report”

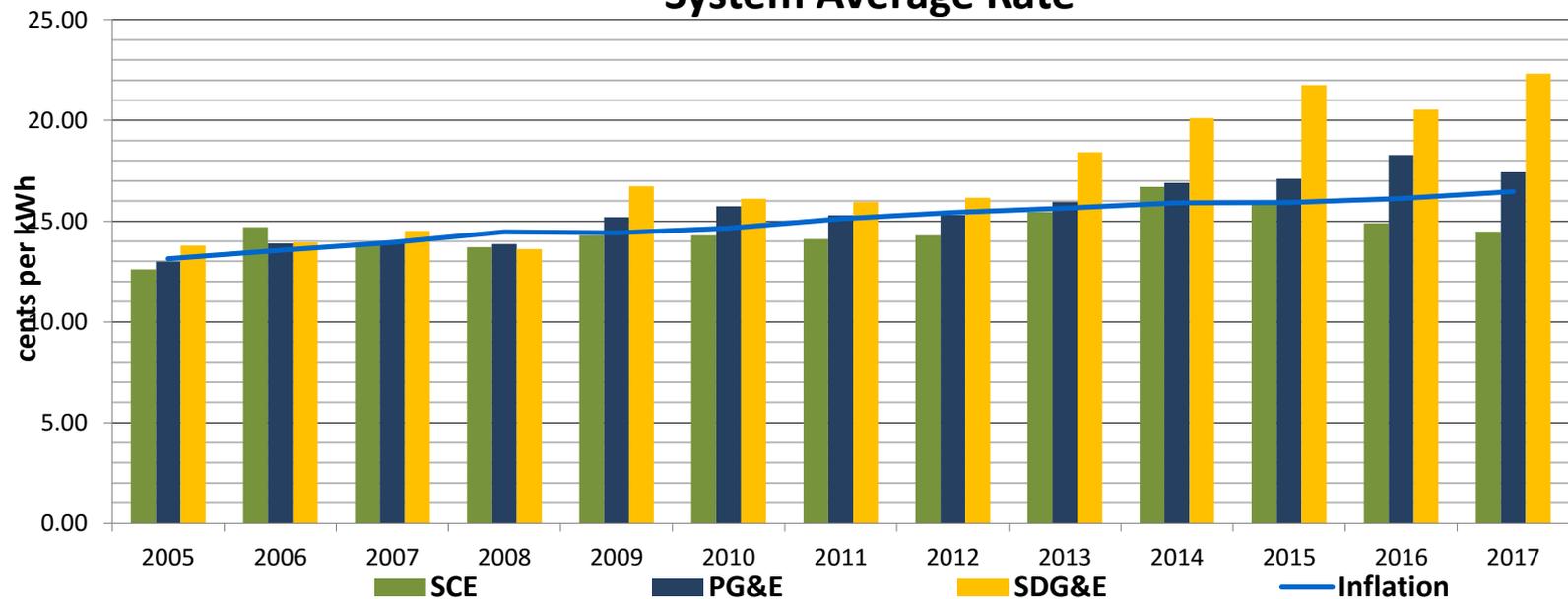
- Since 2014 Energy Division has prepared a year-end report summarizing how the large energy utilities’ revenue requirements had changed over the course of a calendar year based on Commission decisions. \
- A Report for 2017 will be provided to Commissioners today.
  - The report contains some confidential information.
  - Energy Division will release a public report on our webpage with the next week.





# Trends in Electric Utility Rates

## System Average Rate



- Electric rates have increased 2.0% on average since 2013 or about 1.60 ¢/kWh since 2005 discounting inflation.





## Impact on revenue requirements from 2017 decisions (\$000) for all Large Energy Utilities

	PG&E Electric	PG&E Gas	SCE	SDG&E Electric	SDG&E Gas	SoCal Gas
<b>Change from decisions adopted in 2017</b>	(\$1,067,421)	\$89,169	\$109,241	\$226,225	(\$ 2,070)	(\$34,579)





# Suggested Metrics to Analyze and seek to minimize the costs and adverse economic impacts of regulatory actions

- Use the “Florio Report” as a measure of totality of decision on rates.
- Looking at rate trends is already a metric in other Directives, but can be used here as well. .
- Others???





## Program Review Could Result in Improvements to Streamline and Track Impacts

- Adding new product offerings to respond to consumer needs and new technology
- Streamline enrollment – partner with others, establish electronic interfaces
- Assess value to customers and adjust as necessary
- Consider other efficiencies to program structure





# Compliance with Strategic Directive 10

- CPUC staff believe the organization is substantially in compliance with Strategic Directive 10.





**Questions?**

