



CALIFORNIA PUBLIC UTILITIES COMMISSION

ANNUAL REPORT



Letter to the Governor and Legislature

Honorable Arnold Schwarzenegger, 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 2009 Annual Report and Work Plan. This report highlights major accomplishments and activities of the CPUC in 2009, and offers a view towards what is ahead in 2010 and beyond.

The CPUC plays a key role in making California a national and international leader in a number of important policy areas for the industries we regulate.

In 2009 we made progress on a number of important energy initiatives. We approved \$3.1 billion for energy efficiency programs, adopted a default dynamic rate for Southern California Edison's largest customers, completed the first phase of our Smart Grid rulemaking, saw more than 300 megawatts of new renewable capacity come online, made substantial progress in the California Solar Initiative's efforts to install 3,000 megawatts of new solar over the next decade, and approved new transmission lines designed to bring renewable energy to California consumers, including the Tehachapi Renewable Transmission Project, which will allow up to 4,500 megawatts of renewable energy generation into southern California. Details on these efforts and more are outlined in the Energy section of this report.

We've also provided you with information on our work to ensure that low income customers are receiving information about available discounts and services during these difficult economic times. We are currently working with the electric and gas utilities to reduce the number of disconnections of service for non-payment of bills.

The CPUC is also actively involved in many different aspects of the rapidly changing communications and broadband markets. Some key initiatives in 2009 included reviewing and approving \$38.15 million for California Advanced Services Fund projects, securing resources to perform facility mapping within California, providing the ability to identify locations where services are and are not available, and raising consumer awareness of our California LifeLine Telephone Program.

Confronted by the threat of a serious drought and in recognition of the Governor and Legislature's goal to achieve a 20 percent reduction in water use by 2020, the CPUC continues to be dedicated to developing rate designs that promote water conservation and providing and improving assistance programs for water utility low income customers. More information on this issue is provided in the Water and Audits section of this report.

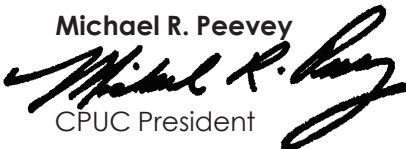
The CPUC also leads the states in increased rail and rail transit safety. Freight and passenger traffic on rails is on the rise, increasing the importance of safety, prevention, and early detection of danger zones before accidents occur.

In addition to all of this work, the CPUC continues to strive to make the California utility sector as diverse and inclusive as California itself. We also continuously work to improve our internal operations and efficiency. We decreased our backlogged consumer complaints and increased the use of e-filing.

These are just a few examples of the groundbreaking work happening at the CPUC. I am pleased to present this report to you on behalf of the Commissioners and staff of the CPUC.

Sincerely,

Michael R. Peevey



CPUC President

A digital copy of this report can be found at
http://www.cpuc.ca.gov/PUC/aboutus/docs_etc/ann_report/

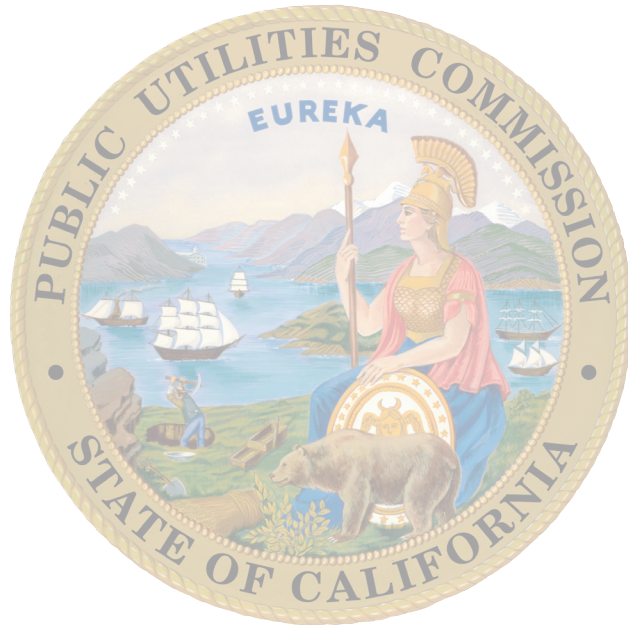
Editing: Matthew Crosby, Ted Howard, Peter Allen, and Terrie Prosper

Original Artwork (p.89): Mikhail Haramati

Design/Layout: Dan Hartmann

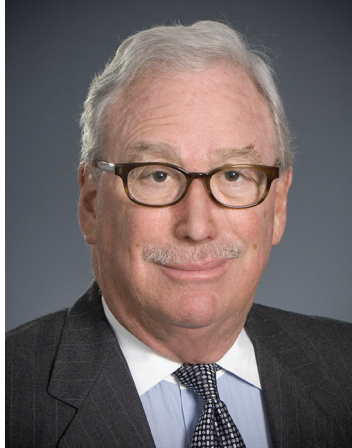
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Commissioners

Michael R. Peevey



Michael R. Peevey was appointed President of the California Public Utilities Commission by Governor Gray Davis on December 31, 2002, and was re-appointed by Governor Schwarzenegger and confirmed by the State Senate on December 17, 2009.

As President of the CPUC, Mr. Peevey is committed to protecting the public interest by promoting consumer needs, while challenging utilities to embrace new technologies and provide safe, high-quality services.

Mr. Peevey is committed to maximizing energy efficiency and demand response opportunities and ensuring that California's environment is protected. He is also a strong supporter of renewable energy and renewable procurement requirements for utilities, and is a leader in implementing California's solar and greenhouse gas initiatives.

Mr. Peevey has made it a priority to work closely with sister agencies, such as the California Department of Water Resources, the Independent System Operator, the California Energy Commission, and the Air Resources Board -- agencies in which the CPUC has overlapping or complementary responsibilities, to assure that California has adequate energy resources and transmission facilities to support its growing population and improving economy.

From 1995 until 2000, Mr. Peevey was President of NewEnergy Inc. Prior to that, Mr. Peevey was President of Edison International and Southern California Edison Company, and a senior executive there beginning in 1984. Mr. Peevey has served on the boards of numerous corporations and non-profit organizations.

Mr. Peevey has received many awards recognizing his leadership in developing energy policy and promoting recognition of California's diverse population, including a "Distinguished Citizen Award" from the Commonwealth Club of California for achievements in green and sustainable energy in 2007; the Pat Brown Legacy Award in 2003; named "Man of the Year" by the Power Association of Northern California; recognized with the Climate Action Champion Award by the California Climate Action Registry in 2004; and leadership recognition from American Council for Energy Efficiency (2005), the Utility Minority Access Program (2006), and the California Solar Energy Industries Association (2006).

Mr. Peevey holds Bachelor and Master of Arts degrees in economics from the University of California, Berkeley. He is married to Carol J. Liu, who serves in the California state senate representing the 21st District. They have three children

Dian M. Grueneich



Dian M. Grueneich was appointed to the California Public Utilities Commission by Governor Arnold Schwarzenegger in January 2005 and unanimously confirmed by the State Senate in May for a six year term.

Commissioner Grueneich is a nationally recognized expert in energy and environmental issues, with over 30 years of experience in the field. At the CPUC, she focuses on energy efficiency, transmission planning and permitting, climate change, renewable energy resources, and low income consumer issues.

Commissioner Grueneich is the lead Commissioner on energy efficiency and oversees the 3-year, \$2.7 billion energy efficiency program of the California investor owned utilities. She provided leadership for the development of the California Long-Term Energy Efficiency Strategic Plan and in August 2008, received the national Champion of Energy Efficiency Award by the American Council for an Energy-Efficient Economy for outstanding career-long leadership in the energy efficiency field and innovation in utility regulation. Addressing the utility needs of low income consumers is a top priority for Commissioner Grueneich. She has served as the Commission-appointee to California's Low Income Oversight Board since 2005. She is the Assigned Commissioner on low income energy cases and is an active supporter of the California LifeLine Telephone Program.

Commissioner Grueneich has raised state and region-wide awareness on the significance of transmission issues and the need to construct transmission to reach renewable-rich areas. She is the Assigned Commissioner on all of the CPUC's high-priority transmission cases and has been a leader in establishing both the California Renewable Energy Transmission Initiative and the parallel Western Renewable Energy Zone Initiative. She also serves on the U.S. Department of Energy's Electricity Advisory Committee and the Transmission Expansion Planning Policy Committee of the Western Electricity Coordinating Council.

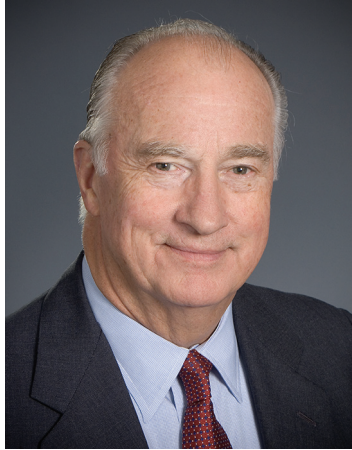
Commissioner Grueneich strongly supports the development of the "Smart Grid" and has been the lead Commissioner on two critical California cases ensuring that cost-effective advanced metering infrastructure, with robust functionality requirements, will be installed in Southern California investor owned utility service areas beginning in 2008.

Commissioner Grueneich is committed to building partnerships nationally and internationally that advance best practices in clean energy and policies to achieve maximum energy savings. She serves on the U.S. Department of Energy Smart Grid Advisory Committees, the Leadership Council of the China-US Energy Efficiency Alliance, and the International CHP/DHC Collaborative sponsored by the International Energy Agency.

Commissioner Grueneich helped develop the Western Public Utility Commissions' Joint Action Framework on Climate Change, now adopted by the California, Washington, Oregon, and New Mexico Commissions, and is a member of Governor Schwarzenegger's Climate Action and Green Action Teams. She serves on the National Association of Regulatory Commissioners' Task Force on Climate Change and its Energy and Environment Committee and International Committee.

Prior to her appointment, Commissioner Grueneich served as a Board member of the American Council for an Energy-Efficient Economy and is a past-President of the California League of Conservation Voters. She is a graduate of Stanford University and holds a J.D. from Georgetown University.

John A. Bohn



Ambassador John A. Bohn was appointed by Governor Schwarzenegger in May 2005 for a six year term. The CPUC's focus for the State of California is on climate change, energy, and water issues, as well as developments in clean technology solutions.

In addition to his duties at the CPUC, Commissioner Bohn serves as a Director of the National Endowment for Democracy in Washington DC, and is on the Advisory Board of the Yale Institute for Corporate Governance and Performance. He is a member of the Center for Capital Markets Competitiveness chartered by the U.S. Chamber of Commerce to advise on the reform capital markets for the 21st Century. Commissioner Bohn is a principal in GlobalNet Partners, N.A., LLC, a global advisory and consulting firm.

Prior to his present position, Commissioner Bohn was a co-founder and Executive Chairman of CheMatch.com (now Chemconnect), an Internet based trading exchange for petrochemicals. He spent 1-1/2 years at Burson-Marsteller, where he served as Managing Director, focusing on international markets, and economic resources issues, and was special advisor to the Government of Korea during the Asian financial crisis. From 1989-1996, Commissioner Bohn served as President and Chief Executive Officer of Moody's Investors Service.

In 1981, Commissioner Bohn joined the President Reagan Administration as Special Assistant to Treasury Secretary Don Regan, and was subsequently appointed by President Reagan as U.S. Ambassador and Executive Director of the Asian Development Bank. In 1984, President Reagan appointed Commissioner Bohn to the post of Vice Chairman of the Export Import Bank of the United States, and later as chairman and CEO.

Commissioner Bohn began his career practicing law in California and the Pacific, and subsequently spent 13 years as an international banker with Wells Fargo, which included 4-1/2 years in Tokyo, with responsibility for the bank's Asian activities. Later he served as Division Manager for Trade Finance, private banking, and multinational banking.

A graduate with honors from Stanford University, Commissioner Bohn attended the London School of Economics as a Fulbright scholar, and received his JD from the Harvard Law School. He is a member of the California State Bar and the Bar of the Supreme Court of the United States.

Rachelle Chong



A native of Stockton, California, Rachelle Chong graduated Phi Beta Kappa from UC Berkeley in 1981 with degrees in Journalism and Political Science. In 1984, she received her law degree from UC Hastings College of the Law and was admitted to the California State Bar. She served as editor-in-chief of Comm/Ent Law Journal at Hastings College of the Law.

She began her legal career in Washington, D.C. in 1984, practicing before the Federal Communications Commission (FCC) representing broadcasters and early cellular telephone applicants. She returned to California in 1986 and practiced communications law with Graham & James before the California PUC in San Francisco. She became a partner of Graham & James in 1991.

In 1993, President Bill Clinton nominated Ms. Chong to the Federal Communications Commission. She is proud to be the first Asian American to serve as an FCC commissioner. She was confirmed by the U.S. Senate in May 1994 and served until November 1997. Commissioner Chong served at the FCC during the passage and implementation of the historic Telecommunications Act of 1996, the first wireless spectrum auctions, finalization of digital television rules, children's television proceeding, and the provision of many new wireless and satellite services. She also represented the FCC at numerous international diplomatic meetings, including the World Radio Conference and APEC, particularly in the Asia region. She also served on the Joint Board on Universal Service to implement E-rate and other universal service program changes contained in the 1996 Act.

After her FCC service, Ms. Chong practiced law with Coudert Brothers in San Francisco and Palo Alto. In 2000, she joined a start up venture, Broadband Office, in Silicon Valley as General Counsel and Vice President, Government Affairs. She next became an entrepreneur, starting a retail Italian jewelry store and an e-commerce website from 2001-2006 with her husband.

In January 2006, Governor Schwarzenegger appointed Ms. Chong to be a CPUC Commissioner. The first Asian American CPUC Commissioner, she began her three year term on January 12, 2006. In November 2008, Governor Schwarzenegger re-appointed Ms. Chong for a second term, which she served until December 22, 2009.

In November 2006, Commissioner Chong was nominated by the Governor to his Broadband Task Force. She serves as Chair of the Board of Expert Advisors of the California Emerging Technology Fund.

She serves on the Advisory Board of the California Telehealth Network and for the State's Advisory Committee on Health Information Exchange. She is a member of the NARUC Telecommunications Committee, Co-Chair of the 706 Advanced Services Committee. She is a member of the NARUC-FERC Smart Grid Advisory Collaborative, and serves on EPRI's Advisory Group on Demand Response and Smart Grid.

She is married and has two school age twin daughters.

Timothy A. Simon



Timothy Alan Simon was appointed to the California Public Utilities Commission by Governor Arnold Schwarzenegger on February 15, 2007, and confirmed by the California State Senate on February 28, 2008. Commissioner Simon is a securities and banking lawyer and law professor. He uses his background to facilitate balanced public policy in utility regulation.

Commissioner Simon firmly supports investment in California's utility infrastructure as being critical to California's economic future. He is active in the National Association of Regulatory Utility Commissioners (NARUC) as Co-Vice-Chair of the Natural Gas Committee, and member of: the Critical Infrastructure Committee; the Consumer Affairs Committee; the Gas Speculation Task Force, and; the Wireless Task Force. He is also Chair of the Liquefied Natural Gas Subcommittee.

Prior to joining the CPUC, Commissioner Simon was an appointment secretary to Governor Arnold Schwarzenegger, and was the first African American in California history to hold the post. Previously, Commissioner Simon served as a legal advisor on complex financial products, and has held positions at Global Crown Capital, LLC, PreferredTrade, Inc., Robertson Stephens Investment Banker, Bank of America, and Wells Fargo.

Commissioner Simon received his Bachelor's degree in Economics from the University of San Francisco, and his law degree from the Hastings College of the Law, University of California.

As an active member of the Bay Area community, Commissioner Simon serves on several non-profit boards including Catholic Charities/CYO of the San Francisco Bay Area, the Megan Furth Academy, and Junior Achievement. He works to actively promote and encourage workplace, procurement, and educational diversity.

Commissioner Simon is an adjunct professor of Securities Regulations at Golden Gate University School of Law, as well as an advisor on international securities in the U.S. Legal Studies Program. He is engaged and is the proud father of three children.



The California Public Utilities Commission

The History of the California Public Utilities Commission

In 1911, the California Public Utilities Commission (CPUC) was established by Constitutional Amendment as the California Railroad Commission. In 1912, the Legislature passed the Public Utilities Act, expanding the Commission's regulatory authority to include natural gas, electric, telephone, and water companies as well as railroads and marine transportation companies. In 1946, the Commission was renamed the California Public Utilities Commission.

Today, almost 100 years old, the CPUC regulates privately-owned telecommunications, electric, natural gas, water, railroad, rail transit, and passenger transportation companies. The CPUC is responsible for assuring California utility customers have safe, reliable utility service at reasonable rates, protecting utility customers from fraud and promoting the health of California's economy.

Decision-making

The five CPUC Commissioners are appointed for six year terms by the Governor, with confirmation by the State Senate. Terms are staggered to assure that the CPUC always has the benefit of experienced members. The appointed Commissioners serve as the governing body of the agency, and make all of its final decisions.

The CPUC meets publicly twice a month to carry out the business of the agency, which may include the adoption of utility rate charges, rules on safety and service standards, implementation of conservation programs, investigation into unlawful or anticompetitive practices by regulated utilities, and intervention into federal proceedings that affect California ratepayers.

The CPUC acts in both a quasi-legislative and quasi-judicial capacity. It establishes and enforces regulations, and like a court may take testimony, issue decisions, and subpoena witnesses and records. It holds hearings and workshops, and encourages participation in its proceedings by all affected parties, including the customers of the utilities it regulates.

Historically, general rate cases have been the major form of regulatory proceeding at the CPUC. In a general rate case, the utility bases its revenue request on its estimated operating costs and revenue needs for a particular future year. Under this approach, customer rates ultimately are based on the CPUC's determination of how much revenue the utility reasonably requires to operate. In recent years, the CPUC has also utilized other more innovative and flexible approaches to streamline the regulatory process and to meet California's policy goals.

The CPUC initiates investigations and rulemakings to explore broad policy issues, resolve procedural matters, investigate allegations of illegal utility activity or respond to legislative requirements. Typically, a proceeding begins with a prehearing conference that all interested parties attend, at which issues are identified and the process and schedule are discussed.

The CPUC has a variety of fact-finding tools it uses to inform its policy choices. It relies on evidentiary hearings when material issues of fact are in dispute, or on legislative-style hearings and workshops for policy issues. Workshops supplement the formal decision-making process by providing an informal forum for the exchange of ideas and information, which is particularly useful in complex or contentious proceedings to establish facts and discover and define issues, to foster agreements and stipulations, and to work out ways to implement policy decisions made by the CPUC.

Based on the record evidence submitted over the course of a proceeding, an Administrative Law Judge (ALJ) prepares and distributes a draft decision within 90 days after submission of the case. Parties have the opportunity to comment on the draft decision, and then it goes on the public agenda for consideration and vote by the Commissioners at a public CPUC meeting. The Commissioners may adopt,

modify, or reject the draft decision, and may also offer an alternate decision for consideration vote by the Commissioners.

Expanding Transparency and Improving Access

The CPUC is continuing to streamline and improve its processes. The year began with the appointment of a new Chief Administrative Law Judge (ALJ), Karen Clopton, and a new challenge from President Peevey to continue the streamlining and reinvention of the CPUC's processes. To that end, the Chief ALJ began a "soup-to-nuts" review of the CPUC's processes.

The Chief ALJ gathered oral and written information from the ALJ Division, legislators and legislative staff, CPUC Division Directors, and other sources to implement President Peevey's vision. A series of focus groups were held with consumer advocates, intervenors, DRA, Conference of California Public Utility Counsel, former Commissioners, and utility representatives. Based upon this process review, ALJ Division directed its efforts in 2009 on expanding transparency, reaffirming integrity, and improving access to information. Initiatives adopted include:

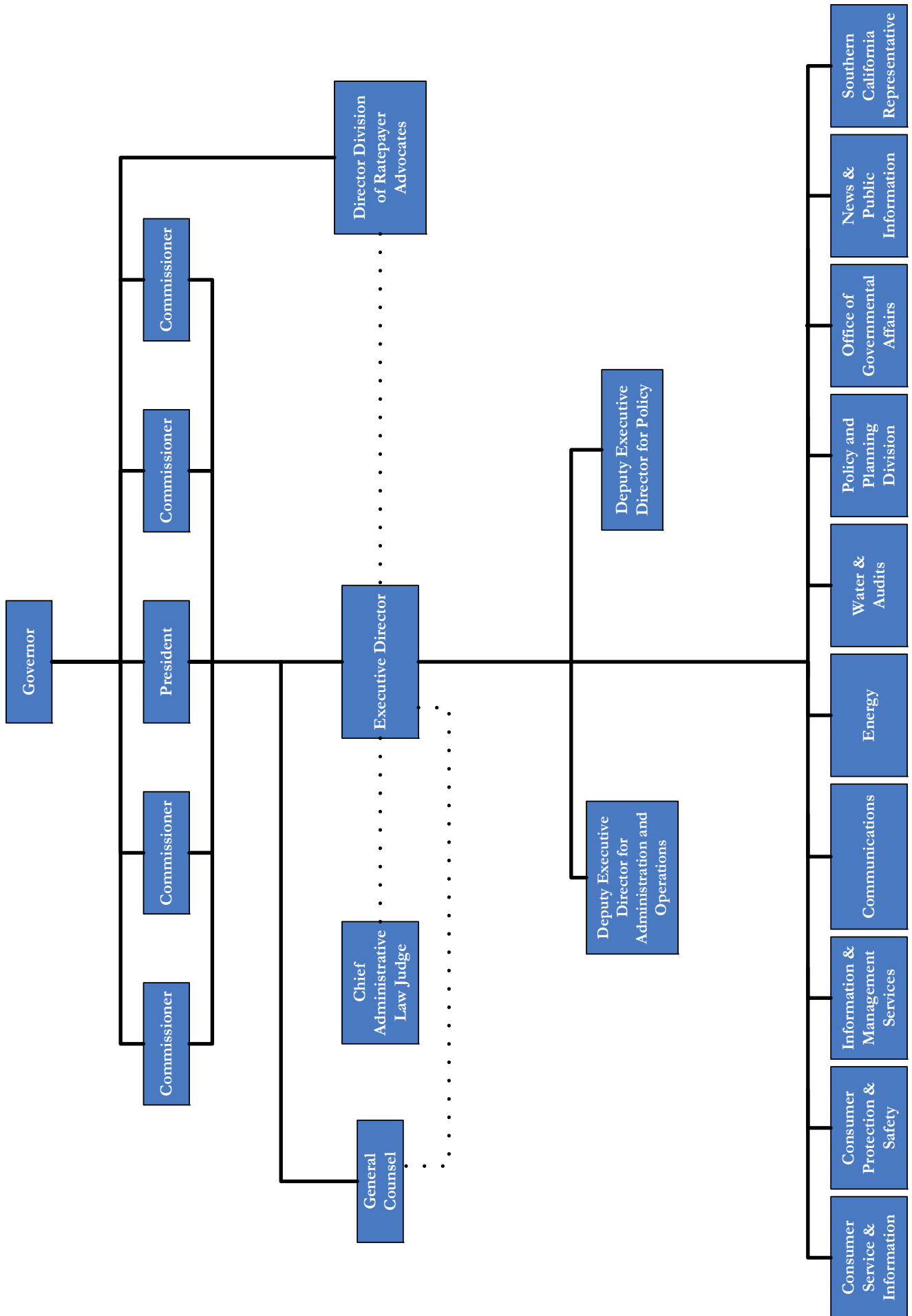
- **New format for the CPUC's business meeting agenda:** Improves accessibility, readability, and clarity, and effectively communicates the purpose, possible outcomes, and estimated costs of proposed CPUC actions.
- **Free online subscription service** (www.cpuc.ca.gov/subscription): Improves access to online documents and allows the public to follow a particular proceeding, industry, or type of document in a manner that best meets their needs.
- **Mark-ups of revised proposed decisions on the CPUC's website:** Allows easy identification of modifications made to the document.
- **Remote participation from Los Angeles via video conferencing:** Allows stakeholders in Southern California to address Commissioners during CPUC business meetings that are held in San Francisco. In addition, the April 22, 2010, CPUC meeting will be held in Los Angeles to further increase participation of the public in other areas of California.

In 2010, the CPUC will work towards expanding e-filing and compiling searchable subject matter compendiums reflecting the outcome of decisions, rulemakings, resolutions, and policy guidance. In addition, the ALJ Division will develop plans to evaluate and implement, where feasible, the recommendations of working groups that were formed to address decision-making process issues that might require statutory initiatives including: (1) Public Access, Participation, and Accommodation, and Public Notices; Intervenor Compensation Program; (2) Ex Parte and Proceeding Categorization Rules; and (3) Practice and Procedure modifications with a focus on identifying opportunities for improving initial case management, calendaring, scheduling, and continued utilization of Alternative Dispute Resolution (ADR). The ALJ Division has used ADR for more than four years and continues to advance the CPUC's commitment to ADR by educating parties, practitioners, and CPUC staff about ADR's many potential applications, encouraging the use of ADR whenever appropriate, and making well-trained and neutral ALJs available free of charge to assist in the three ADR services the CPUC offers: mediation, facilitation, and early neutral evaluation.

Lastly, in 2009, 99 percent of the proceedings before the CPUC were timely resolved, compared to 96 percent in 2008.

Organization

In support of Commission decision-making and ongoing regulatory activities, the CPUC employs a staff of approximately 1,000 professionals. They include safety inspectors, customer service representatives, engineers, economists, attorneys, Administrative Law Judges, accountants, auditors, and administrative personnel. The staff is organized into both industry-specific and functional divisions. The leadership and work of those divisions is described in detail on the following pages.



The Leadership Team

Executive Office – Paul Clanon, Executive Director

Paul Clanon has served as the CPUC's Executive Director since May 1, 2007. The CPUC's Executive Director works with Commissioners, Directors, staff, oversight agencies, the Legislature, the Governor's Office, and all external stakeholders to coordinate and facilitate timely handling of procedural matters and efficient internal operations. The Executive Director's Office works to anticipate regulatory and agency needs in order to develop and implement appropriate strategies to meet those needs. Executive Office includes the News and Public Information Office, the Office of Governmental Affairs, the Southern California Representative, Office of Performance Excellence, Human Resources, and the Equal Employment Opportunity Office, which ensures a workplace environment that is diverse, inclusive, and free from discrimination, retaliation, and harassment for all CPUC staff and applicants for employment.



Legal Division – Frank Lindh, General Counsel

The Legal Division provides legal advice to the CPUC and its staff. Staff attorneys represent the CPUC and the State of California before state and federal courts and agencies. Staff attorneys also represent the Division of Ratepayer Advocates and the Consumer Protection and Safety Division in proceedings before the CPUC. Legal Division attorneys also review and provide recommendations to the CPUC on all applications for rehearing of CPUC decisions. The responsibilities of the CPUC's lawyers extend to the full range of issues before the CPUC, as follows: Energy (including energy procurement, electricity and natural gas distribution and transmission, renewable energy resources, and greenhouse gas reduction), Communications (including traditional telephone service, video franchising, and prepaid phone cards), Water (including regulation of private, investor owned water companies), and Transportation (including rail safety, and public safety and enforcement of CPUC orders and decisions).

Administrative Law Judge Division – Karen Clopton, Chief Administrative Law Judge

The Administrative Law Judge (ALJ) Division provides just, reasoned, efficient, and innovative resolution of complex matters in a manner that ensures due process and respects the dignity of all participants. The ALJ Division supports the decision-making process by receiving all formal filings, preparing and updating service lists, maintaining a database of all formal proceedings, ensuring that the CPUC's files are complete and accurate, and preparing and coordinating the agenda for the CPUC's bi-weekly decision-making meetings. The Division emphasizes the use of Alternative Dispute Resolution techniques, including mediation, early neutral evaluation, and settlements. By participating in voluntary alternative dispute resolution efforts, parties can reach creative solutions that both satisfy their interests and reduce litigation costs.

Energy Division – Julie Fitch, Director

The Energy Division assists CPUC activities in the electricity, natural gas, steam, and petroleum pipeline industries. The Energy Division counsels the CPUC on whether to approve, deny, or modify all electric and natural gas utility requests not assigned for hearing, oversees compliance of orders, provides technical assistance, and counsels the CPUC about major developments affecting energy utilities. It assists the CPUC in developing and monitoring competitive services, economic regulation of remaining monopoly services, and implementing regulatory objectives and programs for California's electricity and natural

gas industries. The Energy Division emphasizes protection for consumers and those with special needs, assurance of safe and reliable service, and consideration of environmental issues.

Communications Division – Jack Leutzka, Director

The Communications Division assists the CPUC in developing and implementing policies to promote competition in all telecommunications markets and to address regulatory changes required by state and federal legislation. The Division assists the CPUC's oversight of a competitive market by ensuring that consumers are protected from fraud and abuse, receive affordable and universal access to necessary services, and that telecommunications networks can accommodate many competitors and technologies,

In 2009, the Communications Division played a key role in developing broadband projects for funding under the American Recovery and Reinvestment Act. The Division's prompt action was necessary to ensure that California is able to take advantage of a one-time grant program to bring broadband to all areas of the state.

Division of Water and Audits - Raminder Kahlon, Director

The Division of Water and Audits serves as the advisory and compliance arm of the CPUC for water and sewer utilities and provides audit and finance support for energy, telecommunications, and water/sewer utilities. The Division tracks compliance with CPUC orders, investigates rate increase requests, advises utilities on water conservation and low income programs, and responds to ratepayer inquiries. The Division's auditors process financing authorization requests and perform accounting, auditing, and financial analysis as requested by the CPUC.

Policy and Planning Division – Peter Allen, Acting Director

The Policy and Planning Division provides the CPUC with independent analysis and advice focusing on emerging policy issues. It identifies important regulatory issues not addressed by other industry divisions and examines how the CPUC can best adjust its role to address these trends. The Division takes on projects that are comprehensive in scope and long-term in nature, focused on the sound development of CPUC policy in the long-run. Projects also often cross industry lines and Division staff are regularly called upon to serve as liaisons with other agencies and key stakeholders on major policy issues.

Consumer Protection and Safety Division – Richard Clark, Director

The Consumer Protection and Safety Division protects consumer interests by ensuring that transportation providers (rail, passenger, and household goods movers) and public utilities operate safely, legally, and in the public interest. The Division enforces consumer protections in all regulated industries and alerts the CPUC about consumer problems that need to be addressed. The Division monitors and enforces operation, maintenance and performance standards for electric power plants to ensure safe and reliable electric service as well.

Consumer Service and Information Division – Rolundia Mitchell, Director / Karen Miller and Phil Enis, Acting Co-Directors

The Consumer Service and Information Division (CSID) acts as the liaison between the community and the CPUC. Its primary role is to respond to individual ratepayer needs and inquiries. These services range from assisting consumers in resolving disputes with their utility companies to explaining how to participate in CPUC proceedings. CSID also leads the CPUC's efforts in educational services, and provides in-language translation and interpretation services.

Information Technology and Management Services Division – Ravi Subramanian, Director

The Information Technology and Management Services Division (IMSD) is responsible for the CPUC's information technology, finance, contracts, facilities, and administrative services functions. The Division is also responsible for helping the CPUC achieve its environmental sustainability goals.

Office of Governmental Affairs – Pamela Loomis, Director

The Office of Governmental Affairs represents the CPUC before the State Legislature and Executive Branch. The Office is located in Sacramento and maintains daily communications with legislators, executive agency managers, and other regulatory stakeholders. The Office ensures that Commissioners are kept informed of legislative developments as well as keeping the Legislature and administration aware of developments at the CPUC.

News and Public Information Office – Terrie Prosper, Director

The News and Public Information Office provides information to the news media and the public about the CPUC's many pioneering and innovative programs and policies. In doing so, the Office works with staff and external stakeholders to anticipate communication needs and develop and implement appropriate strategies and plans to meet those needs. The Office conducts information and advertising campaigns, handles media relations, prepares news releases and collateral material, maintains a speakers bureau, provides graphical services, and oversees the CPUC's main and social media websites.

Southern California Representative – Denise Tyrrell

The Southern California Representative directs the activities of the statewide Business and Community Outreach team and acts as the voice for the CPUC to the Southern California community, local governments, and policy makers. This position also oversees the operation of the Southern California office of the CPUC.

Division of Ratepayer Advocates - Dana Appling, Director

The Division of Ratepayer Advocates (DRA) is an independent organization in the CPUC representing the interests of millions of California ratepayers in energy, telecommunications and water issues. DRA's mission is to obtain the lowest possible rate for service consistent with reliable and safe service levels while advocating customer and environmental protection. Dana Appling was appointed DRA Director by Governor Schwarzenegger on August 30, 2004.

The Work of the CPUC



Energy



CPUC-regulated utilities serve over two-thirds of total electricity demand and over three-quarters of natural gas demand throughout California.

The CPUC supports the quality of life of Californians by ensuring reliable energy and protecting the environment. This is made possible through the guidance of an Energy Action Plan adopted by the CPUC and its sister energy agencies. The Energy Action Plan, created in 2003 and subsequently updated in 2005 and 2008 by the CPUC and California Energy Commission, lays out a single, unified approach to meeting California's energy needs by focusing on energy efficiency, demand response, and renewable energy. Building on the Energy Action Plan, the California Legislature, CPUC, and other state agencies have taken a number of steps to put California on the map as a state that is committed to innovative and ground-breaking energy initiatives and policies.

Energy Overview

The CPUC regulates investor owned electric and natural gas utilities within the state of California, including Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), San Diego Gas and Electric Company (SDG&E), and Southern California Gas (SCG). Collectively, these utilities serve over two-thirds of total electricity demand and over three-quarters of natural gas demand throughout California. In addition to the four large utilities, the CPUC also regulates a number of small and multi-jurisdictional energy utilities. Through its oversight of these utilities, the CPUC has played a key role in making California a national and international leader on a number of energy-related initiatives designed to benefit consumers, protect the environment, and support California's economy in difficult times.

The CPUC develops and administers energy pol-



icy and programs to serve the public interest, and ensures compliance with statutory mandates and CPUC decisions. The CPUC staff provides objective and expert analyses that promote reliable, safe, and environmentally sound energy services at lowest reasonable rates for the people of California. In 2009, energy supply was adequate to serve the needs of Californians, and more than 300 megawatts of new large renewable electric generation capacity came online. Some decline in overall energy demand reflected the slowdown in the economy. Many residents faced greater challenges in meeting financial obligations, including their energy utility bills, reflected by increased customer shut-offs by the electric and natural gas utilities.

A new energy efficiency portfolio was adopted by the CPUC, implementing bold and innovative initiatives to reshape the long-term energy use of the built environment. Innovation and investment in the future continued as the California Solar Initiative rolled out new programs devoted to re-

search, low income residents, and water heating. In response to complaints by some residential customers that their advanced meters may not be accurate, the CPUC initiated an independent evaluation of the meters. Also, the CPUC continued and continues to support the California Air Resources Board in the ambitious implementation of global warming mandates enacted in AB 32.

The achievements of the CPUC, and its focus in 2010, are consistent with the Energy Action Plan (EAP) II, adopted by the CPUC and California Energy Commission in 2005, and updated in February 2008. The Energy Action Plan established a "loading order", or priority sequence for actions to address California's increasing energy needs. The EAP's loading order identifies energy efficiency and demand response as the State's preferred means of meeting growing energy needs, followed by renewable resources and distributed generation, and to the extent that these resources are inadequate, clean and efficient fossil-fired electric generation.

Assisting Low Income Energy Consumers

The ongoing economic crisis has put significant financial pressures on Californians. The CPUC's Low Income Energy Programs aim to reach all households with earnings at or below 200 percent of Federal Poverty Level, in an effort to lessen the impact of the present economic situation. The California Alternate Rates for Energy (CARE) program provides a minimum of 20 percent rate discount to these eligible low income households. Low income households with larger families and high consumption are currently receiving a progressively larger discount off of the high rates that apply to higher usage of electricity. For CARE, the CPUC has approved approximately \$2.6 billion in funding and set the goal of 90 percent penetration rate for eligible CARE customers.

The CPUC's low income energy programs also include the Low Income Energy Efficiency (LIEE) program, which provides lasting residential energy efficiency improvements by offering weatherization and energy efficient appliances. The CPUC expanded the LIEE program in 2009 and adopted an ambitious goal of treating every low income household with energy efficiency measures in California by 2020. The CPUC approved nearly \$1 billion for the 2009–2011 LIEE program, targeting 1 million households for treatment. This is a substantial increase over previous budget cycles.

In 2009, the CPUC worked closely with the investor owned utilities to achieve its 2020 goals. In 2009, progress towards those goals included the treat-

ment of 305,596 homes under the LIEE program and the enrollment of approximately 4.6 million households in CARE.

Notable among the CPUC's implementation activities was the development of a Workforce Education and Training (WE&T) pilot project, which involves two community colleges working with two investor owned utilities, one in Southern California and one in Northern California, to develop energy efficiency curriculum and training for LIEE. Additionally, the CPUC staff has been coordinating efforts with other agencies such as the Department of Community Services and Development and the California Energy Commission on the American Recovery and Reinvestment Act (ARRA) funding to ensure leveraging of all state, federal, and local low income programs and resources. A Memorandum of Understanding between the Department of Community Services and Development and the utilities was executed in 2009 as a result of these efforts. The CPUC also works closely with the Low Income Oversight Board (LIOB), which serves as liaison between the CPUC and low income ratepayers, their advocates, and community organizations.

Climate Change

Climate change continues to be a serious threat to our environmental future, and California continues on its groundbreaking path to address this threat. In AB 32, the state has set a goal of reducing its greenhouse gas (GHG) emissions to 2000 levels by 2010 and to 1990 levels by 2020.

In 2009, the CPUC's Climate Strategies team continued to provide technical and policy leadership in designing regulatory policies and programs to carry out many of the energy sector implementation strategies to accomplish the ambitions of AB



32's Scoping Plan. Throughout the year, the CPUC supported the Air Resources Board in the development of its Preliminary Draft Regulation for a California Cap and Trade Market. The CPUC also supported the Air Resources Board in its work to-



wards implementing the Governor's executive order directing the Board to develop a 33 percent renewable energy standard regulation. The CPUC continued to work collaboratively with the Energy Commission and the State's Climate Action Team Energy Subgroup, which monitors and reports on the progress associated with implementing the Energy Sector complementary policies identified in the Air Resources Board's AB 32 Scoping Plan. Other branches of the CPUC's Energy Division actively developed policies, regulations, and funding decisions for several important complementary policy areas including the California Solar Initiative, Combined Heat and Power (CHP) contract expansion, increased energy efficiency targets, and solar water heating.

During 2009, the CPUC's Policy and Planning Division released a policy white paper that laid the groundwork for a new rulemaking to assess Alternative-Fueled Vehicle tariffs, infrastructure, and incentive options. The rulemaking, opened in 2009, will extend through 2010. It is intended to prepare for the impending deployment of a wide range of plug-in hybrid electric vehicles and battery electric vehicles on California's roads in 2010.

In addition to California-specific climate policy efforts, the CPUC played an active role in the Western Climate Initiative – a process intended to link a dozen or more western U.S. states and Canadian territories, focusing on regional market-based mechanisms to reduce GHG. The CPUC also authored or coauthored several policy recommendation letters directed at shaping federal climate legislation. Finally, the agency actively participated in the planning and execution of the energy sector panel for the Governor's Global Climate Summit 2.

Promoting Energy Efficiency

Energy efficiency is the least cost, most reliable, and most environmentally sensitive resource available to meet growing demands for energy in California. Building on California's proud history in energy efficiency, the CPUC has accelerated its

efforts to create the most ambitious energy efficiency and conservation efforts in the history of the U.S. utility industry. In September 2009, the CPUC approved \$3.1 billion for energy efficiency programs - the largest commitment ever made by a state to energy efficiency.

Evaluation, Measurement and Verification of 2006-08 Energy Savings.

In 2009, the CPUC's Energy Division issued two "interim" verification reports (2006-07 and 2008), which verified energy efficiency measures installed and/or adopted via the investor owned utilities' 2006-2008 portfolio plans. In early 2010, CPUC Energy Division staff will release a final evaluation report for the 2006-2008 energy efficiency programs to determine energy savings and cost-effectiveness metrics achieved by those programs.

Utility Shareholder Incentives for Achieving Energy Efficiency Targets

In September 2007, the CPUC adopted a "risk/reward incentive mechanism" (RRIM) for the utilities tied to their achievement of energy savings. This mechanism is intended to provide the utilities financial incentives to pursue energy efficiency while still providing an estimated return to ratepayers of over 100 percent of their investments in energy efficiency. Utilities received reward payments under this program in December 2008 and December 2009. The RRIM is an evolving and iterative framework, and in 2009 the CPUC began to re-evaluate the process by which utility rewards are determined, and make any necessary improvements. The CPUC is expected to authorize any needed changes to the RRIM framework in 2010.

The Strategic Plan and Program Innovation

The California Energy Efficiency Strategic Plan (September 2008) launched a new approach to energy efficiency in the state of California. The Plan seeks to maximize energy savings through innovations in program design, engagement of market players beyond utilities, transforming markets to adopt new technologies, and expansion of financing mechanisms. Important new directions in 2009 include:

- Launch of a statewide program for residential energy efficiency—CalSPREE—the largest and most comprehensive residential retrofit program in the U.S.

- Development and refinement of long-term goals and pathways toward zero net energy homes and commercial building programs.
- Benchmarking of energy use scores of commercial and government buildings participating in utility energy efficiency programs to help motivate energy use management.
- Integration of demand-side programs' (energy efficiency, solar, and demand response) delivery to achieve broader, cost-effective energy solutions with lower administration and marketing costs.

2010-2012 Utility Programs and the Future of Energy Efficiency Planning

In September, the CPUC approved \$3.1 billion for energy efficiency programs. These programs address all economic sectors, as well as targeted actions for technologies, standards, and workforce initiatives and are expected to:

- Produce utility-estimated gross energy savings of 10,000 GWh of electricity, 1,982 peak MW (equivalent to avoiding nearly four 500 megawatt power plants), and 200 million therms of natural gas with positive net economic benefits to ratepayers;
- Avoid 4.9 million tons of CO₂ emissions; and
- Create between 15,000 and 18,000 skilled green jobs.

Efforts in 2010-12 will include improved coordination with the Air Resources Board and the California Energy Commission (including leveraging of American Resource and Recovery Act funds) and increased communication on progress towards the Plan's goals. By the end of 2010, a new statewide energy efficiency brand will be launched, and the comprehensive residential retrofit program, CalSPREE, will end its first year.

Demand Response

Demand Response enhances electric system reliability, reduces need for peak power, and benefits the environment by avoiding use of less efficient peaking plants. The investor owned utilities operate a suite of demand response programs, which have had an aggregated impact of 2,517 MW, the equivalent of five large power plants.

A key component of the CPUC's Demand Response policy is the implementation of "dynamic pricing." Under dynamic pricing, the price of energy during peak and critical peak periods is set higher than other periods, depending on the

system demand and supply balance. Dynamic pricing provides financial incentives to customers to shift consumption from peak to non-peak periods. In 2009, the CPUC adopted a default dynamic rate (referred to as “Critical Peak Pricing”) for SCE’s largest customers (to begin in 2010), and opened a proceeding to do the same for PG&E’s largest customers (decision expected in February 2010). SDG&E implemented a default dynamic pricing rate for its medium and large customers in 2008 and continued the rate through 2009.

The CPUC is in the process of ensuring that utility demand response programs are aligned with the California Independent System Operator’s (ISO) wholesale energy markets.

Monitoring the Deployment of Advanced Metering Infrastructure (AMI) Throughout California

Advanced meters (also referred to as “smart meters”) give consumers more information and control over their energy usage and enable customers to take advantage of new rate options to better manage their energy bills. By 2012, all three investor owned utilities are expected to complete the deployment of AMI throughout their respective territories. In 2009, the CPUC received several customer complaints that PG&E’s smart meters were not recording their usage accurately. In response to these complaints, the CPUC assigned a task force to review these complaints and initiated an independent meter accuracy evaluation of PG&E’s smart meters.

Developing the “Smart Grid”

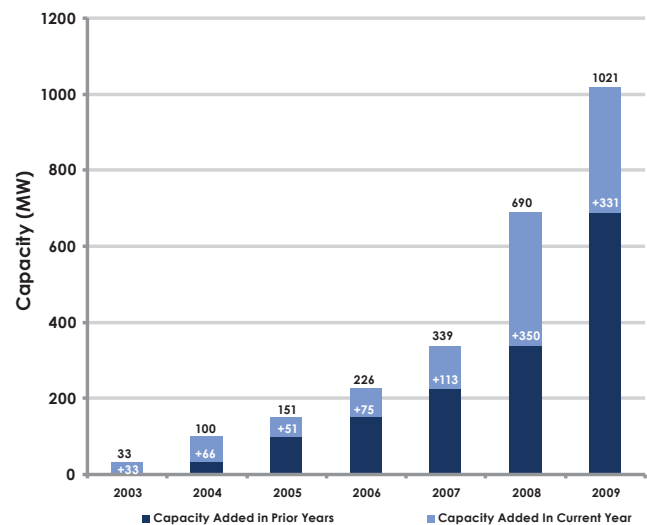
California’s electric grid is composed of thousands of miles of transmission lines, distribution lines and substations designed to move electricity from generating facilities to end-use customers. In 2007 the Federal government passed the Energy Independence and Security Act (EISA) to encourage the states to modernize the grid. In December 2009, the CPUC completed the first phase of its Smart Grid rulemaking via a decision that adopts policies and findings to fulfill the regulatory obligations imposed on states by EISA. The decision also requires the investor owned utilities to provide customers with advanced meters near real-time access to their usage data by 2011.

The Smart Grid rulemaking will also implement SB 17, which requires the CPUC to provide guidelines to the utilities by July 2010 on the development of Smart Grid deployment plans, to oversee the adoption of Smart Grid standards and protocols, and provide progress reports to the Legislature.

Renewables Portfolio Standard (RPS)

California’s RPS program is the most ambitious in the country with a goal to supply 20 percent of the retail electricity provided by investor owned utilities, energy service providers, and community choice aggregators from eligible renewable resources by 2010. In the past year the CPUC approved over 20 renewable energy contracts with a combined capacity, upon operation, of over 3,000 MW. More than 300 MW of new renewable capacity came online in 2009, bringing the total online capacity of new renewable resources to 1,020 MW since the start of the RPS program.

Large Investor - Owned Utility New Online RPS Capacity



RPS Implementation Report: Staff worked with a broad stakeholder group to issue a 33 percent RPS Implementation Report. The report analyzed four different possible 33 percent RPS alternatives and articulated the costs and trade-offs of each approach. It provides new, in-depth analysis of the cost, risk, and timing of meeting a 33 percent RPS by 2020, providing an analytical framework for policymakers to weigh the trade-offs inherent in any 33 percent RPS program for California.

Developing Renewable Distributed Generation Resources Through Incentives and Feed-in Tariffs

The CPUC has a variety of programs to encourage the development of renewable resources and

combined heat and power generation at customer locations through incentives and feed-in tariffs.

Feed-in Tariffs

In February 2008, the CPUC established its small renewable feed-in tariff for all renewable technologies up to 1.5 MW in size. Twenty-one projects (totaling 18.2 MW) have signed up to participate in the program. In March and August 2009, staff issued two proposals to streamline procurement of small renewable facilities up to 10 MW in size. The proposals recommend using a standard contract and a market-based pricing mechanism.

In December 2009, staff formed the Renewable Distributed Energy Collaborative (Re-DEC), a working group that will bring together utility grid operators, renewable distributed generation project developers, and renewable distributed generation technology experts to clarify issues (and develop solutions) associated with interconnecting increasing levels of renewable energy at the distribution grid.

Utility Solar PV Programs

In June 2009, the CPUC approved the SCE Solar PV (photovoltaic) Program, targeted at solar PV rooftop projects in the 1 – 2 MW range. The decision authorized SCE to pursue up to 250 MW of utility-owned solar PV and up to 250 MW of solar PV from independent power producers over the next five years. The Energy Division expects the first solar PV solicitation to occur in the first quarter of 2010. Both PG&E and SDG&E have similar requests before the CPUC, which are currently under review. Proposed decisions are expected in the first quarter of 2010.

Customer Solar Program Growth –California Solar Initiative (CSI)

The CSI program, established by state statute, focuses exclusively on onsite solar that is used by electric customers seeking to offset some portion of their own load by installing solar PV or other solar electric generating systems through up-front incentives. Customers in California's three investor owned utilities have installed over 500 MW of solar capacity, which is equal to an average coal or natural gas fired power plant. The CSI program, only in existence for the past three years, has provided rebates to 257 MW of the installed cumulative solar capacity in the State. The CSI program installed

over 12,000 sites in 2009, and it is regularly installing over 10 MW per month.

Table 1. California Solar Initiative Projects installed through September 30, 2009

	Installed Projects	Pending Projects	Total Activity
Applications	21,159	6,830	27,989
MW	257 MW	141 MW	398 MW
Incentive	\$605M	\$293M	\$898M

Source: www.CaliforniaSolarStatistics.ca.gov. October 1, 2009

One of the CSI program's legislated goals is to help build-up a robust solar energy market and ultimately lower the total cost of PV systems. The CPUC has begun to study the program's effect on short-term prices and finds that while the numbers do fluctuate over time, recent CSI data shows a decline in the total PV system cost per watt over the past five quarters. When comparing the average cost per watt of PV systems installed in the third-quarter of 2008 and PV systems installed in the third-quarter of 2009, there is a 9 percent decline for small systems and a 13 percent decline for large systems. The total system cost is the price before the California Solar Initiative incentive and before any Federal tax credits are applied.

Despite the downturn in the economy in 2009, the CSI has made substantial progress in its effort to install 3,000 MW of new solar over the next decade. The annual rate of new solar installations and the cumulative installed capacity both provide evidence that California is well along the path to transform the market for solar energy by reducing the cost of solar. California is now the fourth largest solar market in the world.

Average Solar System Costs by Quarter, Based on Date Project Reservation was Received

	PV Systems Under 10 kW		PV Systems over 10 kW	
	Average Cost \$/watt	% decline since Q3 2008	Average Cost \$/watt	% decline since Q3 2008
Q3 2008	\$9.92		\$9.28	
Q4 2008	\$9.70	-2.2%	\$9.24	-0.4%
Q1 2009	\$9.55	-3.7%	\$8.95	-3.6%
Q2 2009	\$9.34	-5.8%	\$8.17	-12.0%
Q3 2009	\$9.02	-9.1%	\$8.05	-13.3%

Source: Chart data was derived from the filtered data set on www.CaliforniaSolarStatistics.ca.gov, September 30, 2009. The data is listed in nominal dollars and is derived from simple \$/watt averages on a per-project basis.

CSI Low income Programs

The CPUC reserved 10 percent of the total CSI program budget, or \$216.68 million, for the low income programs known as the Single-family Affordable Solar Homes (SASH) and the CSI Multi-family Affordable Solar Housing (MASH) program. Both programs were open to customer applications in 2009. The CSI's SASH program is being administered statewide by GRID Alternatives. Nearly all of the 12 systems installed in 2009 have been fully subsidized (free systems) by leveraging SASH incentives with other funding partners. The MASH program has a goal to stimulate the adoption of solar power in the affordable housing sector. The MASH program offers up-front incentives for solar systems that cover either common area or tenant area electricity load.



GRID Alternatives Solar Project for new housing development in Oakland, CA - October 2009

CSI Research, Development, and Deployment

The CSI Research, Development, Demonstration & Deployment (RD&D) Program released the first and second grant funding solicitations in 2009. The first solicitation targeted the integration of photovoltaic into the utility grid, and the second solicitation focuses on the development of innovative business models and production technologies. The CPUC is currently evaluating the solicitations received to date and plans to finalize the awards for the first solicitation in early 2010.

CSI Solar Water Heating Incentive Program Proposed

The CSI's Solar Water Heating Pilot Program (SWHPP) offers incentives for solar water heating systems but is currently limited to the service area of SDG&E. In 2009, the CPUC proposed a new statewide program, the CSI Thermal program, to offer direct financial incentives and market development

to promote the installation of Solar Water Heaters (SWH) on California homes and businesses. The new CSI-Thermal Program would set aside \$305.8 million in direct financial incentives for customers installing new SWH systems and another \$31.25 for market facilitation. The goal of the program is to install the equivalent of 200,000 single-family sized SWH systems and develop a self-sustaining market for the technology. The program is expected to begin accepting applications in the first half of 2010.



Desert Solar in Apple Valley, CA- July 2009-Solar system size 8.787 kW (photographer Don Jones)

Self-Generation Incentive Program

In addition to the CSI, the CPUC oversees the Self-Generation Incentive Program (SGIP) to provide incentives for other types of customer distributed generation. The SGIP currently offers incentives for fuel cells, wind turbines, and storage technologies larger than 30 kW. In 2009, the SGIP was modified to include an additional 20 percent incentive for California technology suppliers, and to allow for out of state renewable fuel supplies, and to extend the deadline for use of unspent SGIP funds through the end of 2015. Beginning in 2010, the CPUC will have discretion to include other clean distributed generation technologies in the SGIP as well.

Since its inception in 2001 through the third-quarter of 2009, SGIP has funded 1,407 distributed energy generation projects totaling over 412 MW of installed capacity.

Combined Heat and Power

New, highly efficient Combined Heat and Power (CHP) facilities of not more than 20 MW will be eligible to sell excess electricity back to their utility under a feed-in tariff program authorized by AB 1613. The program is designed to maximize the use of waste heat in order to reduce greenhouse gas emissions. The CPUC finalized the implementation of the AB 1613 program in the fourth quarter

of 2009. In a parallel process CPUC staff has been working with the California Energy Commission, which is developing technical requirements for eligible CHP facilities participating in this program.

Power Procurement and Ensuring Resource Adequacy

Reliable electric service is of vital importance to the health and welfare of all Californians. To this end, the CPUC ensures that utilities plan for and make investments in energy resources necessary for California consumers to receive reliable service at low and stable prices. The utilities' procurement of energy resources must be cost effective and consistent with the goals of the Energy Action Plan and its loading order.

In 2009, power supplies procured by the CPUC-regulated electric utilities were more than adequate to meet electric system needs. There were no ISO emergencies or loss of electric service as a result of insufficient supply/generation.

As a result of the CPUC's procurement planning and implementation efforts, 1,655 MW of new natural gas-fueled generation came into operation in 2009. PG&E filed for the approval of contracts for over 1,700 MW of new natural gas-fueled capacity. SDG&E is expected to file an application in early 2010. SCE is not currently pursuing contracts to build new natural gas-fueled power plants because of legal issues related to obtaining air permits.

Continuing its effort to improve coordination between state agencies, staff worked with the ISO and the California Energy Commission and participated in a State Water Resources Control Board interagency working group on the development of its once-through-cooling policy for power plants.

In 2010, the CPUC's procurement efforts will be focused on:

- Evaluating utility filings for the construction or repowering of natural gas-fueled power plants.
- Continuing to implement and improve the Resource Adequacy program and procurement rules (e.g., reduce regulatory uncertainty, ensure least cost procurement), and hold workshops in the 2010 long-term procurement plan proceeding.
- Initiating a proceeding to evaluate system needs and work with parties to develop integrated modeling of a GHG constrained future, a 33 percent renewables future, and least cost alternatives to reaching state goals.

Permitting of Transmission Line Projects

The CPUC evaluates whether utilities can build new transmission lines in the state or upgrade existing lines. Since 2001, the CPUC has approved 536 miles of transmission projects for over 10,000 MW of additional transmission capacity. The CPUC is working closely with the ISO to coordinate decision-making on the need for additional upgrades and new projects. The CPUC's top transmission priorities include planning for and permitting transmission needed to meet the State's RPS 33 percent goal and to expand and reinforce California's aging energy infrastructure. Streamlining the permitting process is critical to achieve these priorities.

Streamlining and Improving Permitting Processes

In 2009, in order to further support investment in California's transmission infrastructure and ensure access to RPS-eligible resources, the CPUC continued to focus on streamlining and improving its permitting processes with the goal to save time and money for all stakeholders by avoiding lengthy review, deficiency, and correction periods. In 2009, the CPUC conducted a State and Federal agencies workshop to aid in streamlining the permitting process. The CPUC has implemented a "no surprises" permitting process that includes pre-filing consultations with applicants, participation in ISO planning process, and regular meetings between CPUC staff and applicants.



Transmission Project Approvals

Tehachapi Renewable Transmission Project

In 2009, the CPUC approved the final of three applications for the Tehachapi Project totaling approximately \$2 billion in investment and adding approximately 4,500 MW of renewable transmission capacity to the grid. This 90 mile, 500 kV, \$1.8 billion transmission project completes the final phase for the Tehachapi area. At full build-out the project will accommodate 4,500 MW of renewable power.

Upcoming Transmission Line Applications

Over the next two years, the CPUC anticipates reviewing at least 25 applications projected to add up to approximately \$7 billion worth of planned transmission investment. Pending transmission line applications comprising approximately \$4 billion in transmission investment are already before the CPUC. The CPUC plans to complete nine of these applications in 2010.

The Pisgah-Lugo Transmission Project is likely to be submitted to the CPUC for review in mid-2010. The project is proposed to provide the electrical facilities necessary to integrate up to 10 MW of new renewable generation in the Pisgah Area. The CPUC staff has been active in pre-filing activities since 2008. Also likely to be submitted to the CPUC for review in late 2010 is PG&E's Central California Clean Energy Transmission Project. This project will add a new 500 kV line to facilitate delivery of Tehachapi wind resources to the Helms Pumped Storage facility near Fresno, and it will increase the transfer capability of transmission along Path 15 by approximately 1,250 MW. Staff has been actively participating in the ISO planning process as well as engaging in pre-filing meetings with the applicant since early 2008.

Improving the Transmission Planning Process

The CPUC works closely with the ISO and the California Energy Commission to ensure that transmission planning in the state is efficient and duplication of work is avoided. The CPUC is working closely with the ISO, the California Energy Commission, the investor owned utilities, and other stakeholders on a detailed study of the operational implications and requirements for achieving a 33 percent RPS by 2020 or shortly thereafter. The CPUC is also closely involved in the "Renewable Energy Transmission Planning Process" which extends statewide beyond the ISO footprint and would take a more pro-

active and integrated "big picture" view of transmission and resource priorities.

Collaborative Assessment of Statewide Renewable Resource and Transmission Priorities

In order to ensure that California is able to meet its renewable goals, the CPUC in 2007 initiated the formation of the California Renewable Energy Transmission Initiative (RETI). RETI is a collaborative effort of a broad range of stakeholders, including state agencies and both investor owned and municipal utilities, to facilitate the development of the major transmission projects needed to access the most desirable renewable generation resources for California. CPUC staff is now working with the ISO, the newly-formed California Transmission Planning Group, and other stakeholders to translate RETI's conceptual planning work into detailed plans of service for viable priority transmission projects.

Facilitating Regional West-wide Transmission Planning

California has always relied upon and participated in the west-wide interconnected electric system with its diverse electricity resources. Accordingly, the CPUC monitors and participates in western transmission planning and related activities at the Western Electricity Coordinating Council and its Transmission Expansion Planning Policy Committee (TEPPC), as well as activities and forums sponsored by the Western Governors' Association (WGA), such as the Western Renewable Energy Zone Initiative (WREZ). The WGA has proposed to use Department of Energy (DOE) funding under the ARRA to extend the WREZ effort by enlisting western stakeholders in exploration of collaborative permitting and resource procurement opportunities.

These CPUC involvements will be increasingly important due to expansion of the Western transmission planning process in response to western needs and DOE funding support under the ARRA beginning in 2010. The CPUC was active in formulation of the Western response to this federal funding opportunity, and will have active roles in existing and newly forming committees and work groups within the expanded planning process.

Representing California in Federal Forums

The CPUC participates in federal energy proceedings and forums to advocate California's interests, including utility customers' rates and services. These activities address transmission rates,

planning and policy, electric reliability, and market design as described below.

- **Advocating for California Consumers in Transmission Rate Cases:** The CPUC represents California energy consumers in transmission rate cases at the Federal Energy Regulatory Commission (FERC) to ensure just and reasonable rates. In 2009, CPUC staff settled a PG&E transmission owner rate case, an SCE transmission owner rate case, and an SDG&E capital additions update case. Furthermore, CPUC staff litigated/settled two transmission owner rate cases involving Startrans and Atlantic Path 15, two transmission-only merchant utilities. The CPUC is actively participating in settlement negotiations with PG&E and SCE on their current transmission owner rate cases.
- **Implementation of the 2005 Energy Policy Act (EPAct):** CPUC participates in DOE's congestion studies and National Interest Electric Transmission Corridor (NIETC) designation process, which has produced a designated Southern California-wide "corridor," and for which the second round of triennial studies is due this year.
- **FERC's order 890:** This order establishes important requirements for open, transparent, and regionally collaborative transmission planning processes.

California's Redesigned Wholesale Market Launch

The CPUC participated and continues to participate in the ISO's stakeholder processes (and related FERC proceedings) for its Market Redesign and Technology Upgrade (MRTU), which the ISO successfully launched in April 2009, creating a new wholesale electricity market after a multi-year effort of design, development, testing, and implementation.

Energy Crisis Litigation

The CPUC participates as one of the "California Parties" seeking to obtain refunds of overcharges for power purchased to serve California ratepayers during the 2000-2001 energy crisis. To date, the California Parties have settled with 34 suppliers and obtained approximately \$2.7 billion in settlements to resolve overpayments in short-term electricity transactions alone. In 2009, settlements valued at over \$300 million were reached.

FERC initially denied most of the California Parties' refund claims, which were filed during the

crisis or shortly thereafter, but the California Parties ultimately prevailed on appeal and FERC has been ordered to consider the claims again. Hearings will commence in one FERC proceeding in March 2010, and FERC recently convened a settlement conference in another proceeding. In addition to claims pending before FERC, litigation to obtain refunds from governmental utilities is currently pending in Los Angeles Superior Court and the federal Court of Claims. Both cases are set for trial next year: the Los Angeles Superior Court action on May 13, 2010, and the federal Court of Claims proceeding on July 15, 2010.

The CPUC is the only party seeking to obtain ratepayer relief from the excessive rates in long-term contracts that the California Department of Water Resources entered into during the energy crisis. The CPUC previously reached numerous settlements, resulting in ratepayer savings of over \$6 billion. The CPUC continues to challenge four contracts, and over \$3 billion still remains at stake.

Representing California Gas Customers at FERC

The CPUC participates in major interstate natural gas pipeline cases at FERC. El Paso Natural Gas Pipeline filed its general rate case in mid 2008. After extensive settlement negotiations during the fall of 2009, a settlement in principle was reached by the end of 2009 on most issues in the proceeding. The CPUC will need to continue participation in the case in 2010 to complete the settlement, and to represent California on issues that were not included in the settlement.

In late 2008 the CPUC approved PG&E contracts for interstate pipeline capacity on the Ruby Pipeline. If constructed, that pipeline would provide northern California significantly increased access to Rocky Mountain natural gas supplies. Shortly after the CPUC approved the PG&E contracts, the Ruby Pipeline applied for a construction permit from the FERC, and CPUC staff has been monitoring that application during 2009. That application appears to be on track, and a FERC construction permit is expected to be issued in 2010, which should allow the Ruby Pipeline to become operational in early 2011.

Authorizing Electric Utility Revenue Requirements

The CPUC strives to balance electric utility customers' needs for safe, reliable, and environmentally responsible service, while achieving the lowest possible electric rates. Since energy services are essential, the CPUC ensures that access is uni-

versal and affordable. Much of this balancing occurs in general rate cases (GRCs) and in Electric Resource Recovery Account (ERRA) proceedings, where electric utility revenue requirements are determined.

PG&E General Rate Case Revenues

Pursuant to PG&E's last GRC, the CPUC approved a 1 percent increase in 2009 to account for escalation in the costs of providing service. The additional revenues permit PG&E to make necessary repairs and upgrade its electricity and natural gas systems. The CPUC also approved several settlement agreements addressing various cost and rate issues, plus allowing submetering for tenants in commercial buildings, which will create incentives for conservation and energy efficiency. In 2010 the CPUC will review PG&E's test year 2011 GRC application, which was filed on December 21, 2009.

SDG&E and SCG General Rate Case Revenues

Pursuant to the settlement agreements adopted by the CPUC in the 2008 GRC, the CPUC authorized base revenue increases for SDG&E and SCG of approximately 3 percent (about 1 percent of total revenues) for years 2009, 2010, and 2011. In November 2009, DRA, SDG&E and SCG filed a request that the utilities' next GRC be submitted for test year 2013 rather than the currently scheduled 2012. In 2010 the CPUC will decide whether to delay SDG&E's and SCG's currently scheduled test year 2012 GRC by one year.

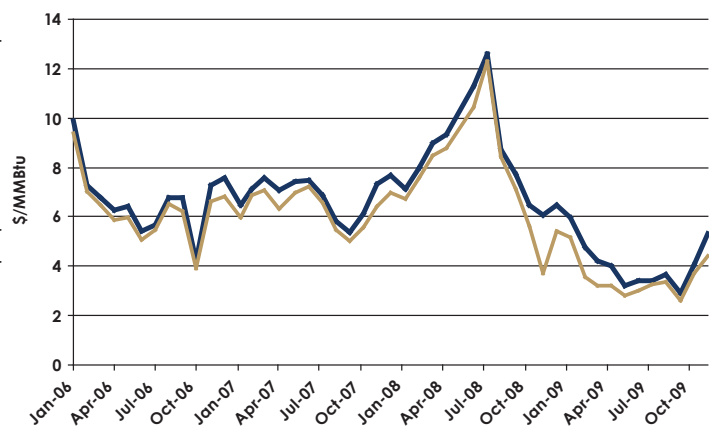
SCE General Rate Case Revenues

The CPUC issued a final decision in March 2009 in SCE's GRC proceeding. The CPUC authorized SCE an 11 percent increase in base revenues (a 4 percent increase in total revenues) to ensure sufficient funding for SCE to provide safe and reliable service. The CPUC also authorized SCE increases in base revenues of 4.25 percent and 4.35 percent for years 2010 and 2011, respectively (about 2 percent increases in total revenues). The increases were granted to meet the need to build facilities and reinforce the network to accommodate growth, replacement of aging distribution infrastructure and business systems and increased expenses for system operations and maintenance. The CPUC issued a decision in August 2009 adopting settlement agreements on revenue allocation, and rate design for various customer classes and commercial sub-metering. The decision also established that SCE shall file an application to propose dynamic pricing rates by September 2010.

Natural Gas

As shown in the graph below, natural gas commodity prices were fairly moderate and steady in 2009, compared to 2008, ranging only from about \$3 to \$6 per MMBtu. The CPUC does not have the authority to regulate natural gas commodity prices, but takes necessary steps to enable the utilities to gain better access to new sources of supplies, develop a diverse supply portfolio, ensure adequate storage infrastructure, and to reduce natural gas demand. The CPUC also authorizes natural gas hedging programs to reduce the potential impact of unexpectedly large increases in prices.

Gas Daily Natural Gas Spot Prices



Assuring Adequate Gas Storage Infrastructure

The CPUC authorized expansion of natural gas storage capacity in 2009, and has been reviewing a significant number of other storage expansion requests.

- In December 2008, the CPUC authorized a settlement involving SCG which provides for expansion of the storage capacity of SCG' storage fields. SCG then filed applications at the CPUC in 2009 for approval of expansion of storage capacity at its Honor Rancho storage field, and for construction work at the Aliso Canyon storage field to maintain reliability of the field. The CPUC has been assessing SCG' requests in 2009, and will continue to do so in 2010.
- The CPUC is processing applications for addition/expansion of storage capacity by Sacramento Natural Gas Storage (SNGS), Wild Goose Storage, Central Valley Storage, Lodi Gas Storage, and PG&E/Gill Ranch

Storage. The CPUC reviewed the PG&E/Gill Ranch request in 2009, and approved the facility in October 2009. Decisions are expected to be issued on other applications in 2010.

Setting Reasonable Natural Gas Utility Operational Costs and Rates

The CPUC determines the reasonableness of operational costs, cost allocation among customer classes and rate design for several natural gas utilities.

- **SCE:** The CPUC issued a decision in September 2009 in SCE's application requesting approval of a 2009 revenue requirement for its Santa Catalina Island gas distribution system.
- **PG&E:** The CPUC is processing the Biennial Cost Allocation Proceeding application filed by PG&E in May 2009 to allocate its natural gas distribution costs to different customer classes and to propose changes to its rate design. In December of 2009, DRA, TURN, and other intervenors entered into a settlement agreement with PG&E resolving all issues. In September 2009, PG&E filed an application to revise its revenue requirement, rates, and some terms of service for its backbone gas transmission system and its storage service. On December 21, 2009, PG&E filed its 2011 Test Year GRC application. The CPUC will be reviewing these applications in 2010.
- **SCG/SDG&E:** In February 2008, SCG and SDG&E filed their Biennial Cost Allocation Proceeding. In December 2008, the CPUC adopted a settlement on storage issues, and in November 2009, the CPUC adopted another settlement that resolved the remaining issues. New rates will be effective February 1, 2010.

Other Gas Proceedings

The CPUC has ongoing natural gas-related work going in other proceedings, including:

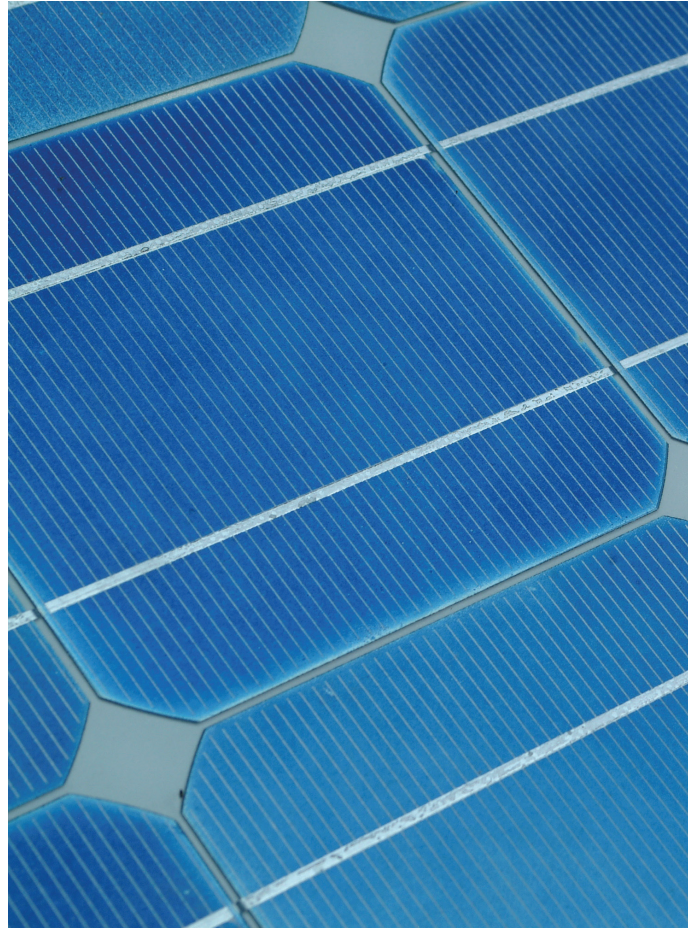
- **“Off-System Delivery” by SCE:** The CPUC examined the necessity, terms, and rates, as well as air quality issues related to this service. The CPUC issued a Phase I decision on air quality issues in June 2009 and is expected to issue a Phase 2 decision in 2010.
- **Developing Biogas and Landfill Gas:** In 2009, the CPUC approved several electric generation contracts that use landfill gas.
- **Advanced Metering Infrastructure (AMI) for Gas:** In September 2008, SCG filed an application requesting \$1.1 billion to install and operate gas-only AMI. In 2009, the CPUC heard arguments for and against the SCE proposal. The CPUC is expected to determine in 2010 whether or not to grant SCG's request.
- **Core Gas Refunds:** In August 2009, the CPUC opened a proceeding to examine how to allocate refunds, amounting to tens of millions of dollars, to core gas ratepayers that arose out of litigation against certain suppliers of natural gas related to the California Energy Crisis of 2000-2001. The CPUC will consider how to allocate the refunds in 2010.
- **Re-examining Gas Cost Incentive Mechanisms:** In June 2008, the CPUC issued a rulemaking to re-examine these mechanisms to determine whether they are working as intended, and whether adjustments to the mechanisms are needed. The CPUC heard arguments related to this matter in late 2008 and in 2009, and is expected to issue its findings in 2010.
- **Review of Transmission Capacity Rights Framework in Southern California:** SCG and SDG&E began implementation of the firm tradable gas transmission capacity rights (“firm access rights”) system in October 2008. Beginning in the spring of 2010, the CPUC will review the implementation of the firm access rights system to determine if the system is operating as intended and if any modifications need to be made.

Direct Access

The option for consumers to enter into new Direct Access arrangements is currently suspended, but in 2009 Governor Schwarzenegger signed legislation (SB 695) that will allow Direct Access load to increase over the next 3 years, until it reaches the maximum levels attained prior to the 2001 electricity crisis. In 2010, the CPUC will facilitate a process for the investor owned utilities, electric service providers and other stakeholders to work collaboratively to enable this orderly expansion of the Direct Access service option, while at the same time ensuring that additional costs are not borne by the ratepayers who do not switch to Direct Access.

Community Choice Aggregation

In 2002, the Legislature established a program that would allow localities to aggregate and serve the electric loads of customers within their jurisdictions, by forming “Community Choice Aggregators” (CCAs). Since 2002, the CPUC has issued a number of decisions to facilitate creation of CCAs within the service territories of PG&E, SCE and SDG&E. In 2009, CPUC staff provided technical assistance to several localities that are considering becoming CCAs. The CPUC also conducted a proceeding to determine the size of a surety bond or self-insurance policy that must be posted by a prospective CCA in order to protect utility customers in circumstances where a CCA returns large numbers of customers to utility service.



Communications



The CPUC was awarded \$2.3 million in federal stimulus funds to create a web-based map showing broadband services and providers available at each address in California.

The CPUC develops and implements policies for the telecommunications industry, including ensuring fair, affordable universal access to necessary services; developing clear rules of the game and regulatory tools to allow flexibility without compromising due process; removing barriers that prevent a fully competitive market; and reducing or eliminating burdensome regulation. The CPUC oversees the California LifeLine Telephone Program, which provides discounted basic home telephone services to eligible consumers. As of the end of 2009, 1.9 million telephone subscribers were receiving LifeLine discounts. An interactive website created in 2009 allows customers to enroll and recertify for the program online. The site has been used so far by almost 457,000 LifeLine customers.

Communications Overview

The CPUC Communications Division continues to adapt its processes and regulatory role to facilitate market-based competition. The CPUC is actively involved in many different aspects of the rapidly changing communications and broadband markets. Some key initiatives in 2009 included:

- Developing guidelines and procedures for the deployment of both California Advanced Services funding and facilitating additional funding opportunities through the American Recovery and Reinvestment Act.
- Reviewing and approving \$38.15 million for California Advanced Services Fund projects, including extending service to 33,327 currently unserved households.
- Securing resources to perform facility mapping within the State of California, providing the ability to identify locations where services are and are not available.

assistance to the Governor's Chief Information Officer in reviewing and evaluating 67 proposed broadband projects that companies submitted to the National Telecommunications Information Administration (NTIA) for ARRA funding.

As of December 17, 2009, the CPUC has approved total CASF funds of \$57.61 million for 38 projects, covering 11,045 square miles and benefiting an estimated 115,706 households. The CPUC has granted conditional approval for nine of the 38 projects approved so far, i.e., approval is dependent on the applicants' also securing ARRA funding.

Legend for Table shown to the right

Legend: 40 Percent CASF
10% CASF conditional approval; not submitted to NTIA/RUS during the first round
10% CASF conditional approval; submitted to NTIA/RUS during the first round

Broadband Deployment

California Advanced Services Fund

In December 2007, the CPUC established the two-year California Advanced Services Fund (CASF) program to provide matching funds for the deployment of broadband infrastructure in unserved and underserved areas in California. The CASF program funding is limited to a total of \$100 million to be collected over two years, funded by a 0.25 percent surcharge on consumers' telephone bills. SB 1193 established CASF in the State Treasury through January 1, 2013. SB 1193 requires the CPUC to develop, implement, and administer the CASF to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and substantial social benefits of advanced information and communications technologies. To implement the CASF, the CPUC adopted a Resolution establishing requirements, timelines, and scoring criteria for funding broadband projects. In July 2009, the CPUC issued a decision that allows applicants to seek CASF program funding while pursuing funding for broadband deployment grants issued under the American Recovery and Reinvestment Act (ARRA), which appropriates \$7.2 billion for grants and loans to support broadband deployment on a national level.

In addition to reviewing applications requesting CASF matching funds, the CPUC provided



Approved CASF Projects as of December 17, 2009

GRANTEE	PROJECT NAME	LOCATION	PROJECT SIZE (in sq. miles)	# OF HOUSEHOLDS BENEFITING	CASF FUNDING
A. Unserved Areas					
AT & T	Grenada	Siskiyou	13.90	275	\$57,596
AT & T	Hopland	Mendocino	13.90	328	\$61,952
AT & T	Blanchard	Mariposa	13.90	123	\$35,816
AT & T	Mount Wilson	Los Angeles	2.10	15	\$2,420
Verizon	Pinyon	Riverside	27.02	382	\$174,000
Frontier	Prattville	Lake Almanor, Plumas	2.00	171	\$41,192
Broaband Associates International, Inc.	Highway 299 Broadband Network	Humboldt, Trinity & Shasta Counties	1000.00	5734	\$7,830,720
AT & T	Comptche	Mendocino County	11.51	97	\$18,392
AT & T	Alta/Blue Canyon	Nevada/Placer Counties	10.84	236	\$56,628
AT & T	Warner Springs	San Diego County	3.50	66	\$93,896
AT & T	Carmel Valley	Monterey County	4.44	83	\$47,916
Willits Online	Covelo	Mendocino	3.5	300	\$54,000
Willits Online	Laytonville	Mendocino	3.5	500	\$54,000
Rapid Link Inc. and Mother Lode Internet	Mother Lode Broadband	Alpine, Amador, Calaveras, Tuolumne and Mariposa	3063	14629	\$2,771,341
MCC Telephony	Kernville Teleconnect Project	Kernville, Onyx, Weldon, Wofford Heights, Inyokern	44	9179	\$285,992
Frontier	Lookout	Modoc County	67	166	\$50,707
Ponderosa Cable Vision	Ponderosa Cablevision Auberry Project	Fresno	18.65	1,043	\$405,613
Total For Unserved Areas			4,303	33,327	\$12,042,181
B. Underserved Areas					
AT & T	Lodi	San Joaquin	1.26	35	\$137,416
AT & T	Oakdale	San Joaquin	1.28	47	\$108,783
AT & T	Irwin	Merced	0.72	55	\$41,411
AT & T	Los Banos	Merced	0.87	13	\$120,170
AT & T	Easton	Fresno	0.52	9	\$49,869
Citizens (Frontier)	Birds Landing	Solano	17	69	\$100,444
Citizens (Global Valley)	Livingston	Merced	8	234	\$62,000
AT & T	Vacaville	Solano	1.73	33	\$171,914
AT & T	Madera Acres	Madera	0.62	20	\$43,301
AT & T	Friant	Fresno	0.5	5	\$46,463
AT & T	Clovis	Fresno	0.3	125	\$36,393
AT & T	Carmel	Monterey	0.99	14	\$91,083
Inyo Networks	Independence, Big Pine, and Lone Pine	Mono, Inyo and Kern Counties	205.93	6,202	\$2,247,308
Frontier	Alturas	Modoc and Lassen counties	418	2,064	\$225,918
Siskiyou Telephone Co.	Siskiyou Seiad Project (Seiad)	Siskiyou County	108	134	\$2,621,824
University Corporation at Monterey Bay Central Coast Broadband Consortium	"Central Coast Broadband Consortium Middle-Mile "	Monterey, San Benito, and Santa Cruz Counties	3,787	15,026	\$4,975,009
Race Telecommunications	Race Telecommunications, Inc., Last Mile Project	Kern County	444	24,352	\$9,500,864
Nevada County Economic Resource Council	"Nevada County Connected Middle Mile "	Nevada County	303.72	1,294	\$1,312,747
IP Networks	Hwy 36 Humboldt-Trinity Counties Project	Humboldt and Trinity Counties	218	527	\$4,212,982
California Broadband Cooperative	Digital 395 Middle Mile (Topaz, Coleville, Bridgeport, Mono Lake, June Lake, Crowley Lake, Benton, Mammoth Lakes, Bishop, Big Pine, Independence, Lone Pine, Cartago / Olancha, Boron, China Lake, Ridgecrest, Inyokern, Johannesburg, Kramer Junction, Red Mountain)	Mono, Inyo and Eastern Kern Counties, North Eastern San Bernardino	965	28,127	\$19,294,717
Plumas-Sierra Telecommunications	Plumas Sierra Last Mile Project (Outskirts of Susanville, Janesville, East of Janesville, Milford Areas, Herlong, Doyle)	South eastern Lassen County	259	3,994	\$166,911
Total For Underserved Areas			6,742.44	82,379.00	45,567,527.00
Total Casf Funding For Unserved And Underserved Areas			11,045.20	115,706	\$57,609,708

STATEWIDE MAP OF CPUC APPROVED CASF PROJECTS as of December 17, 2009



Video Franchising

California's Digital Infrastructure and Video Competition Act (DIVCA) allows video service providers to obtain one video franchise for all of the areas they seek to serve in California, instead of separately negotiating and obtaining a franchise in every city or county. This uniform statewide approach streamlines the video franchise process, allows for increased competition throughout the state, expedites deployment of video and broadband infrastructure, and enhances access to video and broadband services for low income households.

As required by DIVCA, the CPUC's Video Franchise & Broadband Deployment Group implements DIVCA, and gathers and analyzes broadband and video data in support of the development of related policies and rules.

In 2009, in its role of implementing DIVCA, the CPUC processed 28 applications for franchises and amendments and granted 27 applications and amendments.

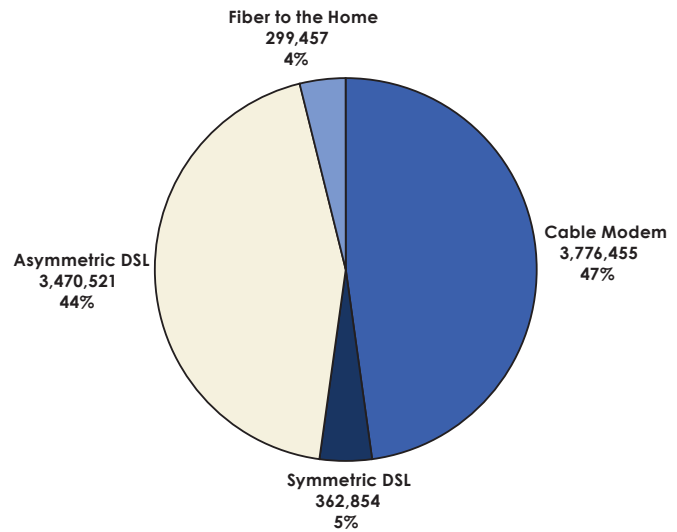
Data collected by the CPUC pursuant to DIVCA from the state-issued video franchises shows that

video competition and broadband deployment are both increasing in California. These developments were reflected in the 2009 DIVCA report. More specifically, the 2009 report demonstrates that:

- AT&T and Verizon continued to build out their broadband systems and more than tripled the number of households to which video is offered during 2008.
- 55 percent of the households in California¹ (7.0 million HHs) were located in census tracts in which two or more wired video providers offer services during 2008. This is up from 37 percent in 2007.
- Wireline broadband penetration increased to 62 percent (7.9 million households) during 2008, up from 55 percent (6.8 million households) in 2007 resulting in a broadband penetration increase of 12.7 percent during 2008.

The Wireline Technologies Used to Deploy Broadband pie chart shows that technologies used by the telephone industry to deploy broadband (DSL and fiber optic cable) are used by 53 percent of residential subscribers, while cable modems are used by 47 percent.

Wireline Technologies Used to Deploy Broadband To Residential Subscribers By State-Issued Video Franchise Holders

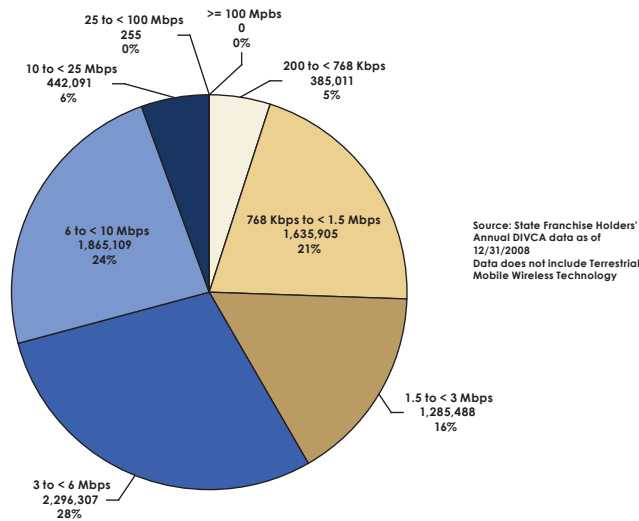


The Residential Broadband Subscribers pie chart shows that 58 percent of the broadband subscribers of state-issued video franchises and their local affiliates received broadband download speeds

¹ There were 12,733,414 households in the State on 1/1/2009, according to the California Dept. of Finance.

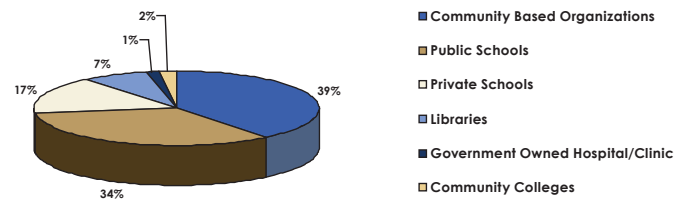
faster than 3 Mbps during 2008, and that only 6 percent are receiving broadband service with download speeds faster than 10 Mbps.

Residential Broadband Subscribers by Download Speed 2008



2. Inclusion of broadband Internet access service providers in partnership with CPUC's certificated or registered service providers. CTF participants can now obtain Internet access service for the following modalities including (1) PDA/cell phone data plan; (2) laptop card; (3) stationary; or (4) satellite/microwave frequency; and
3. Removal of the CTF tariff requirements for all service providers that provide CTF-eligible services on a non-regulated basis.

Approved CTF Participants as of October 31, 2009



California Teleconnect Fund

The California Teleconnect Fund (CTF) provides a 50 percent discount on select telecommunications and Internet access services to schools, libraries, health care organizations, California community colleges, community based organizations (CBOs), and eventually to California Telehealth Network participants. The program is financed by a 0.079 percent surcharge assessed on intrastate telecommunications services charges incurred by all end-users. The CTF program has a budget of \$46.554 million for FY 2008-09, \$60.340 million for FY 2009-10, and \$69.907 million for FY 2010-11. The budget growth was driven by program changes initiated in 2008.

In 2008, the CPUC ordered several significant changes to the CTF program that contributed to a 20 percent increase in CTF participation in 2009, especially by CBOs. Those changes were:

1. Inclusion of California Community Colleges, California Telehealth Network participants, and non-profit community based organizations providing 2-1-1 information and referral services;

Extending the CTF to California Community Colleges Reduces the Digital Divide

The CPUC extended CTF to community colleges because they serve about 2.9 million adults per year, approximately 30 percent of whom are low income students. The increased access to advanced telecommunications technology will help better train and serve community college students and thus assisting the state to achieve the goal of bridging the digital divide in the communities that these colleges serve. As of November 20, 2009, 86 of the 110 community colleges participate in the program.

California Telehealth Network

The California Telehealth Network (CTN) is part of a three-year Federal Communications Commission (FCC) pilot program to enhance public and non-profit rural health care providers' access to advanced telecommunications and information ser-

New CTF Participants Approved From January 1, 2009 through October 31, 2009

Community Based Organizations	Public Schools	Private Schools	Libraries	Government Owned Hospital/Clinic	Community Colleges	Total
627	51	50	3	7	86	824

VICES. The CTN will connect more than 2,000 health care sites with each other, with a network of specialty providers at academic medical centers, and with other non-profit and for-profit health providers statewide. The CPUC is participating on the Advisory Committee that will oversee the CTN, to help California develop an effective and sustainable Telehealth network, focusing on rural and tribal land communities. The CTF will fund a portion of the CTN program that is not otherwise paid for by the FCC.

In 2009, the CTN Advisory Committee issued a Request for Proposal for building-out the CTN and chose a private sector telecom vendor that best met the CTN technical and financial standards. The Universal Service Administrative Company's funding authorization is expected by the end of January 2010, for CTN construction projected to be initiated by the end of the first quarter of 2010.

CTF Marketing Outreach

Working closely with the CTF Administrative Committee, the CPUC is developing marketing for CTF outreach for CBOs and government-owned hospitals and health clinics. CTF outreach will be designed to ensure that any and all CTF eligible entities, especially isolated rural areas, are familiar with the program and the available telecommunications cost savings. In addition, the CPUC is developing a contract to conduct year-round statewide training, outreach, and on-going support.

Broadband Mapping

On October 5, 2009, the CPUC was awarded \$2.3 million by the Federal government as part of the ARRA stimulus program to gather and verify broadband data and to create a publicly available, interactive web-based map that will display information about the broadband services and providers available at each address throughout California. This data will be a valuable resource for consumers as well as State and Federal policymakers, who will be able to use this information to analyze the status of broadband deployment in California and across the nation, and develop broadband policies aimed at improving the availability of advanced services.

The CPUC's grant also includes \$500,000 for broadband planning activities that are intended to increase broadband subscribership, especially among underserved and unserved populations. To carry out these activities, the CPUC is partnering with California State University, Chico Research Foundation (CSU), through a four-year agreement.

California LifeLine Program



LifeLine Administrative Committee: names from left to right

X. Selena Huang, Division of Ratepayer Advocates

Jeff Mondon, AT&T California

Ken McEldowney, Consumer Action

Charlie Toledo, Suscol Intertribal Counsel

Marcia Evans, Cox Communication

The California LifeLine Program provides discounted basic local landline telephone service to eligible California households. As of the end of 2009, 1.9 million telephone subscribers were receiving LifeLine discounts. Beginning in 2009, the flat and measured rates increased to \$6.11 and \$3.27 per month, respectively. Eligibility for LifeLine service is based on income (approximately 150 percent of the Federal poverty guidelines) or participation in one of 12 public assistance programs. In November, AT&T announced that effective January 1, 2010, they will increase their LifeLine flat and measure rates to \$6.84 and \$3.66, respectively.

A number of changes were made to the LifeLine program in 2009.

- Starting July 1, 2009, LifeLine applicants pay regular rates until their application is approved. Once approved, the applicant begins to receive the LifeLine discount and a retroactive credit to the date of their application.
- Enrollment forms now provide an option for customers to "opt-out" of their LifeLine service if no longer qualified.
- New service providers now receive a New Carrier Checklist that details the steps they must perform to become compliant with LifeLine Program rules.

The CPUC implemented an interactive website that allows customers to enroll and recertify online, dramatically cutting down on errors and application delays. The site has been used so far by almost 457,000 LifeLine customers for applications and renewals.

California LifeLine Statistics

	Fiscal Year 2008-2009	Fiscal Year 2009-2010 (through October)
Average Customer Count	2,121,804	1,986,370
Surcharge Rate	1.15%	1.15%
Program Budget	\$307,715,000	\$331,303,000
Fiscal Year 2010-2011 Proposed Program Budget	\$420,000,000	

Changes Being Considered

In a rulemaking proceeding, the CPUC is considering a number of initiatives to further increase LifeLine participation. One option is to increase the income eligibility requirement from its current level that approximates 150 percent of the Federal Poverty Guideline (FPG). Current enrollment in LifeLine is about 1.9 million, while the CARE energy program (which has a 200 percent FPG enrollment criteria) has about 3.6 million participants. Another change being considered is to reimburse service providers at a flat rate. Flat rate reimbursement means that the customer would pay the difference between the carrier's basic service rate less the carrier's subsidies from the California LifeLine fund and the Federal Universal Service Fund. In addition this rulemaking is also addressing expanding LifeLine subsidies to wireless service providers. The CPUC expects to adopt and implement changes to the LifeLine program in 2010.


California LifeLine Marketing Efforts

The "It's For You" marketing campaign debuted in 2009, with a plethora of marketing materials.

In 2009, the California LifeLine marketing contractor educated more than 122,000 individuals via 44 outreach partners, and recruited about 650 entities to distribute information and materials, and conducted approximately 650 presentations.

Native American Poster


**Discounted Home Phone Program
for Tribal Lands**



Robert Freeman, Hunkpapa Sioux, Lakota

Participate in
Enhanced Lifeline for Tribal Lands

- Enhanced Lifeline gives residents of tribal lands the chance to have local home phone service for as little as \$1 a month.
- Provides additional discounts on local home phone service for qualified residents living on Tribal Lands.
- Be sure to ask the telephone company for the Enhanced Lifeline discount for Tribal Lands.


IT'S FOR YOU!
 Call your telephone company to enroll or 1-866-272-0350 for more information.

A Program of the California Public Utilities Commission

Spanish Billboard Ad

"Es para ti."

Servicio telefónico para su hogar por menos de 25 centavos al día.

Llame a su compañía telefónica para inscribirse o al 1-866-272-0350 para más información.


 Programa de la Comisión de Servicios Públicos de California

California LifeLine Call Center

The California LifeLine Call Center provides free in-language information to consumers in the following languages: English, Spanish, Cambodian, Chinese, Hmong, Korean, Laotian, Tagalog, Vietnamese, Japanese, and TTY. The call center has specific telephone numbers set up for each of these languages. Help in other languages is available via interpretation services upon request.

Telephone Affordability Surveys

The state legislature and the CPUC have each directed the undertaking of separate telephone affordability surveys. Senate Bill 780 mandated a telephone affordability survey and report to the legislature due for completion on July 1, 2010. The survey will canvas the affordability of basic telephone service for customers who reside within geographic areas funded by the California High Cost

Chart – Number of calls to California LifeLine Call Center by In-Language Toll-Free Line

(Source: Richard Heath and Associates, Inc.)

Date	English Toll-Free Line	Spanish Toll-Free Line	Laotian/Hmong Toll-Free Line	Korean Toll-Free Line	Vietnamese Toll-Free Line	Chinese Toll-Free Line	Japanese Toll-Free Line	Cambodian Toll-Free Line	Tagalog Toll-Free Line	TTY Toll-Free Line
Jan-09	1403	403	2	21	58	167	3	9	11	8
Feb-09	1512	346	12	19	53	176	1	17	13	0
Mar-09	1719	356	6	29	56	178	4	4	5	0
Apr-09	2402	867	5	73	77	192	2	5	33	0
May-09	2734	855	13	73	94	222	10	15	44	3
Jun-09	1965	325	2	36	69	239	1	4	18	10
Jul-09	1801	549	8	59	79	275	1	10	37	8
Aug-09	1797	402	7	36	57	197	2	5	31	10
Sep-09	1945	400	11	55	59	197	4	14	23	8
Oct-09	2005	491	5	42	47	230	6	5	16	13
TOTAL	19,283	4,994	71	443	649	2,073	34	88	231	60

Chart - Reasons Callers Provided for Not Having a Home Phone* to the California LifeLine Call Center (January to October 2009)

(Source: Richard Heath and Associates, Inc.)

- 26% - Too Expensive
- 24% - Just Moved In
- 17% - Cell Phone Is Primary
- 13% - No I.D.
- 8% - Disconnected
- 6% - Not Needed
- 3% - Renting Room

* These responses are based only from those callers that participated in the optional survey and answered the specific question asking why they did not have a home phone. 10,509 callers opted to take the survey.

Fund-B across approximately 1,000 Census Block Groups.

The CPUC directed a statewide telephone affordability survey due for completion on June 30, 2010. The survey will canvas customers on a statewide basis to evaluate the California LifeLine Telephone Program. The survey will gather information to analyze the impacts of the regulation transition plan and any reforms to the Program.

Deaf and Disabled Telecommunications Program

The Deaf and Disabled Telecommunications Program (DDTP) serves Californians who are deaf and disabled with specialized equipment and relay services through the California Telephone Access

Program (CTAP) and California Relay Service (CRS). CTAP assists California's consumers with hearing, vision, mobility, speech, and cognitive disabilities by providing free specialized equipment. CRS provides a relay service where operators will relay messages between a person using a telephone type-writer (TTY) device and a person who does not use a TTY. Speech-to-Speech service, a relay service that provides assistance for people with speech disabilities, is also a part of CRS. The DDTP is funded through a surcharge on all telephone bills.

2009 Highlights and Updates

Wireless Pilots

In 2008, the CPUC initiated a wireless pilot program for the DDTP. The first phase focused on providing a wireless text-messaging pager. Text messaging pagers are being considered to provide low income DDTP-eligible customers the benefit of a communications device not tethered to their home.

The CPUC surveyed pilot project users to better understand whether to make wireless text messaging pagers a permanent DDTP offering. As a result, the CPUC continued with the wireless pilot by introducing the Jitterbug cell phone in 2009. Pilot participants for the Jitterbug must be DDTP eligible, and living in or near the cities of Fresno, Los Angeles, Sacramento, San Diego, San Francisco, or Santa Ana. Customers must be California LifeLine-eligible and certified as blind, low-vision, cognitively-disabled, mobility-disabled, or hard of hearing. As of November 2009, there are 85 DDTP customers with the Jitterbug with an additional 38 approved applicants who are in the process of receiving the Jitterbug.

Relay Services

In 2009, the number of traditional relay calls continued to decline; however, captioned telephone call volumes rose. Decline in traditional CRS usage is attributable to increased usage of video relay usage and Internet relay, instant messaging, and text messaging.

DDTP Outreach

The DDTP program also conducts ongoing marketing campaigns, including advertisements in local newspapers, on public transportation, and radio and television stations. The ads to promote the DDTP program are made in English and Spanish.

Additional equipment added to DDTP/CTAP in the last year included a talking Caller ID phone and a cordless phone headset.

Upcoming Activities

With the assistance of three consumer panels (Telecommunications Access for the Deaf and Disabled Committee, California Relay Service Advisory Committee, and Equipment Advisory Committee), the CPUC is continually looking to identify and make available equipment needed by DDTP constituents.

Limited English Proficiency Customers

The Limited English Proficiency effort was delayed in 2009 due to budget cuts. It is expected that the FY 2010-11 budget will include sufficient staff to administer the Limited English Proficiency survey.

2009 Telephone Penetration Report

The telephone penetration rate in California has reached 96.8 percent, above the state's goal of 95 percent. The 96.8 percent penetration rate is achieved through the combination of telephone services from traditional landlines, wireless lines, and VoIP services.

In 2008, there were just over 20 million landlines in California, a decline of over 4 million from 2001. However, there are now more than 32 million wireless lines in the state - quadrupling since 2001, which is more than one wireless line for every California resident over the age of 15. Additionally, there are now 2.2 million VoIP subscriptions in California.

California High Cost Fund - B

The California High Cost Fund-B (CHCF-B) provides subsidies to Service Providers of Last Resort (COLR). A COLR provides local exchange service, and stands ready to provide basic service to any customer requesting such service within a specified area. CHCF-B subsidies provide cost support for basic local telephone service to residential customers in high-cost areas that are currently served by AT&T, Verizon, Frontier, and Cox. The subsidies impact about 270,000 lines and allow the rates in the high cost areas to be kept lower.

TABLE: Universal Service Programs

Total served by program	Surcharge Rate	FY 09-10 Program budget (millions)	FY 10-11 Program budget (millions)
270,000 subsidized lines	0.45%	\$52.515	\$50.935

The CHCF-B was extended to January 1, 2012, by SB 760. SB 780 requires the CPUC to prepare and submit a report to the Legislature by July 1, 2010, on the affordability of basic telephone service in areas funded by the CHCF-B.

In July 2009, the CPUC reduced the number of areas qualifying for CHCF-B support by increasing the monthly rate threshold from \$32.08 to \$36. The threshold increase is the final step of program modification designed to reduce the size of the fund and to target CHCF-B support to the highest cost areas.

The CHCF-B program is funded by a surcharge on the intrastate portion of customer bills. In December 2009, the CPUC increased the surcharge rate from 0.25 percent to 0.45 percent. Although the CPUC had reduced the areas qualifying for CHCF-B support, the surcharge needed to be increased because of a decline in carrier billing revenues. The surcharge increase is expected to provide sufficient funds to meet 2009-10 expenditures of the CHCF-B.

Rural Service providers

California High Cost Fund (CHCF)-A

The CHCF-A provides supplemental revenues to small local exchange carriers (LECs) to minimize disparities between basic telephone service rates in rural versus metropolitan areas. The CHCF-A is funded by an all-end-user surcharge billed and collected by telecommunications service providers.

There are 14 small LECs that are eligible to receive CHCF-A.

Current CHCF-A Funding

Total Small LECs access lines	115,321
Fiscal Year 2009-10 Budget	\$64.713 million
Fiscal Year 2010-11 Budget	\$57.591 million
Calendar Year 2010 small LEC payments (estimated)	\$36.075 million

Processing Traditional Rate Case Filings

General Rate Case (GRC) advice letter filings for small LECs are currently reviewed by the Communications Division. The GRC process requires Communications Division to review the company's estimated revenues, expenses, rate base, and rate of return in order to arrive at an appropriate CHCF-A funding level.

In 2009, the Communications Division reviewed applications for rehearing and petitions for modification in response to the 2008 GRC filings of five small LEC telephone companies.

Rural Telecommunications Infrastructure Grant Program (RTIGP)

The RTIGP was established in 2001 to aid in the establishment of telecommunications service in areas not currently served by existing local exchange service providers.



Siskiyou Telephone Company – Nordheimer Flat Project

The Siskiyou Telephone Company project brought telephone service to residents in a remote area of Siskiyou County and also provided a much-needed emergency phone at a U.S. Forest Service Campground.

As of the end of 2009, there are five approved projects with funding totaling \$11.1 million: Indian Springs, Iowa Hill, Trinity County, Yurok Tribe, and Nordheimer Flat. These five projects will be completed in 2009 and 2010. Other projects are under review.

Participating in Federal Communications Issues

Congress and the FCC make many decisions that affect California's interests in communications. The CPUC collaborates closely with the Legislature and the California Congressional delegation, as well as many interest groups, to influence federal legislative and regulatory policy decisions.

National Broadband Plan

As part of ARRA, in February 2009, Congress ordered the FCC to prepare a National Broadband Plan by February 17, 2010, to outline steps "to ensure that all people of the United States have access to broadband capability and shall establish benchmarks for meeting that goal." In response to FCC requests for comments and to inform the FCC as it develops the National Broadband Plan, the CPUC filed numerous comments and policy recommendations in 2009 including:

- How to promote broadband deployment and adoption.

- How to define and measure broadband availability via subscribership data and mapping.
- The role of universal service.
- The role of intercarrier compensation.
- The benefits of broadband deployment to government and the public welfare.
- The benefits of Smart Grid applications.
- The CPUC specifically urged adoption of a federal pilot program or programs to provide a limited number of low income subscribers with broadband support for equipment and monthly Internet access service, in order to determine the costs of adding broadband as a permanent element of universal service.

Federal Access Charge Reform and Intercarrier Compensation

The CPUC filed comments with the FCC urging the FCC not to address Intercarrier Compensation (ICC) in the National Broadband Plan, as the issues associated with ICC are too complex to be resolved by February 2010 as part of the National Broadband Plan, and that the FCC should address this subject in the current open rulemaking on ICC reform.

During 2009, the CPUC also filed comments in FCC proceedings on the following policy matters:

- FCC reporting requirements for communications providers and the sharing of such data with the states;
- Proper regulation of Voice over Internet Protocol (VoIP) service and state jurisdiction over VoIP services;
- The provision of Telecommunications Relay Services for hard of hearing and disabled consumers;
- Network outage reporting requirements;
- Streamlining Local Number Portability;
- Proper service provider information disclosure and billing requirements;
- Local exchange carrier equal access scripting requirements.

Emergency and Information and Referral

California's E9-1-1 Network and Services

The CPUC continues to work closely with California's 9-1-1 emergency professionals and service providers on issues concerning E9-1-1 network assurance and reliability. At the request of the California 9-1-1 Emergency Communications Office, CPUC staff spearheaded a joint effort with service providers, 9-1-1 County Coordinators, and Public Safety Answering Points (PSAPs) in Los Angeles County to address problem lines generating false calls to 9-1-1. Staff also worked on issues including the investigation, identification, and repair of faulty network facilities and access lines, and policies for disconnecting lines that negatively impact the 9-1-1 network.

Additionally, the CPUC has evaluated issues involving the routing of wireless 9-1-1 calls, which are handled differently than landline calls. Now that over 60 percent of California's 9-1-1 calls are from wireless devices, changes are needed to serve the growing number (13.5 million calls in 2008) of wireless 9-1-1 calls. Currently, wireless users of 9-1-1 services in the state are too frequently subjected to long wait times and busy signals. The CPUC is working with members of the public safety community to address these issues.

Customer Education Programs for Backup Power for Telephone Services at the Customer Premises

AB 2393 required the CPUC to take steps to identify the need for telecommunications service customers to have a backup source of electricity to enable the customer to contact a public safety answering point operator during an electrical outage.

The CPUC conducted series of workshops in 2009 to gather further information on backup power as well as customer education and outreach, and the CPUC is considering adopting guidelines for customer education programs, which would address the need for backup power to operate the customer's telephone during a power outage, backup power limitations, and responsibilities of service providers and customers.

2-1-1

2-1-1 is the number assigned by the FCC for customers to reach information and referral ser-

vices for non-emergency social and crisis needs. Applications to provide 2-1-1 services are approved by the CPUC and deployed on a county-wide basis. 2-1-1 applications for Kings, Nevada, Tulare, and Mendocino counties were received and approved in 2009. The CPUC anticipates 12 additional applications in 2010 or 2011. Currently, 25 counties, reaching 89 percent of Californians, have launched 2-1-1 service. One application, for Shasta County, is pending as of December 9, 2009. There are 20 counties that have not begun the planning process to implement 2-1-1. These counties are located in the most sparsely populated areas of the state and include 4 percent of the year 2000 state population.

Communications Industry Structure

Service Provider Alternatives

In May 2008, the CPUC launched an online database of telecommunications service providers to assist residential customers in finding alternative companies that provide communications services in their area code or county. The new online database provides information and tools to consumers so that they can identify communications service providers in their area and choose the right company and services that meet their needs. This da-

2-1-1 Counties	2000 Population	2-1-1 Implementation in Progress	2000 Population	No activity	2000 Population
Alameda	1,543,000	Amador	37,943	Alpine	1,222
Contra Costa	1,051,674	Butte	220,407	Calaveras	46,127
Fresno	931,098	El Dorado	179,722	Colusa	21,910
Kern	817,517	Humboldt	132,821	Del Norte	29,419
Kings	154,434	Imperial	176,158	Glenn	29,195
Los Angeles	10,363,850	Madera	150,887	Inyo	18,152
Marin	257,406	Plumas	20,917	Lake	64,059
Mendocino	90,163	San Benito	57,784	Lassen	35,757
Monterey	428,549	San Joaquin	685,660	Mariposa	18,406
Napa	136,704	San Mateo	739,469	Merced	255,250
Nevada	99,186	Shasta	182,236	Modoc	9,702
Orange	3,121,251	Tehama	62,419	Mono	13,759
Riverside	2,088,322	Tuolumne	56,799	Placer	333,401
Sacramento	1,424,415			Santa Cruz	266,519
San Bernardino	2,055,766			Sierra	3,380
San Diego	3,146,274			Siskiyou	45,971
San Francisco	824,525			Sutter	95,878
San Luis Obispo	269,337			Trinity	13,966
Santa Barbara	428,655			Yolo	199,066
Santa Clara	1,837,075			Yuba	71,929
Solano	426,757				
Sonoma	484,470				
Stanislaus	525,903				
Tulare	435,254				
Ventura	831,587				
Total	33,773,172		2,703,222		1,573,068
Percent of Total	89%		7%		4%

tabase has experienced substantial increase in use since its debut in 2008. Staff will continue to update information on carrier service offerings and availability to help consumers make more informed choices.

Detariff – Reduce Regulatory Filings

As part of its efforts to streamline regulation, the CPUC adopted a policy that allows service providers regulated under the CPUC's Uniform Regulatory Framework (URF) to elect to "detariff" their existing services and to no longer file tariffs. Under detariffing, the telephone company and the customer enter into a service agreement that governs the price, terms, and conditions of service. The telephone company must still file tariffs for basic residential telephone service with the CPUC, but can detariff other types of services, such as Call Waiting, Call Forwarding, Caller ID, or toll calls.

The CPUC reviewed AT&T's and Verizon's service agreements and the information they intended to post on their websites. The CPUC emphasized that consumer protection rules continue to be in place. The CPUC also directed that service providers' website information and the service agreements be written in understandable, plain English, be generally fair to consumers, and provide adequate information for the consumers to make informed choices. Based on this consumer protection criteria, Verizon's detariff filing was approved in December 2008. In April 2009, AT&T's detariffing filing was approved. Also in 2009, approximately 30 other service providers filed requests to detariff services, effective in 2010. CPUC staff is reviewing these filings.

Local Customer Mass Migration

In 2009, the CPUC started Phase II of its mass migration proceeding for competitive local exchange carriers (CLEC) to consider proposed changes to the existing CLEC mass migration procedures, as well as the adoption of guidelines for other situations where a local voice provider stops providing service to its customers under adverse financial conditions. This proceeding is expected to be completed in 2010.

State Access Charge Reform

Existing CLECs filed advice letters to reduce their access charge to the higher of AT&T's or Verizon's intrastate access charges, plus 10 percent, effective January 1, 2009. After January 1, 2009, any new CLECs are required to conform to the access charge change requirement. Through this specific effort and other intrastate access decisions, adju-

dications, and general rate cases, the CPUC continues its efforts to reduce and harmonize intrastate access charges among California communications providers.

Telephone Numbering

The CPUC continues to address area code and number conservation issues. With active involvement by the CPUC, two additional area codes were introduced in 2009. The 747 area code was overlaid over the 818 area code (Los Angeles County) and the 442 area code was overlaid over the 760 area code (Southern California). As part of the CPUC routine examination of service provider numbering records, service providers are requested to donate unused telephone resources back to the national numbering pool. Continued conservation of numbering resources delays the introduction of new area codes for as long as possible.

Utilization of numbering resources has slowed considerably in 2009. Area code relief for the 408 (San Jose) has been delayed until mid-year 2010.

Licensing and Compliance Filings

Licensing

The CPUC continues to license wireline, wireless, two-way paging, cable telephony, and mobile radio providers serving residential and business customers. The CPUC issued 27 new wireless licenses and 48 new wireline licenses during the first 11 months of 2009. Although the CPUC does not require VoIP providers to get an operating license, the Communications Division issued ID numbers to nine VoIP operators who voluntarily elect to collect and remit public program surcharges and CPUC fees from customers.

The CPUC is considering possible revisions to the streamlined licensing process for the non-dominant interexchange service providers, with a proposed decision anticipated in the first quarter of 2010.

Compliance Filings

The Communications Division processed 3,485 advice letters during the first 11 months of 2009.

Safety



About half of all highway-rail crossing collisions occur at highway-rail intersections with flashing lights and/or gates.

– *Operation Lifesaver*

The CPUC's Rail Safety Action Plan, updated in 2009, seeks to:

- Promote the concept of safety culture with California passenger and freight railroads.
- Promote the implementation of Positive Train Control.
- Continue efforts in inspector workforce retention to ensure quality safety oversight.
- Promote the downward trend of rail accidents in California.
- Promote CPUC High Speed Rail safety oversight.

Safety Overview

The Consumer Protection and Safety Division (CPSD) is responsible for implementing the CPUC's rail safety programs and programs that regulate safety and reliability of investor owned gas, electric, and telecommunication systems.

Railroad Safety

The CPUC has safety jurisdiction over freight railroads, inter-city passenger railroads, commuter railroads, rail transit systems, and all highway-rail crossings.

Significant federal and state interest in expanding the rail transportation network has been evidenced by the January 2006 issuance of California Strategic Growth Plan, the November 7, 2006 passage of California Proposition 1B (The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), the October 16, 2008 passage of the federal Passenger Rail Investment and Improvement Act of 2008, the October 16, 2008 passage of the federal Rail Safety Improvement Act of 2008, the November 4, 2008 passage of California Proposition 1A (The Safe, Reliable, High-Speed Passenger Train Bond Act), the February 17, 2009 passage of the federal American Reinvestment and Recovery Act of 2009, and the December 7, 2009 introduction of the federal Public Transportation Safety Program Act of 2009.

The CPUC employs federally certified staff inspectors, in coordination with the Federal Railroad Administration (FRA), to ensure that railroads comply with federal railroad safety regulations. The CPUC's railroad safety federal/state Participation Program is the largest in the nation. The CPUC also develops and enforces state regulations, investigates railroad accidents, and responds to safety related inquiries made by community officials, the general public, and railroad labor organizations.

The CPUC's railroad operations safety work responsibilities include:

- Inspecting railroads for compliance with state and federal railroad safety regulations and pursuing enforcement actions when required.
- Investigating rail accidents and safety-related complaints.
- Recommending rail safety improvements to the CPUC and federal government.
- Ensuring efficient enforcement of rail safety requirements.

September 12, 2008, Metrolink, Chatsworth

A westbound passenger train traveling at 42 mph collided head-on with an eastbound freight train traveling at 40 mph. The collision resulted in 25 fatalities and more than 130 injuries. Two locomotives and 10 rail cars derailed on the freight train and one locomotive and one passenger car derailed on the passenger train. CPUC staff jointly investigated this accident with the National Transportation Safety Board (NTSB) investigation team that included the FRA, Metrolink, and local public service agencies. CPUC Rail Safety Inspectors specializing in signal control systems, operating practices, and mechanical equipment responded immediately to the accident along with senior staff, working to gather crucial information.

The NTSB's investigation remains active, but the investigative team preliminarily determined that the Metrolink engineer was using his mobile phone to send and receive text messages proximate to the time the Metrolink train passed through a red signal and collided with the Union Pacific freight train.



Six days after the collision, under its emergency powers the CPUC passed Resolution SX-88 prescribing a temporary ban on the personal use of cell phones and similar devices while operating a train or light-rail transit vehicle. On October 27, 2008, the FRA issued Emergency Order (EO) 26, which imposed restrictions on the use of personal cell phones and banned use of most electronic devices by railroad operating crews. EO 26 is a nationwide order that replaced SX-88 as it pertains to freight and commuter railroads in California. This order does not affect intra-city rail and light rail systems. In order to forestall occurrences such as the Chatsworth accident, CPUC opened a rulemaking to determine if a collision avoidance technology could be installed in the short or long-term on commuter rail lines to prevent accidents such as occurred in Chatsworth.

The Rail Safety Improvement Act of 2008

A significant change in rail safety oversight occurred on October 16, 2008, when Congress passed the Rail Safety Improvement Act of 2008 (RSIA). The RSIA requires the installation of Positive Train Control (PTC) by December 31, 2015, on all commuter routes and Class I routes that share trackage with passenger trains and on all freight mainlines over which poison- or toxic-by-inhalation hazardous materials are transported. The RSIA also makes significant changes to the law regarding railroad safety management, railroad safety risk reduction strategies, and train crews' hours of service. CPUC staff has been working very closely with the FRA in the implementation of this very significant piece of legislation, including participation in the Rail Safety Advisory Committees (RSAC) for PTC and for System Safety Program Plans, which will be required of all agencies operating intercity and commuter trains.

Railroad Inspections

Public Utilities Code Sections 309.7 and 765.5(d) require the CPUC to ensure that railroad locomotives and equipment and facilities located in Class I railroad yards in California are inspected not less frequently than every 180 days, and that all main and branch line tracks are inspected not less frequently than every 12 months. During the 2008/2009 fiscal year, staff inspected 50,230 units of equipment (a unit is one locomotive or one car) and 9,653 miles of track. In addition, staff made 694 inspections at facilities that handle hazardous materials (36,232 hazardous materials inspection units). Operating Practices staff made 790 inspections (5,515 units), and signal and train control staff inspected 15,332 units of signal and train control systems.

Hazardous Materials/Security Inspections

The CPUC employs six federally certified railroad safety inspectors to regulate the rail transportation of hazardous materials as authorized by the Hazardous Materials Uniform Safety Act of 1990. Inspectors conduct a variety of activities, including the investigation of accidents and incidents involving the actual and/or threatened release of hazardous materials as reported by the California Emergency Management Agency's (CEMA) 24-hour Warning Center. Inspectors also conduct unannounced inspections at shipper facilities, consignees, freight forwarders, intermodal transportation companies, and railroads. In addition, two certified inspectors conduct annual security plan inspections on all Class I and short line railroads in California.

Work Force Retention Efforts

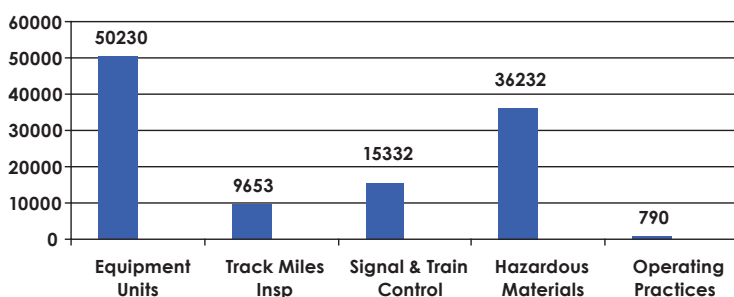
The CPUC is continuing efforts to retain qualified, federally-certified inspectors. Twenty-five inspectors and managers, out of a staff of 38, have resigned from the CPUC since 2000. This is due to the pay disparity between the CPUC and FRA inspectors. FRA inspectors earn an average of 20 percent higher wages for performing essentially the same duties. As vacancies occur at the FRA, inspectors migrate from the CPUC to the FRA. The high attrition rate has resulted in the CPUC being out of compliance with its statutory mandates for rail safety since 2005. In June 2009, the CPUC Executive Director sent a communiqué to the Department of Personnel Administration (DPA) outlining the urgent need to retain federally certified inspectors.

Rail Safety Action Plan of 2009

Having realized many of the established goals of the Rail Safety Action Plan (RSAP) of 2005, the Rail Operations Safety Branch (ROSB) updated the RSAP to include fresh initiatives. The RSAP of 2009 seeks to:

- Promote the concept of safety culture with California passenger and freight railroads.
- Promote the implementation of PTC.
- Continue efforts in inspector workforce retention to ensure quality safety oversight.
- Promote the downward trend of rail accidents in California.
- Promote CPUC High Speed Rail safety oversight.

CPUC Railroad Inspections FY2008/2009



Collision Avoidance Rulemaking

The CPUC opened a rulemaking on November 25, 2008, to consider implementation of collision-avoidance systems on passenger rail. This rulemaking is considering any systems that could be used during the interim period until the federally mandated PTC is installed. Staff's report for this rulemaking was issued December 15, 2009.

General Order 118 Ballast Size Ruling

On September 25, 2007, the CPUC opened a rulemaking for the purpose of resolving a dispute between the railroads and labor on the appropriate size ballast for use on walkways within railway switching yards to ensure safety. A proposed settlement agreement between the railroads and labor on the appropriate ballast size was approved by the CPUC in October 2009, and General Order 118 governing railroad walkway surfaces was revised accordingly.

Adoption of ROSB-2

The CPUC adopted Resolution ROSB-2 on November 25, 2008. ROSB-2 established a civil penalty citation program for enforcing compliance with General Order safety requirements for railroad carriers throughout California.

Rail Transit Safety

The CPUC has safety and security regulatory authority over all rail transit agencies (RTAs) in California and works in cooperation with the Federal Transit Administration (FTA) and the RTAs to enhance public safety and security. The CPUC's Rail Transit Safety Section (RTSS) focuses on verification of the System Safety and Security Plans of each RTA to ensure that these plans meet all state and federal rules and regulations.

RTSS staff ensures that all rail transit system extensions and new construction projects comply with General Order 143-B requirements and that each project undergoes a safety certification review and approval. Staff audits each RTA at a minimum interval of once every three years. This goal is accomplished through comprehensive rotating triennial audits of all RTAs operating within the state.

The CPUC exercises its jurisdiction over the following twelve rail transit agencies:

1. Bay Area Rapid Transit District (BART)
2. San Francisco Municipal Transportation Agency (SFMTA)
3. Los Angeles Metropolitan Transportation Authority (LACMTA)

4. Sacramento Regional Transit District (SRTD)
5. San Diego Trolley Inc (SDTI)
6. Santa Clara Valley Transportation Authority (VTA)
7. San Francisco International Airport (AirTrain), connection to BART
8. North County Transit District (NCTD), SPRINTER
9. Angels Flight Railway Company, funicular system in Los Angeles (closed February 2001 due to an accident.)
10. San Pedro Red Cars (POLA)
11. Los Angeles Farmer's Market
12. Americana on Brand trolley, located in Glendale

Comprehensive Triennial Audits

In 2009, the CPUC approved staff's report of the SFMTA triennial audit. In addition, staff conducted triennial audits for SDTI and NCTD, and the CPUC will vote on the final audit reports in 2010. Staff ensures all triennial audit recommendations are addressed by the RTAs with corrective action plans and implementation.

Safety Certification

Staff verifies the safety certification of new projects and extensions. For FTA-funded projects, staff works with FTA personnel to ensure compliance with federal mandates. Over the last few years, the RTA operations have expanded considerably, resulting in several new projects. Staff is in the process of reviewing these new projects for safety certification.

Staff completed two safety certifications projects in 2009 and expects to complete work on an additional 20 in 2010 and beyond.

Safety Audits

RTAs are required to conduct on-going internal safety and security audits. Staff participated in six internal safety audits in 2009.

Accident Investigations

In 2009, staff either participated in accident investigations or directly investigated 78 rail transit accidents as of November. Fifteen fatalities occurred on RTA properties in 2009.

In 2010, staff will continue to either participate in accident investigations conducted by RTAs or directly investigate accidents. Staff will also continue to participate in accident investigation task forces with members from all railroads and transit agen-

cies, the FRA, Caltrans, and local law enforcement representatives. Staff also continues to develop and enhance its internal investigation procedures, policies, and processes through training and participation with other investigative agencies such as the NTSB. Staff ensures all accident investigation recommendations are addressed by RTAs with corrective action plans and implementation.

Complaints

In 2009, nine informal complaints regarding rail transit systems were submitted to the CPUC. Staff resolved six of these complaints with three still under investigation. Staff will continue to advise the CPUC's ALJ Division regarding an open formal complaint filed by the Pasadena Avenue Monterey Road Committee regarding noise impacts along the Los Angeles Metropolitan Transportation Authority's Gold Line.

Revision to General Orders

In 2009, staff worked on incorporating current industry standards into General Order 143-B, which prescribes safety requirements for the design, construction, operation, and maintenance of light-rail transit systems in the State of California.

Rulemakings

Cell Phone/Personal Electronic Device Use by Rail Transit Operators

On October 16, 2008, the CPUC opened a Rulemaking to determine whether the temporary measures previously adopted by the CPUC, or other measures restricting personal use of electronic devices by rail transit personnel, should be adopted on a permanent basis.

In an interim emergency order approved on September 18, 2008, the CPUC prohibited the personal use of commercial mobile radio services and devices by on-duty railroad engineers, brakemen, conductors, or rail transit vehicle operators, except for personal communications that take place when the train or transit vehicle is stopped and with the approval of the appropriate management personnel. This order was adopted in response to the September 12, 2008, multiple-fatality Metrolink and Union Pacific Railroad collision; the July 24, 2008, Sacramento Rail Transit District wayside employee fatality; and the June 14, 2008, multiple-injury San Francisco Municipal Railway accident. Preliminary investigations of all three accidents implicated personal cell phone use as a primary or contributing cause.

In 2009, staff issued a Staff Report and proposed General Order addressing personal electronic device use by rail transit personnel. Staff expects that the CPUC will complete this Rulemaking in 2010.

Roadway Worker Protections

Two roadway worker fatalities occurred on California rail transit systems in 2008. In response, the CPUC opened a Rulemaking to determine whether current roadway worker protection rules are adequate, whether the State of California should implement a General Order for roadway worker protection, and if new roadway worker protection rules are needed. A staff report including recommendations and a proposed rule is expected in January 2010.

Rail Transit Security

As mandated by 49 CFR Part 659, staff ensures that RTAs have developed integral System Security Plans. Accordingly, staff independently audited SFMTA Security as part of the Triennial Audit. Previously, the federal Transportation Security Administration (TSA) personnel performed the RTA security audits. Staff took over this task from TSA. Additionally, the staff conducted a feasibility study on RTA Cyber Security. The study included LACMTA, NCTD and SDTI.

In 2009, staff participated in numerous rail transit security meetings and training sessions.

Rail Crossing Safety

The CPUC has exclusive jurisdiction over the safety of railroad crossings in California, including the power to determine their design, location, terms of installation, operation, maintenance, use, and warning devices. The CPUC currently has safety oversight responsibility for approximately 13,250 crossings, of which 10,000 are at-grade. The CPUC's responsibilities include:

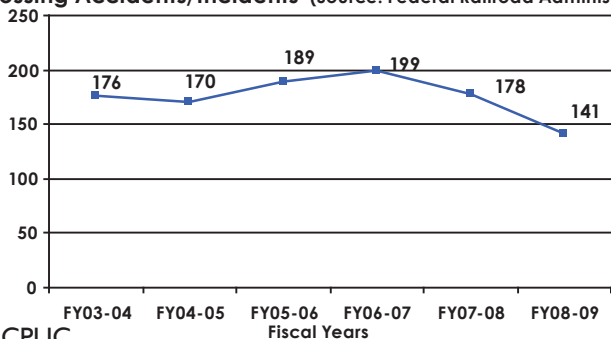
- Performing safety inspections of crossings;
- Preparing recommendations to enhance safety at specific crossings;
- Developing CPUC policies to enhance safety of all crossings in the state;
- Participating in state and national committees that recommend rule changes to improve crossing safety;
- Analyzing new crossing safety technology;
- Reviewing and processing applications for CPUC authorization to construct new or to alter existing crossings;

- Reviewing and responding to public complaints (e.g., rough or unsafe crossings, noise issues, etc.);
- Jointly administering with Caltrans Federal Section 130 program funds intended to eliminate hazards at existing public crossings;
- Administering the State's Grade-Separation Fund program;
- Administering the State's Automatic Railroad Crossing Warning Device Maintenance Fund program;
- Administering and maintaining the CPUC's existing crossing inventory and accidents database;
- Performing field reviews of crossings to update the crossing inventory database;
- Administering and maintaining the CPUC's crossing accident database;
- Investigating collisions involving trains or light rail transit vehicles at crossings;
- Reviewing environmental impact review documents regarding the potential effects of proposed development projects, such as the High-Speed Rail initiative, for crossings safety in or near the project areas; and
- Using strategic planning to increase effectiveness of the rail crossing safety program.



The CPUC's rail crossings responsibilities play a critical role in ensuring the safety of the state's residents. CPUC staff is taking a number of steps to improve rail crossing safety throughout the state.

June 1, 2003-July 1, 2009 California Reported Highway-Rail Crossing Accidents/Incidents (Source: Federal Railroad Administration)



Railroad crossing incidents for the previous six calendar years are shown graphically above. The reduction of accidents in Fiscal Year 2008-2009 may in part be explained by reduced traffic and train volumes caused by the current economic downturn.

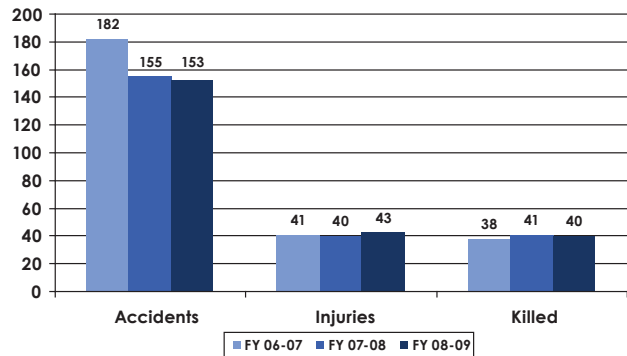
Rail Crossing Accident Investigations and Evaluations



Rail crossing accidents continue to be a major source of railroad-related casualties, averaging 150 highway-rail crossing accidents annually since 2003.

Identification and investigation of crossings accidents, and the subsequent evaluation of the crossings involved, are necessary to take steps proactively to allocate funding to improve crossings or otherwise urge local agencies to fund improvements to problem crossings. A total of 153 crossing incidents, which resulted in 40 fatalities and 43 injuries, were reported to the CPUC during Fiscal Year 2008-09.

FRA-Reported Highway-Rail Crossing Accidents Fiscal Years 2006-2009



Evaluating Crossing Applications and Modification Requests

CPUC staff has reviewed and approved an increasing number of new crossing applications and modification requests due to the implementation of the 2006 Bond Act, which funds many current transportation projects. A significant portion of the funding is eligible to fund crossing improve-

ments and grade separations. Over 22 projects have already been selected for funding under the Highway Rail Crossing Safety Account and more than 30 crossing projects have been scheduled to receive a Trade Corridors Improvement Fund allocation. In Fiscal Year 2008-2009, 155 crossing modification cases were opened, approximately twice the number experienced in the prior fiscal year.

Crossing Inventory and Rail Programs Databases

The CPUC has established and maintained an electronic database that houses an inventory of all railroad crossings in the state. Additionally, staff has developed a rail and light-rail transit accidents database. The databases were created in-house, and are currently operating very slowly with limited ability to share and query data. Additionally, while meeting the CPUC's basic needs, the databases have experienced faults and occasional data loss. The CPUC has procured the authority and funding to upgrade the databases. An improved database will allow the CPUC to meet new Federal Railroad Administration rules requiring states to update Federal rail crossing data with State data at least every third year.

Rail Corridor Safety Enhancement Program.

CPUC staff continues to develop and refine its rail corridor safety enhancement program. The program provides in-depth technical reviews of environmental review documents for proposed development projects in an effort to eliminate or

Fiscal Year 08-09 Statistics				
Type	Carry-Over FY07-08	Total Received FY08-09	Closed in FY08-09	Pending for FY09-10
Formal Applications	4	19	20	3
Modification Requests	2	155	157	0
Complaints	3	27	26	4

mitigate any potential rail safety impacts. Review of rail crossing impacts while development projects are still in the planning stages allows staff to be proactive in seeking corrective measures rather than reactive after an incident has occurred

Public Education



CPUC employees participate in volunteer activities for Operation Lifesaver (OL), an international organization committed to reducing the number of grade crossing and trespasser related accidents through education, enforcement, and engineering. CPUC employees provide presentations to schools and community groups, raising public awareness of safety measures that should be taken near railroad tracks. CPUC's bilingual presenters ensure that this safety message is communicated to a larger audience. During the 2008 - 2009 fiscal years, CPUC employees reached 8,000 people through OL, making 57 presentations and manning OL booths at 13 events. They also assisted with "Officer on the Train" events, working closely with local law enforcement and railroads to ensure drivers and pedestrians comply with laws prohibiting trespassing on railroad property and unsafe motorist behavior at highway-rail grade crossings.

Grade-Separation Fund Program

The CPUC administers the State's Grade-Separation Fund Program, which provides funds to help local agencies finance the high cost of grade-separating rail crossings. The CPUC is responsible for establishing criteria to be used to determine the priority of projects nominated for grade separation, and establishing a prioritized listing of crossings most in need of grade separation. The CPUC considers and adopts the priority list. The current prioritization list was used to allocate Bond funds in addition to Section 190 funds.

Utilities Safety and Reliability

The Utilities Safety and Reliability Branch (USRB) regulates the safety and reliability of investor owned gas, electric, and telecommunication systems. USRB ensures that these systems are designed, constructed, operated, and maintained safely and reliably for the protection of the public and utility employees. USRB conducts compliance inspections, accident investigations, reviews of utility reports and records, construction inspections, and special studies. It also initiates action in response to complaints and inquiries from the general public and utility employees on issues regarding gas pipeline, electric, and telecommunication

safety, and recommends new rules or rule changes where necessary.

Electric Safety and Reliability

Electric Substation Inspection Program

In 2009, USRB worked closely with the electric utilities to reach consensus on a proposed General Order for electric substation operation and maintenance and to resolve any disagreements in regards to its application. This new General Order was developed in response to a December 20, 2003, fire at a PG&E substation that caused an outage to more than 100,000 customers in San Francisco. At the time of the incident, there was not a complete oversight program in place for electric substations in California. This outage led the CPUC to develop a Substation Inspection Program to ensure the reliability of electric service and safety of the general public and utility employees. USRB will request that the CPUC issue an Order Instituting Rulemaking to adopt the proposed General Order in early 2010.

Transformer Loading Study

Much of California experienced heat storms during July 2006 and September 2007. During these periods, the demand for electricity increased, resulting in outages in the service areas of investor owned utilities. In 2008, USRB completed a study that examined the impact the increased demand had on distribution transformers during the heat storms. In 2009, the electric utilities operating in the state reviewed the report and provided USRB comments and mitigation measures to remedy the overloading of their transformers. USRB plans to issue a revised report with utility comments and mitigation measures in 2010.

Southern California Firestorms

In October 2007, several fires erupted in Southern California. The fires caused electric outages, destroyed many homes, and displaced thousands of residents from their homes for days. USRB completed its investigations of the causes of these fires in 2008, and determined that three fires (the Witch, Rice, and Guejito Fires) were directly related to lack of compliance with CPUC General Order 95, Rules for Electric Overhead Line Construction. In November 2008, the CPUC issued Orders to Institute Investigations to determine whether SDG&E and/or Cox Communications violated provisions of the Public Utilities Code, General Orders, or other applicable rules. In October 2009, SDG&E and Cox agreed to settle the cases involving their facilities. The settlement agreements are currently under re-

view by the CPUC and interested parties. USRB anticipates that the CPUC will issue decisions on the cases in 2010.

Malibu Fire

On October 21, 2007, three wooden utility poles in Malibu jointly owned and maintained by SCE, Verizon Wireless, Sprint Communications Company, NextG Networks of California, and AT&T Communications of California, Inc., broke and fell to the ground causing a major fire. The fire burned about 3,800 acres in the Malibu area, destroyed 14 structures and 36 vehicles, and damaged 19 other structures. USRB investigated the incident and determined that the loading on the three Malibu utility poles was in violation of CPUC General Order 95. USRB also concluded that the owners of the poles failed to inspect and maintain the poles within the standards specified in the General Order. In January 2009, the CPUC issued an Order Instituting Investigation to determine whether the owners of the poles violated any provision of applicable CPUC rules and requirements.

Order Instituting Rulemaking to Revise and Clarify CPUC Regulations

In November 2008, the CPUC issued an Order Instituting Rulemaking to consider revising and clarifying CPUC regulations designed to protect the public from potential hazards, including fires, which may be caused by facilities owned and operated by electric and communication operators providing service in California. On August 20, 2009, the CPUC adopted changes to General Orders 95 and 165 that would reduce the overhead electric and communication facilities. The CPUC will be continuing the Rulemaking, including public workshops, to address additional technical issues.

Application for Anticipatory Electric De-Energization

On December 22, 2008, SDG&E filed an application with the CPUC in which it requested approval to de-energize its electric system when certain weather conditions existed, on the grounds that damage to facilities and fires were potentially more likely under those weather conditions. In 2009, USRB filed comments in opposition to the application stating that the wind speeds SDG&E established as the thresholds to start de-energizing its system were less than the wind speed requirements that utility poles must withstand in General Order 95. On August 20, 2009, the CPUC granted a temporary restraining order against SDG&E from unnecessarily powering down its lines. On September

10, 2009, the CPUC ruled against SDG&E's application and ordered all key stakeholders to create a Fire Prevention Plan for San Diego County. In 2010, USRB staff will participate in the creation of the Fire Prevention Plan.

Gas Safety and Reliability

New Gas Safety Rules

Distribution Pipeline Integrity Management Program

The Federal Pipeline and Hazardous Materials Safety Administration (PHMSA) amended the Federal Gas Safety Regulations to require operators of gas distribution pipeline systems to implement Integrity Management (IM) Programs. The purpose of the IM Program is to enhance safety by identifying and implementing measures to reduce risks to the gas distribution systems. The new rule allows for risk-based adjustments in the existing regulations, establishes simpler requirements for master-meter and small liquefied petroleum gas operators, and requires operators to install excess flow valves on certain residential services lines.

Control Room Management

PHMSA amended the Federal Gas Safety Regulations to address human factors and other aspects of control room management for pipeline operators, including providing controllers with information and training, mitigation of controller fatigue, and review of the causes of incidents and accidents. Operators must develop the procedures by August 1, 2011, and implement the procedures by February 2, 2012.

USRB is currently reviewing the new rules. Based on its assessments, USRB will develop and implement new procedures to ensure that the CPUC's Gas Safety Program properly addresses and enforces the requirements of the new rules.

General Order 112-E

In 2010, USRB plans to revise CPUC General Order 112-E. Specifically, USRB will recommend that the monetary threshold for reporting pipeline installation and construction projects to the CPUC be increased. USRB may also make additional recommendations based on its assessment of the new rules that require gas distribution operators to develop and implement Integrity Management and Control Room Management Programs.

Rancho Cordova Gas Incident

On December 24, 2008, a house in Rancho Cordova, Sacramento County, exploded due to a

natural gas leak from a PG&E main pipeline. The explosion resulted in one fatality and five people sustained injuries. The explosion and subsequent fire also severely damaged two neighboring houses. USRB staff worked jointly to investigate the incident with the National Transportation Safety Board, Federal Department of Transportation, and the City of Rancho Cordova to conduct a field investigation and interviews of key witnesses. In 2009, USRB reviewed records and PG&E procedures relevant to the incident. In December 2009, USRB concluded its investigation and plans to issue its report in 2010.

Reduce Underground Facility Damage

The majority of gas and electric incidents individually reported to the CPUC involve excavations. Gas utilities also report all gas incidents to the CPUC on a quarterly basis. Electric utilities do not submit similar quarterly reports. USRB established a database to record and monitor the quarterly reports submitted by the gas utilities. In the first six months of 2009, the gas utilities reported over 2,000 excavation related incidents resulting in over \$4 million in damage.

In 2010, as part of its commitment to reduce the number of these incidents, USRB will request that the CPUC introduce new legislation that will grant it authority to penalize entities that do not follow proper procedures when excavating near underground gas and electric utility facilities.



Consumer Protection



The CPUC obtains court orders directing the disconnection of telephone service of any unlicensed household goods moving company that is using the telephone to conduct its illegal business.

The CPUC ensures that power plants operate in a safe and reliable manner, and that power plant operators plan, schedule, and complete necessary repairs and perform preventive maintenance. The CPUC also issues operating permits to moving companies and passenger transportation companies. The CPUC takes action against companies that operate without a permit and ensures that licensed companies comply with consumer protection rules and regulations established by the CPUC, including the maximum rates that can be charged by moving companies. In addition, the CPUC operates a toll-free Telecommunications Fraud Hotline, and successfully pursues telecommunications carriers and energy companies that violate the Public Utilities Code and CPUC orders.

Consumer Protection Overview

The CPUC protects utility customers in California by ensuring that service providers comply with state consumer protection laws and regulations. The CPUC enforcement program promotes compliance, deters fraud, and prosecutes unlawful behavior. Staff investigates and prosecutes fraud and abuse both through CPUC proceedings and through collaboration with outside law enforcement agencies. Staff works closely with federal and state agencies, community organizations and trade associations. Staff also receives calls through the toll-free Telecommunications Fraud Hotline. In 2009, the CPUC successfully pursued telecommunications carriers and energy companies that violated the Public Utilities Code and CPUC orders.

Investigation of Allegations of SCE Performance Based Ratemaking (PBR) Fraud

This matter involved SCE's submission of false and manipulated data in requesting certain PBR rewards. Phase 1 of this matter was concluded in 2008. Phase 2 was concluded in May 2009 when the CPUC adopted a settlement that required SCE to refund \$4 million to its ratepayers and forgo its claim for a net system reliability reward of \$2 million.

Investigation of Allegations of San Diego Gas & Electric Rule 1 Violations

This matter involved allegations of false statements made to the CPUC during Phase 3 of SDG&E's application for a Certificate for Public Convenience and Necessity (CPCN) for the Sunrise Transmission Project. Following a staff investigation, the CPUC adopted a settlement ordering SDG&E to pay \$920,000 in shareholder funds as follows:

- \$500,000 to the State's General Fund;
- \$220,000 to CPUC as reimbursement for Energy Division's expenditures related to the review of this project;
- \$150,000 to SDG&E's Neighbor-to-Neighbor Program, which provides consumer assistance; and,
- \$50,000 to 2-1-1 San Diego, a local non-profit that provides multi-lingual information about disaster relief and other services by telephone on a 24-hour basis.

SDG&E also apologized to the CPUC and agreed to develop and sponsor a professional

responsibility course and create an Ex Parte Best Practice Manual to improve future communications with the CPUC.

Investigation of prepaid calling card provider – Total Call International

In May 2009 the CPUC and the Attorney General secured a Superior Court Judgment and Permanent Injunction that required Total Call International (TCI) to pay a fine of \$300,000, ordered TCI to incur \$1,500,000 in gross margin reductions by removing surcharges on certain, prepaid phone cards, and permanently barred TCI from specific advertising and disclosure practices that mislead consumers.

Investigation of NextG Networks of California

This matter involved allegations that NextG violated the terms of its limited facilities-based CPCN when it engaged in certain construction related ground disturbing activities. In February 2009, the CPUC adopted a settlement agreement that ordered NextG to pay \$200,000 to the State's General Fund.

Background Investigations of Applicants for Telecommunication Related Certificates of Public Convenience and Necessity (CPCN)

The CPUC performs background reviews to determine the fitness and truthfulness of, and to detect specific acts of misleading representations made by, telecommunication providers in their applications for authority to operate in California (registrations or CPCNs). In 2009, the CPUC performed background reviews of 48 applicants seeking authority and protested six applications based on potential misrepresentations. In 2009, the CPUC fined Bigredwire.com, Inc. \$20,000, 88 Telecom Corporation \$8,000, and Cheap2Dial Telephone, LLC \$10,000 for operating without authority. Bigredwire and Cheap2Dial were also ordered to pay back surcharges and fees

Investigations of Unlawful Changes of Consumer Selected Telecommunications Service Providers (aka Slamming)

The CPUC protects consumers from providers who illegally switch consumers' phone carriers

without customer authorization, a practice known as slamming.

In 2009, the CPUC issued \$28,000 in slamming citations to carriers who violated the CPUC's rules regarding third party verification of orders for changes in service providers.

Resource Adequacy Requirement Compliance Program

The CPUC monitors and ensures that Load Serving Entities (LSEs) comply with its Resource Adequacy Requirements (RAR). The CPUC issues citations for smaller violations (not larger than 1 percent of RAR requirement of the LSE and less than 5 MWs) and undertakes formal investigations in larger cases. Under the CPUC's RAR Citation Program, staff has the authority to issue citations for specific system and local resource adequacy violations. The CPUC issued one citation in 2009 in the amount of \$1,500. In January 2009, the CPUC opened an investigation into Calpine Power America-CA, LLC to determine whether Calpine violated the CPUC's RAR in its October 2007 Year-Ahead Compliance Filing. This investigation is underway.

Priorities for 2010

In 2010, the CPUC will continue to work on identifying companies that are: 1) operating in California without CPUC-granted authority; 2) placing unauthorized charges on consumers' phone bills; 3) changing consumers' carrier of choice without proper authorization; 4) defrauding or misleading consumers, and; 5) violating any other CPUC rules, orders or decisions designed to protect consumers.

Staff will pursue initiatives both inside and outside the CPUC to establish more consumer protection measures that would punish wrongdoing and deter abusive actions against consumers.

Electric Generation Performance

The Electric Generator Performance Branch ensures that power plants 1) operate in a safe and reliable manner, 2) plan, schedule, and complete necessary repairs, 3) perform preventive maintenance, and 4) inform the ISO when the plant is unable to run.

For large plants 50 MW and above, the branch conducts inspections of plant outages, comprehensive audits, special studies and investigations, and analyzes plant performance. These plants provide nearly two-thirds of the capacity needed to meet summer peak demand.



Aerial view of South Bay, a 45-year old plant located on the San Diego Bay. EGPB inspects roughly 15 of these enormous steam plants statewide. EGPB also inspects about 20 new, more efficient baseload plants, and a growing number of plants that operate primarily to serve summer peak demand.

During the 2000/2001 energy crisis, non-utility power plants broke down at high rates, forcing the ISO to order several rotating electric blackouts. Subsequent legislation required the ISO and the CPUC jointly to adopt Maintenance and Operation standards for all of the state's power plants, exempting nuclear, municipal, and Qualifying Facilities. Plants are required to report mothballing, retirement, or other changes in the plant's status; such changes require CPUC approval under some circumstances. To target audits and to detect any trends in reliability, EGPB collects and analyzes data on power plants, and requires power plants to report reliability data to a national power plant performance database.

Audits

For each audit, a staff team researches the operating history of the plant, visits the plant for a week, and prepares an extensive Preliminary Report, which focuses on potential violations of power plant standards. The plant then submits a corrective action plan. Staff documents the resolution of each issue in its Final Report, which the CPUC approves in a public meeting. The CPUC publishes all Final Audit Reports on its website.

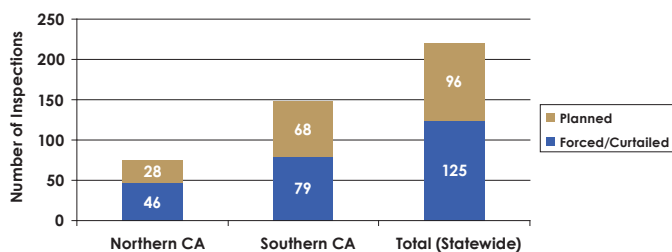
In 2009, CPSD issued Delta Power Plant's Final Report for CPUC approval. The CPUC staff found 21 violations. The plant completed corrective actions for the majority of the audit findings, and CPSD will monitor Delta's post-audit compliance.

CPSD also completed final audit reports for La Paloma and Encina, which the CPUC will consider in early 2010. CPSD monitored plants' compliance with completed audits for Potrero, Alamitos, and Etiwanda. Staff began a new audit at Metcalf, and CPSD will issue Preliminary Reports for Metcalf, Sutter, and Pittsburg in 2010. The CPUC will begin four new audits in 2010, beginning with Morro Bay and Ormond Beach.

Inspections of Power Plant Outages

In 2009, CPSD staff inspected 210 outages. Through those inspections, staff verified that outages were legitimate, observed the progress of repair and maintenance work, and maintained contact with plant staff. In general, staff inspected outages in which plants lose 50 megawatts of capacity or more. In 2010, staff plans to explore the feasibility of expanding the program to generators of renewable energy.

Power Plant Outage Inspections 2009



Special Investigations

Staff informally investigates outages or groups of outages when evidence suggests a significant violation of Operation and Maintenance standards. During 2009, CPUC staff:

- Investigated three safety-related incidents at power plants. The CPUC requires plant owners to report these incidents to EGPB when workers sustain injuries that require hospitalization.
- Evaluated a power plant's request for exemption from the GHG emissions performance standard (EPS).
- Instituted corrective actions in the follow-up of an investigation regarding a transformer explosion in the summer of 2008. The power plant will complete corrective actions by first quarter 2010, by moving secondary fuses closer to the potential transformer.
- Concluded an investigation of prolonged outages at two different plants, which CPSD determined were due to problems at a switchyard maintained by the local distribution utility. CPSD obtained the utility's switchyard maintenance records and provided them to the generator, to assure that the switchyard is properly maintained.
- Requested two root cause analyses for a Northern California plant following two incidents: a failed weld on a 14" steam line and a steam turbine failure.

Summer Emergency Preparedness and Reporting

When the ISO declares Stage 1, 2, or 3 emergencies due to electrical capacity shortages, CPUC staff issues special, same-day inspection reports. The CPUC uses this information to brief other state and federal officials and agencies.

As part of CPSD's work in preparing for the summer 2009, inspectors contacted each power plant to discuss summer readiness. CPSD visited each power plant by the end of May. Many plants schedule maintenance outages in early Spring, before electricity use increases during the summer. CPSD also discussed issues with generators during the branch's quarterly phone calls with generators. California did not experience any Stage 1, 2, or 3 alerts during summer 2009.

Special Projects

During 2009, CPUC staff:

- Monitored the startup of three new plants, which will add 1,870 MWs to California's baseload generation.
- Participated in a stakeholder process initiated by the Western Energy Coordinating Council (WECC) to better define "Bulk Electric System" (BES), which will determine which parts of the electric system will be subject to mandatory reliability standards. CPSD recommended that the standards should focus on those elements whose failure can cause widespread, cascading outages, including certain control systems at generation plants.
- Participated in working groups convened by the North American Electric Reliability Corporation (NERC), to develop Generating Availability Data System (GADS) definitions and performance measures for solar plants. GADS for solar plants will be useful in determining solar plant efficiency and reliability within the nation's commercial solar industry.

Priorities for 2010

- Inspect the majority of power plant outages, to ensure electric reliability under G.O. 167.
- Re-audit and monitor plants' post-audit compliance with corrective actions ordered by the CPUC.

- Consider guidelines for root-cause analysis and other methods to help plants reduce recurring outages.
- Expand data collection and analysis efforts to assess the reliability and performance of renewable generation.
- Track energy issues, policies and technology developments, particularly those related to resource planning, procurement, and reliability.
- Pursue opportunities to work closely with federal and state entities to identify and support technical and regulatory mechanisms to improve generator reliability.
- Due to increased concern about the security of power plants, staff will develop security guidelines for power plants. CPUC will also obtain Homeland Security training on how to handle Protected Critical Infrastructure Information for all EGPB staff.

Consumer Protection - Passenger Carriers and Household Goods Carriers

The CPUC is responsible for issuing operating permits and certificates to carriers that transport passengers for compensation and for enforcing licensing and other requirements. The CPUC is also responsible for licensing moving companies, known under the law as “household goods carriers.”

CPUC staff uses a variety of enforcement tools to gain compliance with applicable statutes and CPUC rules and regulations, ranging from administrative actions such as field citations and formal investigations, to civil and criminal penalties such as temporary restraining orders and criminal prosecutions.

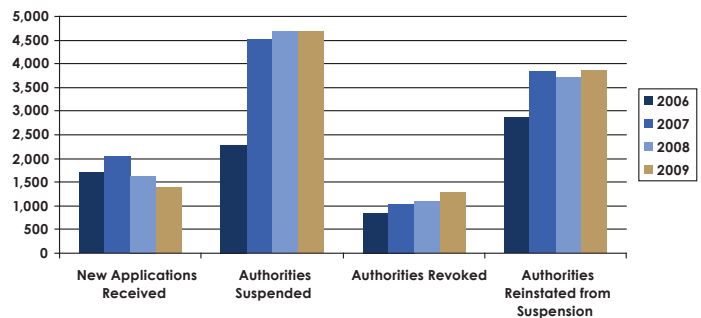
CPUC enforcement staff takes action against companies that operate without a permit and ensures that licensed companies comply with consumer protection rules and regulations established by the CPUC, including the maximum rates that can be charged by household goods carriers.

Passenger Carriers

Passenger Carrier Licensing Program

The following chart shows CPUC licensing activity for passenger carriers from 2006-2009.

CPUC Licensing Activity, 2006-2009: Passenger Carriers



Passenger Carrier Inspection Program

Airport Inspections

CPUC staff conduct surprise inspections at various venues, usually in conjunction with other law enforcement or regulatory agencies. In 2009, CPUC staff joined CHP officers and airport police at the Los Angeles, San Francisco, Sacramento, San Jose, and Palm Springs Airports to inspect commercial vehicles operating at those facilities, many of which were for-hire vehicles subject to the CPUC’s jurisdiction.



Bus Safety

CPUC staff work with the California Highway Patrol to ensure bus operators are properly licensed and operate in accordance with Vehicle Code and safety regulations. CPUC staff conduct bus inspections at convention centers and Indian Gaming establishments. In 2009, CPUC and CHP personnel inspected 112 buses at an Anaheim Convention Center event and 43 buses at Harrah’s

Rincon Casino & Resort, Pala Casino Spa Resort, and Viejas Casino.

Hollywood Strike Force

CPSD staff joined CHP and various city police agencies to enforce charter-party carrier licensing, vehicle safety, and other requirements in Hollywood and the surrounding area. Three evening inspections resulted more than 100 citations by the CHP and local police.

Los Angeles International Airport Office

CPUC staff work with Los Angeles International Airport police and the Los Angeles City Attorney's Office to investigate unlicensed limousine and sedan services. In 2009, staff and airport police issued 361 citations (279 for unlicensed carrier operations), impounded 237 vehicles, and issued 144 administrative citations. Administrative fine collections totaled \$107,500.

SFO Sting Operations

CPSD staff work with San Francisco International Airport (SFO) officials to detect and take action against unlicensed carriers operating at airports. In 2009, officials at SFO requested assistance to investigate unlicensed limousine solicitation.

Assisting the Underground Economy Task Force

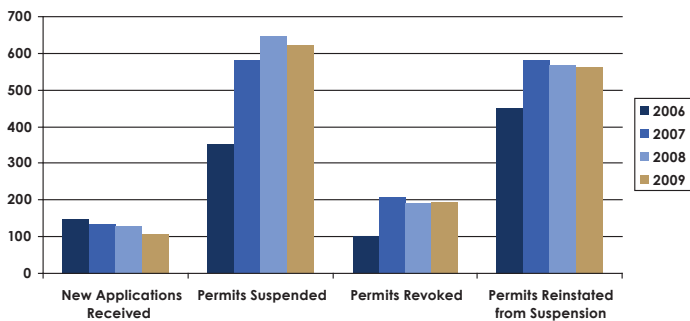
The Underground Economy Task Force helps to ensure that passenger carrier workers are treated in accordance with the law. Staff investigates and reports California labor and employee tax law violations.

Moving Companies

The following chart shows CPUC staff licensing activity for moving companies from 2006-2009.

Household Goods Carrier Licensing Program Statistics

CPUC Licensing Activity, 2006-2009: Moving Companies



Holding Goods Hostage

In 2009 CPSD staff investigated consumer reports of holding goods hostage, which is the practice of holding goods as leverage to collect additional charges. Holding goods hostage is a violation of law and CPUC regulations. In 2010, staff will continue to be aggressive in attacking this problem, including pursuing criminal charges with willing local prosecutors.

Screening Permit Applicants

CPSD staff screen moving company applications to protect against abusive anti-consumer practices. Staff determine if the applicant was previously involved in a company with a history of serious consumer complaints. This procedure helps to ensure that permits are issued only to individuals and companies that hold the requisite fitness to conduct a household goods moving business in the interests of the public.

Telephone Disconnection

The CPUC is empowered to obtain a court order directing the disconnection of telephone service of any unlicensed household goods carrier that is using the telephone as a means of conducting its illegal business. Staff disconnected phone service for seven carriers in 2009.





Water and Audits



Water conservation and efficiency offers energy use savings potential. By saving water and the associated energy to deliver it or heat it, or treating it more efficiently, it is possible to produce significant energy savings.

CPUC-regulated water companies provide service to about 20 percent of California's residents. The CPUC's objectives in regulating water utilities rest on four key principles: 1) Safe, high quality water; 2) Highly reliable water supplies; 3) Efficient use of water, and; 4) Reasonable rates and viable utilities. The CPUC's Water Action Plan identifies policy objectives that guide the CPUC in regulating investor-owned water utilities and highlights the actions that the CPUC anticipates or will consider taking in order to implement these objectives.

Water and Audits Overview

The CPUC is responsible for ensuring that California's investor owned water utilities deliver clean, safe, and reliable water to their customers at reasonable rates. There are 127 investor owned water utilities and 13 investor owned waste-water utilities under the jurisdiction of the CPUC, which provide water service to about 20 percent of California's residents. Approximately 95 percent of that total is served by 10 Class A water utilities – each serving over 10,000 connections.

In early 2008, Governor Arnold Schwarzenegger directed several state agencies to come up with a plan to reduce California's water use by 20 percent by the year 2020. The CPUC coordinated with six other agencies and collaboratively drafted a report to the legislature. The first draft 20x2020 Water Conservation Plan report was released on April 30, 2009.

In late 2009, Governor Schwarzenegger and the state's lawmakers passed the 2009 Comprehensive Water Package consisting of four water bills and an \$11.14 billion bond known as the Safe, Clean, and Reliable Drinking Water Supply Act of 2010, representing major steps towards, among other things, ensuring a reliable water supply for future generations and restoring the Delta.

In recognition of the Governor and Legislature's goal to achieve a 20 percent reduction in water use by 2020, the CPUC continues to be dedicated to:

1. Developing rate designs that promote water conservation;
2. Providing and improving assistance programs for water utility low income customers;
3. Revising and updating the rules that govern the minimum standards for operation, maintenance and the design and construction of water systems;
4. Assisting small water utilities in their efforts to comply with CPUC reporting and filing requirements;
5. Processing water utility advice letters in an efficient and professional manner; and
6. Processing all financing applications and performing audits in a timely and thorough manner.

The CPUC is working toward implementing its Three-to-Five Year Plan addressing critical water utility and auditing/finance issues. In particular, the CPUC is:

- A. Developing policies and regulatory mechanisms to effectively address water shortages;
- B. Implementing procedures to ensure a safe, high quality water supply that meets all applicable water quality standards and the development of in-house water quality expertise;
- C. Developing and implementing rules for the more efficient use of water and energy in the use and production of water by utilities and their customers;
- D. Providing additional consumer outreach to educate consumers about water rates, tariff rules, water conservation, and low income eligibility;
- E. Developing uniform enforcement rules to ensure compliance with CPUC directives;
- F. Enhancing our accounting and auditing services provided to our industry divisions, in order to ensure timely compliance with CPUC orders; and
- G. Strengthening our oversight of the utilities' use of authorized use of authorized long-term debt by auditing the quarterly reports the utilities file with the CPUC.

The CPUC is well on its way in achieving its plan by building on achievements in 2009; (1) The CPUC investigated the uses of RD&D and pilot programs to save energy in water systems, (2) The CPUC authorized conservation rate designs, Water Revenue Adjustment Mechanisms and Modified Cost Balancing Accounts to ensure utilities do not have financial disincentives caused by efficiency savings, and new water conservation and rationing tariffs; (3) The CPUC hired a water quality expert to provide an in-house review of water quality issues in rate proceedings; (4) The CPUC improved the rules and standards governing the water utilities; and (5) The CPUC adopted a water citation program to ensure compliance with CPUC orders.

The CPUC is pursuing the following objectives in 2010: (1) Beginning an investigation in the sharing of low income customer information between utilities to increase participation in low income programs; (2) Investigating the establishment of standardized rules for water contamination proceeds used for capital investments; (3) Developing standardized rules for affiliate transactions; (4) Considering supply alternatives for the drought-stressed Monterey peninsula; and (5) Expanding and improving auditing of all utilities and certain CPUC programs.

Metering

In 2009, the CPUC supported AB 975, which added Section 781.5 and modified Section 781 of the Public Utilities Code, and amended Section 529.7 of the Water Code. This bill was signed by the Governor and it makes it easier for the CPUC to require meters for smaller Class C (less than 2,000 connections) and D utilities (less than 500 connections). The CPUC's own studies have shown that a significant reduction in water consumption, about 20 percent, can be achieved by simply converting unmetered services to metered services.

Class C water utilities must now begin metering new service connections beginning January 1, 2010, and have until January 1, 2025 to meter all unmetered service connections. Class D water utilities that reach 500 or more service connections, thereby achieving Class C water utility status, have 10 years after attaining this status to install water meters on all unmetered service connections. The findings the CPUC must make in order to require Class D water utilities to install meters on unmetered service connections have been reduced, pursuant to Public Utilities Code § 781.5.

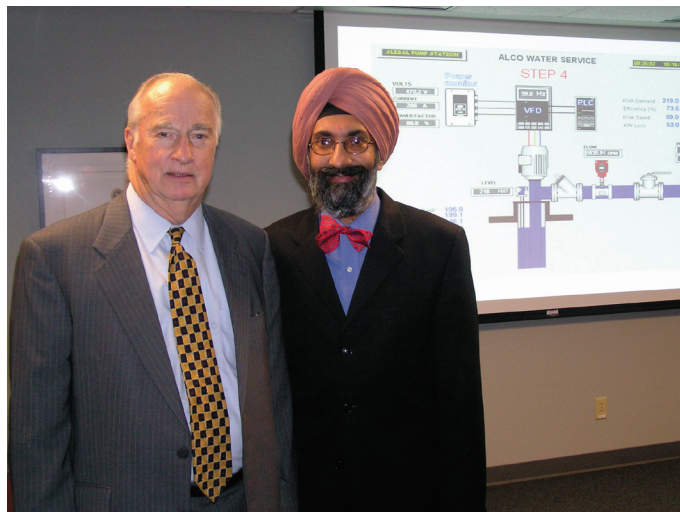
Metering is an important step to meeting the Governor's directive, as contained in the 2009 Comprehensive Water package, to achieve a 20 percent per capita reduction in water use by 2020. Water conservation is a primary objective of the CPUC's Water Action Plan, adopted in 2005, and our larger water utilities are on the path to meeting the 20 percent target. The CPUC continues to look for opportunities to move the provision of water from flat-rate to metered service as a key to meeting the 20 percent target.

Going Green

For water utilities, *going green* means reducing the energy usage in the delivery and treatment of water, often referred to as the water/energy nexus. Upwards to 19 percent of California's electric energy is used for the conveyance and delivery of water. In 2008, the CPUC authorized RD&D programs to identify potential energy and water savings at this critical nexus. In 2009, several of these projects are in operation and preliminary results look promising. Also in 2009, the CPUC's water and energy utilities jointly filed an application to expand the scope of these RD&D programs across more of the water utilities. The CPUC is expected to act on this application by early 2010 and implementation is expected by mid-2011.

In 2009, Alco Water Service, serving water customers in Salinas, obtained significant savings by implementing its Operational Energy Efficiency Program. By operating its well pump and motor

combination at optimal efficiency levels using specialized software, Alco was able to increase pump and motor combination efficiency from 39 percent to over 73 percent, while meeting its water system demands. In December 2009, San Jose Water Company (SJWC) also completed a similar project in its Operational Energy Efficiency Program, resulting in an increase in its efficiency from 56 percent to 77 percent. SJWC's single implementation resulted in a demand reduction of 50 kW.



CPUC Commissioner John A. Bohn and Water Director Rami Kahlon at Alco Water Service.

As results from the other pilots come in, the CPUC will be better positioned to evaluate the rollout of operational energy efficiency projects. Ultimately the CPUC will be able to determine whether water conservation and less energy-intensive water measures should be funded with utility energy efficiency dollars.

The CPUC is also examining the opportunity for water utilities to engage in the self-generation of energy using renewable energy sources. For example, the CPUC is considering the replacement of pressure-reducing valves with in-line Hydro-Turbines in 2010. This renewable energy program converts otherwise lost energy to electric power.

Water Conservation

As part of its effort to promote water conservation in 2009, the CPUC continued an investigation to explore the programmatic elements of a comprehensive water conservation program.

As part of this proceeding, the CPUC has authorized conservation rate designs in the overall effort to improve water conservation programs in place for regulated water utilities. To unlock the financial disincentives caused by efficiency savings faced by the electric utilities, the CPUC instituted Revenue Adjustment Mechanisms, designed to make these

utilities indifferent to their customers' conservation of electricity. In the face of increasingly scarce water supplies, the CPUC has authorized a similar mechanism for water utilities, including the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA), to decouple water sales from revenues and remove the financial disincentives for investor owned water utilities to institute the water conservation rates.

Under the authorized WRAM, utilities are made whole for any revenue shortfalls from authorized revenues that result from water conservation by their customers. The MCBA makes the utility whole if production costs (including purchased power, purchased water, and pump tax) go up, and allows for any reduction in these costs to be passed-on to the ratepayers.

This investigation is being processed in stages, with most of Phase I occurring in 2007 and 2008, and Phase II in 2009. As part of Phase II, the CPUC held workshops on smart metering to consider the advantages, disadvantages, costs, and benefits of the adoption of smart metering for use by investor owned water utilities in enhancing water conservation and water use efficiency. These workshops also addressed emerging technologies; the implementation of conservation rate designs, and conservation program shortages, i.e., water budgets, as they pertain to household size and other socioeconomic characteristics of customer household consumption; conservation programs for low income rate assistance (LIRA) customers; and conservation-related customer education and outreach for all customer classes.

In February 2009, the Governor proclaimed a state of emergency to combat California's third consecutive year of drought, and ordered immediate action to manage the crisis. In the proclamation, the Governor directed all state government agencies to utilize their resources, implement a state emergency plan, and provide assistance for people, communities, and businesses impacted by the drought. The CPUC's Division of Water and Audits responded by adopting revised procedures for water rationing in response to declared water shortages under Tariff Rule 14.1. This procedure was used by Golden State Water Company and California American Water Company.

The CPUC has been and will continue to monitor, respond to, and incorporate the Governor's proposals into CPUC policies and proceedings, in order to meet these vital water conservation goals. The CPUC will also continue to work with other state agencies in the development of strategies to achieve the Governor's vital water conservation goals, as well as the reduction of greenhouse gas emissions through water conservation and recy-

cling, and the reduction of energy use in the production and distribution of water.

Water Quality

In *Hartwell Corp. v. Superior Court*, 27 Cal. 4th 256 (2002), the California Supreme Court ruled that the CPUC has constitutional and statutory responsibilities to ensure that regulated water utilities provide water that protects the public health and safety. The CPUC's Rate Case Plan for Class A Water Utilities improves the CPUC's oversight of water quality. The Rate Case Plan requires water utilities to provide the CPUC with water quality data through the Minimum Data Requirements.

In addition, the Rate Case Plan authorizes the assigned Commissioner or assigned ALJ to appoint a water quality expert to offer testimony in any GRC proceeding. The water quality expert serves as an independent expert witness to offer evidence on the utility's water quality compliance in its GRC proceeding, and to make specific findings and recommendations concerning the water utility's water quality compliance.

In 2009, the CPUC hired a water quality expert to provide in-house review of Class A water utilities' water quality issues in rate proceedings. Beginning in early 2010, this expert will be making specific findings and recommendations concerning these utilities' water quality compliance during the GRC process.

Rules and Standards for Water Utilities

In 2009, the CPUC updated its General Order (GO) 103, the rules and standards that govern the operation, design, and construction of water and wastewater system utilities, replacing it with GO 103-A. GO 103-A significantly revised and expanded GO 103 to apply to wastewater system utilities, which include both sewer and recycled water systems. In addition, the design and construction standards for water system utilities were updated to current industry standards and also made consistent with the California Department of Public Health's (DPH) water works standards, which set minimum requirements for safe practices.

The CPUC added several new sections to GO 103-A including; (1) Operation and Maintenance (O&M), which requires water and sewer utilities to develop O&M plans for their facilities based on specific information requirements established in the GO; (2) Water Quality, which will facilitate the CPUC's oversight of water quality compliance; and (3) Customer Service and Reporting Standards, which sets customer service standards for all wa-

ter and sewer utilities and improved standards for Class A and B (between 2,000 and 9,999 connections), water utilities regarding telephone response, billing, meter reading, and work completion.

The new GO 103-A also expands the information requirements that water and wastewater utilities must make available for their customers. Utilities are now explicitly required to make information available on low income assistance programs, customer rights and obligations, customer emergency assistance, bill analysis, water conservation programs, and a Consumer Confidence Report. Class A and B water utilities are required to make most of this customer information available on the company's website.

The new GO 103-A standards went into effect on September 10, 2009, and will apply on a forward basis or when a utility makes significant modifications to its water or sewer system.

Citation Program

In response to its three-to-five year plan to address critical water utility issues, the CPUC in 2009 adopted a water citation program for water and sewer utilities under its jurisdiction. The citation program contains a uniform set of enforcement rules to ensure compliance by jurisdictional water and sewer utilities. The citation program delegates authority to the CPUC staff to enforce compliance with the CPUC's orders and the Public Utilities Code. Specifically, the staff has been delegated authority to draft and issue citations for specific violations and levy fines up to amounts set forth in CPUC Resolution W-4799. Utilities have the right to appeal to the full CPUC citations and fines imposed by the staff. Appeals are heard by an Administrative Law Judge who will make a recommendation to the CPUC for consideration.

Low Income Assistance Programs

In difficult economic times, low income customers are most likely to struggle with payments for basic monthly water service. To address this issue, the CPUC has developed rate assistance programs to increase the affordability of water service for low income customers. All of the large water utilities have instituted low income rate assistance programs. In 2009, the CPUC updated its website to increase the awareness of these programs.

To further increase the penetration rate of low income assistance programs, the CPUC, in December 2009, opened a rulemaking to: (1) determine whether the sharing of customer information between regulated water utilities and our regulated energy utilities and/or municipal energy

providers should be required; and (2) develop rules and procedures to govern such sharing of information. The CPUC continues to work with the Low Income Oversight Board, (LIOB), as well as interested parties, to enhance and expand low income programs.

Water Contamination

In March 2009 the CPUC opened a rulemaking to develop and establish standardized rules and policies for the accounting and ratemaking treatment of capital investments made by regulated water utilities with water contamination proceeds.

In this Rulemaking the CPUC is considering whether utilities' capital investments in new utility plant, funded by water contamination proceeds from damage awards, settlements, government order, or insurance, should be included in the utilities' rate base and be allowed to earn a return. A final decision on this Rulemaking is expected by May 2010.

Affiliate Transaction Rules

In April 2009, the CPUC opened an affiliate transaction rulemaking to develop standardized rules and procedures governing the regulated water and sewer utilities' affiliate transactions and the use of regulated assets for non-tariffed utility services. The CPUC intends to create a uniform set of rules for all water and sewer companies with regard to transactions with a parent company and/or affiliates, and the use of and the cost accounting for regulated assets and personnel used for non-tariffed utility products and services.

Over the past 24 years, the CPUC adopted affiliate transaction rules for five of the 10 Class A water utilities, but each utility is subjected to its own set of unique rules. Besides these five water utilities, the other water utilities do not currently have authorized affiliate transaction rules in place.

During 2009, the CPUC narrowed the areas of disagreement among the participants in the Rulemaking. Following resolution of the contested issues in early 2010, the CPUC will issue a final decision adopting a uniform set of rules applicable to the water and sewer utilities.

Supply Alternatives for the Monterey Peninsula

Water supply in the semi-arid Monterey Peninsula has long been constrained due to frequent drought conditions, with the local water supply replenished solely from rainfall. Decades of saltwater intrusion and excess diversions from the Carmel River have also contributed to the area's water supply constraints.

California American Water Company (Cal-Am) supplies water to the Monterey peninsula. To serve the needs of its customers, Cal-Am uses a combination of water diverted from the Carmel River system and water pumped from the Seaside Basin, an underground aquifer providing groundwater supply to Cal Am. In 1995, the State Water Resources Control Board (SWRCB) determined that Cal-Am was diverting water from the Carmel River in excess of the allocated limits.

In October 20, 2009, the SWRCB ordered Cal-Am to bring the amount of diverted water to its approved levels, replace the unlawful diversions with other sources and pursue other actions, such as conservation to offset 20 percent of Cal Am's demand. The Legislature, through AB 1182, directed the CPUC to identify a long-term water supply contingency plan to replace diversions from the Carmel River in excess of the allocated limits.

The CPUC is currently considering water supply alternatives for the Monterey peninsula. These include a combination of supplying water through building a desalination plant, diversions from the Carmel River system within the allocated limits, obtaining water supplies from an existing desalination plant, extraction of water from wells, and obtaining water from the Seaside Basin. The final Environmental Report on the project was approved by the CPUC in 2009. The alternatives will satisfy Cal-Am's obligations to meet the requirements of the SWRCB, diversify and create a reliable drought-proof water supply, and protect the Seaside basin for long term reliability. A CPUC decision on granting the Certificate for Public Convenience and Necessity for the construction of a desalination plant is expected by second quarter 2010. The CPUC anticipates that the project will be online by 2015.

Water Utility Advice Letters

During 2009, the CPUC processed 414 advice letters, of which 47 were small water and sewer General Rate Cases (GRC). This represents a significant increase of approximately 17 percent in the workload over 2008 when the CPUC processed a total of 353 advice letters, 19 of which were GRCs.

The 2009 workload represents an increase of approximately 60 percent over 2007 when the CPUC processed a total of 258 advice letters, 19 of which were GRCs. In 2009, the CPUC also processed one transfer of ownership as compared to seven in 2008 and six in 2007. The CPUC is currently processing 44 advice letters and five small water and sewer GRCs.

Outreach

The CPUC provides outreach to water customers at town meetings when water companies request a rate increase and to all water customers on the CPUC website, which was updated in 2009. The website informs customers about water bill assistance plans as well as methods to help conserve water.

The CPUC provides outreach assistance to the smaller utilities to help them comply with CPUC reporting and filing requirements. Our assistance includes on-site visits with the owner to explain regulatory mechanisms and policies. In 2009, the CPUC visited seven of the small water utilities, resulting in four GRC requests. In addition, the CPUC assisted three utilities in the completion of their Annual Reports to the CPUC. The CPUC intends to increase site visits in 2010 if finances allow. Viable utilities is one of the key principles of the CPUC's Water Action Plan and outreach program.

A necessary component of a viable water utility is that the utility has rates adequate to cover operating expenses, infrastructure investments, and an adequate and fair rate-of-return. The CPUC issues a memorandum each year in which it provides recommended rate-of-return and rate-of-margin for the smallest water utilities. This annual up-to-date recommended rate-of-return and rate-of-margin for the smallest utilities greatly assists in their filing for necessary rate adjustments. The rate-of-return for large and medium-sized water utilities is determined on a case-by-case basis. In each of these instances, the CPUC offers a fair return on utility owners' investments while keeping water rates reasonable.

Authorized Long-Term Debt and Audits

The Public Utilities Code requires CPUC authorization before a utility can issue long-term debt. In 2009, the CPUC processed and approved \$11.2 million in nine separate water utility requests for debt authorization. Although this represents a decrease from authorizations in 2008, many of the requests in 2009 involved complex issues and in some cases the water utilities were to receive financing under

the Safe Drinking Water State Revolving Fund Law of 1997 (SDWSRF).

The majority of funding authorization in 2009 was for Golden State Water Company (GSWC), which received authorization for a \$9 million SDWSRF loan, with \$4.5 million of the principal to be forgiven under the American Recovery and Reinvestment Act of 2009 (ARRA). GSWC will use the proceeds of the loan for meter retrofitting of flat-rate customers, furthering the CPUC's commitment to metering and conservation. Two other funding authorization requests that the CPUC processed in 2009 included both SDWSRF loans and ARRA principal forgiveness.

The CPUC's industry auditors reside in the Division of Water and Audits (DWA) and conduct compliance and management, as well as financial and regulatory audits, of energy, water, and telecommunication utilities and some programs under the CPUC's oversight. Pursuant to Public Utilities Code and various CPUC orders, the DWA performed 25 audits. Nine of these audits of \$945.8 million funds in

2009 (not including \$271.9 million of audited energy procurement funds), represents a 9.5 percent increase over the total funds subject to audit in 2008 of \$863.0 million. The DWA conducted the nine audits on energy, telecommunication and water utilities.

In 2009, in addition to the nine audits mentioned above, the DWA also conducted audits of: (1) PG&E, SCE, and SDG&E's energy procurement quarterly compliance reports (QCR) for the second, third, and fourth quarters of 2008 and the first and second quarters of 2009; (2) the Transportation Rate Fund and (3) the Asian, Inc., a clearinghouse that certified Women, Minority Business Enterprises (WMBE) for participation in the CPUC's WMBE program.

Most of the audits were conducted by audit teams consisting of several staff members.

Major Audits Preformed in 2009	
Company / Program, Fund, or Contract Audited	Amount (in Millions)
ENERGY	
PG&E's 2008 EE Program Expenses	\$481.0
SCE's 2008 EE Program Expenses	\$290.0
SDG&E's 2008 EE Program Expenses	\$111.0
SCG's 2008 EE Program Expenses	\$ 59.0
Total Energy Efficiency	\$941.0
PG&E's 2008 Procurement Quarters 2,3 and 4	\$154.50
PG&E's 2009 Quarters 1 and 2	\$5.9
SCE's 2008 Quarters 2,3 and 4	\$57.5
SCE's 2009 Quarters 1 and 2	\$20.0
SDG&E's 2008 Quarters 3 and 4	\$31.4
SDG&E's 2009 Quarters 1 and 2	\$2.6
Total Audited Amount	\$271.9
Total Energy	\$1,212.9
COMMUNICATIONS	
ACN's Public Purpose Surcharges	\$0.5
WATER	
Dunnigan Water Works/Sewer GRC Examination	\$0.207
Rural Water GRC Examination	\$0.681
Cypress Ridge Sewer GRC Examination	\$0.412
Yermo Water — Special Request	N/A
Total Water	\$1.3
Asian Inc. Certification of Women/Minority Business Enterprises	N/A
Transportation Rate Fund (TRF)	\$3.0
TOTAL FUNDS AUDITED IN 2009	\$1,217.7

Consumer Service and Information



In 2009 the CPUC answered more than 75,000 customer calls and resolved more than 28,000 written complaints against utilities.

The CPUC's Consumer Affairs Branch helps consumers understand their utility services and bills, and attempts to assist consumers in multiple languages in resolving disputes with their utility company. The CPUC's Public Advisor's Office is dedicated to providing procedural information, advice, and assistance to individuals and groups who want to participate in CPUC proceedings. Both teams keep the CPUC Commissioners and staff informed of issues being raised by consumers, as well as informed of barriers that prevent effective public participation.

Consumer Service and Information Overview

How Do Consumers Resolve a Complaint or Get Involved in a CPUC Proceeding?

The Consumer Affairs Branch assists consumers with their complaints, and endeavors to informally resolve disputes between customers and utilities. Customers with unresolved questions about telephone, gas, water or electric utility service or bills should contact the CPUC Consumer Affairs office at:

CPUC Consumer Affairs Branch
800-649-7570
www.cpuc.ca.gov

The Public Advisor's Office assists consumers by explaining how to file a formal complaint, how to use CPUC procedures, and how to participate in CPUC proceedings. The Public Advisor's Office also coordinates Public Participation Hearings on selected CPUC proceedings around the state, and receives, circulates within the CPUC, tabulates and responds to public comments on various proceedings.

CPUC Public Advisor — San Francisco

505 Van Ness Avenue,
Room 2103
San Francisco, CA 94102
1-866-849-8390

public.advisor@cpuc.ca.gov

CPUC Public Advisor — Los Angeles

320 W. 4th Street,
Suite 500
Los Angeles, CA 90013
1-866-849-8391

public.advisor.la@cpuc.ca.gov

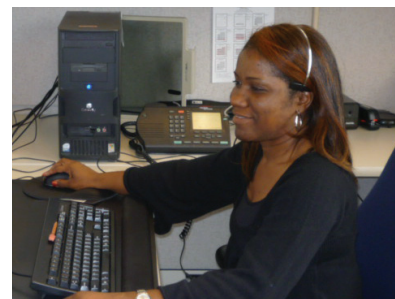
Consumer Service and Information Overview

The Consumer Service and Information Division (CSID) acts as the liaison between the community and the CPUC. Its primary role is to respond to individual ratepayer needs and inquiries. The CPUC assists consumers with questions and informal complaints regarding utility billing and services. In addition, Consumer Affairs Branch (CAB) staff processes California LifeLine Telephone Program appeals for consumers. CSID staff keeps the CPUC informed of issues being raised by consumers, as well as barriers that prevent effective public participation.

Consumer Affairs Branch

CAB is responsible for answering consumers' inquiries and resolving consumers' informal complaints against regulated energy, water, and telecommunications utilities. CAB receives inquiries, requests for assistance, and informal complaints via telephone, U.S. mail, or via the CPUC's website (www.cpuc.ca.gov/puc/cec/e_complaint).

In 2009, CAB fully implemented its new database, known as the Consumer Information Management System (CIMS), in concert with re-engineered business practices. Three major benefits accrued from this change: 1) an enhanced ability to respond to consumer inquiries and complaints, 2) enhanced data for CPUC enforcement efforts, and 3) CAB now operates in an almost exclusively "paperless" environment.



Snapshot of CAB

CAB helped California utility consumers by answering over 75,000 customer calls and resolving over 28,000 informal written complaints against utilities.

	2007	2008	2009
Calls Received	*	92,909	75,239
New Cases Opened	33,942	20,597	29,243
Cases Closed	34,888	28,976	28,376
Pending Open Cases at Year End	10,471	5,500	2,368
Cases Open Longer than 90 Days	5,949	1,627	626
Average Case Interval (Days Open)	228	79	70

* Inability to query 2007 data due to calling system software failure

Anticipating Continuous Improvement for CAB in 2010

In 2009, CAB established a Quality Assurance (QA) unit that is tasked with identifying and implementing process and database improvements. In 2010, CAB plans to accelerate this effort. The QA unit includes a cross-section of CAB employees that audit informal complaint cases to ensure proper categorization, appropriate processing, and quality of resolution. Errors and anomalies are corrected immediately, and where troubling patterns emerge, CAB will design training to address the problem. In 2010, CAB anticipates continued evolution of the CIMS database and, budget permitting, an upgrade to the phone system.

Public Advisor's Office (PAO)

The Public Advisor's Office:

- Explains the CPUC formal proceeding process and how to participate to people and groups that want to become involved with proceedings.
- Responds to inquiries by email, letter, or telephone, and provides procedural information and advice to individuals and groups who want to participate in formal CPUC proceedings.
- Receives public comments by email, letter, or telephone on formal proceedings, and comments made at Public Participation Hearings and other venues; compiles, summarizes, and report these comments to appropriate decision-makers.
- Assists the public and arranges for interpreters and special accommodations, in accordance with the Americans with Disabilities Act, at CPUC business meetings, hearings, and other events.

- Reviews and approves utility bill inserts sent to customers, and other means of notifying customers, to explain a utility's requests to the CPUC, such as to increase rates.
- Manages the CPUC's Limited English Proficient education, outreach, and complaint resolution program, referred to as TEAM.
- Keeps the CPUC informed of barriers that prevent effective public participation.
- Assists those who seek compensation through CPUC's Intervenor Compensation program, which provides monetary compensation to parties that intervene in and contribute substantially to CPUC decisions.

Facilitating Hearings, Workshops and Meetings

In 2009, in addition to assisting the public at every CPUC business meetings, PAO staff facilitated 62 events, including Public Participation Hearings, workshops, and meetings associated with formal proceedings. Collectively, more than 3,000 individuals attended the events and more than 700 signed up to speak.

The PAO's office also enhanced the capability of individuals with limited English proficiency and individuals with hearing impairments to participate in the CPUC's business meetings. In 2009, the CPUC provided for free language interpreters and American Sign Language interpreters at all business meetings. As an additional specialized accommodation, the PAO tested providing real-time captioners at business meetings.

In 2010, PAO will continue participating in the CPUC's "Soup to Nuts" review of its proceedings, an effort led by the CPUC's Administrative Law Judge Division to look at all aspects of its formal processes. The Public Advisor will evaluate the PAO roles in relation to formal proceedings as well as CPUC accessibility to the public.



CPUC President Michael R. Peevey speaks at a We CARE event.

We CARE Week

In 2009, in response to growing concerns about California's economy and high unemployment rates, PAO coordinated five "We CARE Week" events during the week of April 20th. The events helped to raise awareness of the CPUC's discounted services for low income consumers. Utilities and community assistance centers joined in the events and provided consumers with information, answered their questions, and enrolled consumers in their programs. The events were well attended - on average 800 people attended each event. A combined total of 20 television, 16 print, and six radio reporters were at the events, helping the CPUC educate the public on these programs.

Improving Bilingual Services

In 2009 PAO updated the CPUC's Bilingual Services Policy to reflect the agency's commitment to help the public communicate with the CPUC in their own languages.

In 2010 PAO will train CPUC staff on meeting language needs of Californians with limited English proficiency.

Simplifying Bill Insert Reviews

PAO reviews utility bill inserts that are sent to consumers to explain utilities' proposed changes, such as requests to increase rates. PAO staff met with energy (electric and natural gas) and water utilities to clarify notice content and means.

In 2010 PAO will continue this project, and plans to offer training to utilities on how to prepare consumer notices in order to expedite the review process by reducing common errors.

Improving Assistance to Limited English Proficient Consumers – TEAM

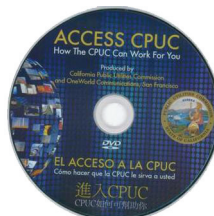


The TEAM program uses a statewide network of Community Based Organizations (CBOs) to provide telecommunications education, outreach, and complaint resolution in languages spoken by consumers who speak limited or no English, who can be confused by the many telecommunica-

tions plans available and its rapidly changing marketplace, and can be susceptible to fraud. In 2009, with cooperation of the energy utilities, the CBOs increased assistance to consumers by taking applications for CARE, the low income discount energy program, while they are interacting with consumers on telecommunications issues.

In 2010 PAO plans to initiate a pilot program to add an energy education and complaint resolution component to the program.

"Access CPUC" DVD



In 2009 the PAO, the CPUC's News and Public Information Office, and the ALJ Division created an educational DVD about the CPUC's formal processes, explaining what assistance is available to the public to participate in CPUC proceedings. The DVD pro-

vides details about filing informal and formal complaints with the CPUC, and it is posted on CPUC's website and YouTube. Copies are provided to the public at Public Participation Hearings and other public events, and are also available upon request.

Telecommunications Needs of Californians with Disabilities

In 2009 PAO secured the services of the University of California, San Francisco's Disability Statistics Center to provide a study of the telecommunications needs of Californians with disabilities, including deaf, hard of hearing, blind, low-vision, difficulty using hands/mobility impairment, and speech impairment. The study examined the telecommunications awareness, access, practices, and preferences of Californians with disabilities in both daily and emergency situations. One of the items in the study discusses increased education for emergency response agencies, such as what they should expect when they receive a call from the "Relay Service" and disabled consumers in general. CPUC's Communications Division has also identified a need for education in this area.

In 2010 PAO will be working with the Communications Division to develop a program for educating emergency responders.

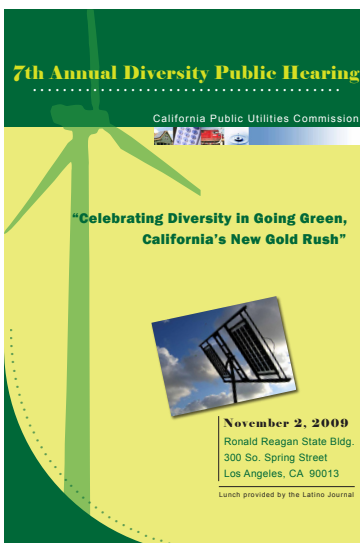
Business and Community Outreach

The Business and Community Outreach branch promotes the CPUC's programs and policies to ensure effective implementation of adopted policies as well as effective use of consumer programs. The branch also ensures that utilities procure from diverse California companies (pursuant to General Order 156). Finally, this branch acts as a liaison for the small business community by encouraging State procurement from small businesses and providing education and training regarding regulatory policies that may have an impact on their community. Four main areas of concentration for the Business and Community Outreach branch in 2009 were:

1. Small Business Program: Staff held and/or participated in over 20 small business expositions to assist this group in obtaining State and utility procurement contracts. Commissioner Bohn sponsored two CPUC Small Business expositions where hundreds of small businesses gathered to learn about regulation and how to do business with the CPUC and utility companies. As a result, for calendar year 2008, the CPUC's procurement from Small Business increased to approximately 17.1 percent as compared to 8.6 percent in 2007. In 2010, the CPUC will sponsor three Small Business expositions and participate in over 40 other local events to promote Small Business procurement and regulatory policy.

2. Utility Supplier Diversity: In November 2009, the CPUC held its seventh public hearing regarding utility diversity programs. The major

focus was on advancing procurement opportunities with California's investor-owned utilities and how California's emerging green economy can be successfully integrated with the concepts of diversity. The utilities' total procurement from diverse suppliers in 2008 increased by about 24 percent to \$3.47 billion.



3. Helping the Senior Community: The CPUC continues to build on its Senior Awareness Campaign to visit Senior Centers and communities throughout the State to raise awareness of consumer programs such as California Alternate Rates for Energy (CARE), Low Income Energy Efficiency (LIEE), and California LifeLine Telephone Program, as well as to explain how to prevent and report telecommunication fraud. The Business and Community Outreach group conducts at least five senior events per month to ensure that this community is informed of the programs available to them and also to explain the potential senior scams that target this often vulnerable community. The CPUC also works in conjunction with the California State License Board to sponsor and conduct Senior Scam Stoppers, which explain to seniors the various scams that target their community.

4. Energy Workshops: The CPUC held a series of workshops titled, "Managing Energy Bills" to educate consumers about programs that can lower utility bills and about policies that will lower bills and continue to provide reliable utility service such as energy efficiency, demand response, and building a Smart Grid system.

The Division of Ratepayer Advocates



DRA is the only state agency charged with the mission of obtaining the lowest possible rate for service consistent with reliable and safe service levels.

The Division of Ratepayer Advocates (DRA) plays a critical role in ensuring that consumers are represented at the CPUC on matters that affect how much consumers pay for utility services and the quality of those services. DRA is often the only voice representing consumer interests in a number of these proceedings. Since the CPUC relies on a formal evidentiary record in rendering its decisions, DRA's participation is essential to ensure that the CPUC has a record that reflects the interests of California consumers. DRA has five branches: Communications Policy; Water; Energy Cost of Service and Natural Gas; Electricity Planning and Policy; and Electricity Pricing and Customer Programs.

Division of Ratepayer Advocates Overview

DRA Budget

Fiscal Year	Total Direct Dollars Including Reimbursable Contracts	Total Direct Dollars Plus Legal and Administrative Support
2009/2010	\$20,432,000	\$27,673,000
2010/2011	\$20,665,000 Proposed	\$27,906,000 Proposed

Number of Proceedings DRA Participated in 2009 by Industry Area

	Communication	Electric	Gas	Water
No. of Proceedings	13	101	27	52

Number of Pleadings Filed by DRA by Industry Group in 2009

	Communication	Electric	Gas	Water
No. of Pleadings	25	391	59	182

CPUC-related Lobbying Activity by DRA Throughout 2008

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
No. of Lobbying Contacts	67	106	101	113

The Division of Ratepayer Advocates (DRA) is an independent division of the CPUC that advocates solely on behalf of utility consumers or ratepayers. DRA's Director is appointed by the Governor. DRA has its own independent budget. Its statutory mission is to obtain the lowest possible rate for service consistent with reliable and safe service levels. In fulfilling this goal, DRA also advocates for customer and environmental protections.

As the only state agency charged with this responsibility, DRA plays a critical role in ensuring that consumers are represented at the CPUC on matters that affect how much consumers pay for utility services and the quality of those services. DRA is often the only voice representing consumer interests in a number of these proceedings. Since the CPUC relies on a formal evidentiary record in rendering its decisions, DRA's participation is essential to ensure that the CPUC has a record that reflects the interests of California consumers.

DRA also participates in numerous informal proceedings before the CPUC in which utilities often seek authority via an "Advice Letter" process to undertake actions that may have significant impacts on ratepayers. Reviewing and protesting Advice Letters consumed a great deal of staff hours in 2009. DRA protested more than 100 water, energy, and telecommunications related Advice Letters in 2009.

DRA also provides consumer representation in other forums related to CPUC proceedings, such as meetings to review utility procurement decisions,

low income oversight boards, telecommunications public policy committees, industry committees of the National Association of State Utility Consumer Advocates, and the Pacific Forest and Watershed Stewardship Council.

Currently, DRA has five branches: the Communications Policy Branch (16 staff); the Water Branch (37 staff); and three energy branches. The energy branches are Energy Cost of Service & Natural Gas (35 staff), Electricity Planning & Policy (22 staff), and Electricity Pricing & Customer Programs (20 staff). The Administrative Unit, headed by the Director contains 10 staff members.

COMMUNICATIONS

Californians in 2009 saw an increase in the costs of deregulation. The communications marketplace continues to demonstrate that deregulation has failed to create competitive markets, and continues to demonstrate that without regulation or real competition, most customers will continue to pay top dollar for all communications services, despite technological advances and decreased costs. Monthly basic rates are continuing to rise as are the Lifeline rate for low income customers. Presently the CPUC is considering exempting large phone companies from having to inform the CPUC when they intend to sell previously rate-based property (ratepayer funded real assets) or to move jobs out of the state. DRA strongly opposed this proposed

exemption on both policy and statutory grounds in 2009 and will continue to oppose it in 2010. In the face of these challenges, DRA advocates vigorously on behalf of California consumers with a particular focus on universal service, service quality, and consumer information.

In the safety arena, DRA persuaded the CPUC to require more frequent inspections of the poles carrying electrical and telephone lines in order to reduce service outages. DRA also convinced the CPUC to order phone companies to adopt new service quality standards and to track and report important service quality performance measurements.

DRA saved consumers money by successfully arguing that phone companies with deregulated rates shouldn't be allowed to add a surcharge on customer bills to collect costs created by additional inspections.

DRA is also advocating that the CPUC require customers be informed that Internet phone service may not work in the event of electric power outages, that Internet phone systems need back-up batteries, and service providers must educate customers about battery life and replacement schedules.

DRA's advocacy and public airing of the companies' activities caused both AT&T and Verizon to withdraw their incomprehensible "Residential Service Agreement", each of which was several thousand pages long. AT&T's service agreement caused extensive public outcry when protested and made public by DRA, as it was presented as a binding contract for customers. Both companies, after months of serious pressure, replaced these with simple and short descriptions of the terms and conditions under which they provide service.

DRA worked extensively with the many groups in attempts to reform and improve the California LifeLine Program, a program that provides discounted phone service to low income consumers. DRA and Assembly Member Felipe Fuentes convened a two-day Stakeholder Forum to work through the many issues involved in offering low income customers the option of subsidized wireless service. DRA will continue to work to provide low income consumers with a choice between subsidized wireline or wireless service, and to integrate a wireless option into the LifeLine Program. Participants from consumer groups, CPUC staff, and industry (wireline and wireless) who participated in this Forum identified those issues and questions which the CPUC must address in order to create an equitable and efficient wireless LifeLine option. DRA's report on the LifeLine forum was issued on January 26, 2010, and will be available on DRA's website. In 2009, DRA's work has:

- Improved safety and service quality by requiring more frequent and systematic inspection of critical communications infrastructure;
- Stopped phone companies from putting surcharges on customer bills for costs already recovered by companies for basic safety inspection requirements;
- Persuaded the CPUC to adopt new service quality rules and reporting;
- Advocated customer notification requirements about the need for backup batteries, their use, care, and replacement;
- Resulted in simple, comprehensible explanations of the terms and conditions under which AT&T and Verizon provide residential service;
- Brought customer groups, telephone companies, and other parties together to produce consensus on steps to providing low income consumers with the option of subsidized wireless service;
- Negotiated rate freezes for customers affected by Verizon's sale of certain exchanges to Frontier.

In an almost completely deregulated communications industry, consumers are faced with many choices. DRA believes that customer education is critically important in order to give customers the information they need to know in order to choose services and technologies that best meet their needs. DRA provides education via consumer alerts posted on DRA's website at: www.dra.ca.gov/DRA/Telecom/hot/

WATER

Water Rates and Services

DRA represents consumers by scrutinizing the costs of service of California's large (Class A) investor owned water utilities (utilities with over 10,000 customers). These utilities have 61 geographically separate ratemaking districts, each with its own system costs. Most of DRA's work in this area deals with applications for rate increases. In these General Rate Case (GRC) applications, DRA audits the utilities' accounts and reviews past and projected expenses, revenue forecasts, cost of capital, plant additions and rate design. In addition to advocating on behalf of ratepayers in these GRCs, DRA takes an active role in broad policy projects whose outcomes will impact ratepayers and California's water resources as a whole.

DRA Keeps Water Rates Affordable

Water affordability is a real and growing concern for many water utility customers, especially during these difficult economic times. An increasing number of California households face tough choices and real economic hardship. Water rates for basic human needs should be low enough that customers with low or fixed incomes will not need to curtail or eliminate other essential services to pay their water bills.

In 2009, the CPUC authorized rate increases for Apple Valley Ranchos Water Company, Fontana Water Company, San Jose Water Company, and California American Water Company. These four water utilities had requested increases in rates of over \$77 million in total. As a result of DRA's efforts, those increases were pared down by almost \$38 million, or about 49 percent.

Other water proceedings

DRA Continues Efforts to Identify the Best Water Supply Solution for the Monterey Peninsula

DRA continued its participation in the Water for Monterey County coalition, a diverse stakeholder consortium that worked to develop a less-costly and environmentally superior supply alternative to the desalination plant proposed by California American Water (Cal-Am) at Moss Landing. (DRA initiated and funded the regional dialogues that grew into the Water for Monterey County coalition.) As the administrative process moves forward, DRA will develop a report recommending means of cost and risk containment, technical specifications for the desalination facility, project financing methodology, and equitable ways to allocate cost and risk between Cal-Am and its public agency partners (Monterey County Water Resources Agency and Marina Coast Water District) should the Regional Project be selected. At stake are \$300 million and the future water supply for the Monterey Peninsula.

DRA Promotes Effective Conservation Programs and Rates

DRA negotiated settlements regarding cost-effective and affordable water conservation programs and plans in California American Water Company's Monterey District and Golden State Water Company. The CPUC adopted these settlements in 2009. For the Northern and Coastal districts of San Gabriel Valley Water Company, DRA recommended strengthening conservation through the use of conservation rates. This case awaits a CPUC decision.

DRA Objects to Utilities Circumventing the Regulatory Process

When the CPUC in the course of GRCs authorizes or orders rate or service changes, the utilities normally submit implementation requests by way of an Advice Letter. Advice Letters are supposed to be generally non-controversial and administratively handled. However, in recent years, some water utilities are submitting advice letters that should be formal requests in a GRC. In 2009, DRA reviewed 265 Class A utility Advice Letters and protested 49 of them. The volume of such inappropriate filings is not only taking limited staff time away from GRC work, but indicates utility abuse of the regulatory process. DRA will strive to eliminate improper Advice Letter filings, thus preserving proper regulatory process and protecting the ratepayers from potential harm.

DRA Participates In Key CPUC Rulemakings

In 2009, the CPUC issued three new rulemakings covering various broad policy issues relating to water utilities. Issues under consideration are sharing lawsuit proceeds with shareholders, parent/affiliate accounting separations, and low income customer information sharing between water and energy utilities. DRA is an active participant in all of these cases.

ENERGY

General Rate Case and Related Proceedings

DRA actively participated in a number of GRCs and related proceedings to ensure the lowest possible rate consistent with safe and reliable service levels.

- In November 2007, SCE filed its 2009 GRC requesting an \$871 million (20.1 percent) increase in revenues for its electric generation, transmission, and distribution operations. DRA recommended a \$162.4 million (3.75 percent) increase for 2009, \$135.8 million (3 percent) in 2010 and \$139.9 million (3 percent) in 2011. The CPUC final decision authorized SCE GRC increases of \$495 million in 2009, \$206 million in 2010, and \$219 million in 2011. The cumulative savings over the three year period amounts to \$1.45 billion. The CPUC also adopted many of the proposals set forth by DRA which served to significantly mitigate the increase originally requested by SCE.

- In 2008, Sierra Pacific Power Company filed its general rate case application. Sierra Pacific requested a revenue increase of \$8.9 million in 2009 amounting to a rate increase of 11 percent. DRA issued its report in the proceeding recommending a revenue increase of \$4.3 million or 5.35 percent. In June 2009, Sierra Pacific and DRA entered into a settlement agreement, which provided for a revenue increase of \$5.5 million in 2009. This compromise results in savings of \$3.4 million in 2009 relative to the utilities' request and amounts to cumulative savings of \$10.2 million for the GRC period of 2009 – 2011. The CPUC adopted the settlement agreement on October 29, 2009.
- In 2008, Bear Valley Electric Service Division filed its 2009 GRC requesting electric revenue increases of \$6.8 million (55 percent) in 2009, and further increases of \$878,000 (5 percent) in 2010, \$391,000 (2 percent) in 2011, and \$315,000 (or 2 percent) in 2012. DRA issued its report in recommending increases of \$2.2 million (18 percent) in 2009, \$1.1 million (8 percent) in 2010, \$619,000 (4 percent) in 2011, and \$807,000 (5 percent) in 2012. On October 15, 2009, the CPUC adopted a Settlement Agreement executed between Bear Valley and DRA approving revenue increases of \$5.5 million for 2009, \$515,000 for 2010, \$209,000 for 2011, and \$168,000 for 2012. The agreement results in cumulative savings of \$6.8 million over the four-year 2009 - 2012 period.
- In May 2008, PG&E filed an application requesting a \$1.122 billion revenue requirement increase (comprising a \$41 million increase in 2011, \$98 million increase in 2012, \$164 million increase in 2013, \$225 million increase in 2014, \$276 million increase in 2015, and \$310 million increase in 2016) for a seven-year Electric Distribution Reliability Improvement Program called the Cornerstone Improvement Project (CIP). On July 17, 2009, DRA issued its report recommending that the CPUC provide no ratepayer funding for PG&E's proposed capital expenditures and operation and maintenance expenses of the CIP since PG&E failed to justify its requested CIP expenditures presented in its testimony. DRA concluded that the costs of the Distribution Capacity portion of the CIP are not justified by the minimal reliability improvements forecasted by PG&E. The case is currently pending before the CPUC.
- DRA negotiated a settlement agreement with PG&E reducing its request for \$11.72 million in costs for repairing and restoring facilities

damaged by various wildland fires in 2008 by \$630,000.

DRA Saves Ratepayers of SCE and PG&E \$92 Million

Investigation of SCE Results in Significant Ratepayer Refunds

DRA participated in the CPUC investigation of SCE's violations in Monitoring and Reporting pertaining to Performance Based Ratemaking (PBR) Program. In 2008, a CPUC decision ordered SCE to make ratepayer refunds totaling \$80.7 million, to forego \$35 million in requested PBR rewards, and imposed a \$30 million fine. The specific refunds of \$32.7 million and \$28 million were based entirely upon evidence presented by DRA, as was the requirement to forego \$20 million of requested "customer satisfaction" rewards. On May 21, 2009, the CPUC adopted a settlement agreement between DRA, SCE and other parties in Phase 2 of this CPUC investigation. The settlement provides that SCE will credit \$4 million to its ratepayers, forego \$2 million in rewards, and not propose customer satisfaction or employee safety incentive mechanisms prior to 2018.

Public Purpose Programs

DRA contested the proposals of the gas utilities to modify the current cost allocation for various Public Purpose Program costs that would reduce the allocation of costs to large customers while increasing the allocation of costs to residential and small commercial customers. On March 12, 2009, the CPUC issued its decision in the proceeding, which agreed with DRA's recommendation and denied the utilities' joint application.

DRA Challenges Utilities' Costly Smart Meter Proposals

DRA is opposed to SCG's proposal to deploy a \$1.08 billion smart meter network to serve its six million customers. SCG's proposal is not cost effective and omits key features for smart meter technology such as in-home displays, battery replacement, Information Technology, and contingency.

DRA also opposed \$52 million of PG&E's \$160 million smart meter funding request because the associated spending is unnecessary or beyond the scope of a previous CPUC order. DRA also advocated for a one-year delay in the implementation of time-varying rates to give struggling businesses more time to make educated decisions about their business operations. DRA believes this postpone-

ment is especially critical at a time when PG&E customers in the Central Valley have complained about high bills following the installation of Smart Meters. The CPUC is investigating the reasons for these high bills and whether there is a direct correlation with Smart Meters. DRA plans on reviewing the results of the investigation.

DRA Pushes Legislation to Include More Residential Ratepayer Protections

DRA worked with other consumer organizations and the utilities on SB 695, the Ratepayer Protection Act, which provides significant benefits for residential ratepayers. SB 695 helps to reduce upper tier residential rates, limits increases to lower tier residential rates, and limits rate increases to low income customers who receive California Alternate Rates for Energy (CARE) discounted rates. It also assures continued funding of low income programs from all ratepayers, and protects residential customers from controversial higher rates during peak hours until 2014. It also protects residential customers from default real-time-pricing until 2020.

DRA Urges Reductions in Utility Service Disconnections

In November 2009, DRA issued a report, Status of Energy Utility Service Disconnections in California, which identified a troubling trend in increased service disconnection to low income customers. DRA uncovered that 73 percent of customers who are disconnected are reconnected within a few days, which highlights that some of the disconnections might be prevented with early utility intervention and assistance. DRA's report included short-term and long-term strategies to lower the number of disconnections, such as increased communication with customers about existing assistance programs, and offering reasonable payment arrangements before their service is disconnected. DRA has successfully brought important attention to this issue, including a CPUC public hearing, and a 3-week moratorium on disconnections during which the utilities are to contact customers subject to disconnection to provide additional assistance with the goal of preventing disconnection. The report is available on DRA's website: www.dra.ca.gov/dra/

DRA Helps Design California's Smart Grid

DRA was successful in ensuring that due process rights, public participation, and utility accountability were retained in the CPUC's process for con-

sidering utilities' requests for ratepayer matching funds for their proposed projects funded under the American Recovery and Reinvestment Act. DRA is reviewing the utilities' proposals to ensure benefits to ratepayers and consistency with California's clean energy policies. DRA continues to participate in the CPUC's Smart Grid Rulemaking, advocating for customer access to information, a clear set of functionality criteria for Smart Grid investments, a set of guiding principles, a Smart Grid policy roadmap, and cost-effective deployment plans.

Resource Adequacy (RA)

Resource Adequacy (RA) is the process of planning to meet system electricity demand with sufficient resources. RA has two main objectives: (1) to ensure that there is adequate cost-effective electric generation capacity, and (2) to identify that such capacity is made available to the ISO when and where it is needed for reliable system operation. The major issue in 2009 continued to be the consideration of developing a capacity market in California. There were two main proposals to create a capacity market for California; a centralized capacity market operated by the ISO; and a bilateral capacity market that would involve individual contracts between the utilities (and other load serving entities) and generators to buy and sell energy.

DRA, as well as other consumer groups, supported the bilateral capacity market. The CPUC has not issued a final decision on this issue yet, however the proposed decision issued in October 2009 would adopt a bilateral capacity market with a multi-year requirement, and rejects the centralized capacity market operated by the ISO. As compared to a centralized capacity market, DRA estimates that the bilateral market will save ratepayers up to a billion dollars a year for the next several years.

Alternative Fuel Vehicles (AFV) Rulemaking

In 2009, the CPUC initiated a rulemaking to consider the impacts that electric or alternative fuel vehicles (AFV) may have on our State's electric infrastructure and what actions the CPUC should take. DRA has been actively involved in AFV Rulemaking, filing comments and reply comments in October and November 2009. DRA seeks to ensure ratepayers are not saddled with unnecessary infrastructure upgrade costs. DRA's recommendations included:

1. Ratepayers should not subsidize commercial and public charging facilities that promote peak charging;

2. Ratepayer incentives should only be provided to Plug-in Electric Vehicle (PEV) owners where it is cost-beneficial;
3. CPUC should adopt Time-Of-Use rates for Plug-in Electric Vehicles;
4. Utility local infrastructure upgrades, if needed, should be funded through General Rate Cases;
5. Ratepayers should not be required to pay for prospective electric vehicle owners' personal equipment.

Workshops are to be held in early 2010 to address in detail the specific issues related to PEVs.

SDG&E's De-Energization Proposal

In December 2008, SDG&E filed an Application seeking CPUC approval to preemptively curtail power ("de-energize") in high risk, fire prone areas in order to potentially reduce the likelihood of wild-fires. The proposed changes to its Tariff language would also absolve SDG&E from any legal liabilities resulting from a de-energizing event. In rare inter-divisional/inter-branch collaboration, DRA joined with the Consumer Protection and Safety Division (CPSD) to successfully lobby the CPUC to deny SDG&E's proposal. The joint DRA/CPSD task-force pointed out that the SDG&E proposal would result in serious negative impacts on the health and safety of customers residing in the affected areas and would severely impact communications and evacuation efforts during high fire risk conditions. The CPUC denied the application and also adopted the following recommendations by DRA and CPSD:

1. to require SDG&E to engage in a collaborative dispute resolution process with interested stakeholders; and
2. to allow SDG&E to file a revised fire prevention program if a consensus is not reached.

Transmission Evaluation and Policy

During 2009, the major transmission proceeding was SCE's Tehachapi Renewable Transmission Project, Segments 4-11 (TRTP), a \$1.7 billion, 4,500 MW capacity project designed to bring significant wind resource generation from Kern County to the SCE load center. DRA supported the TRTP, but recommended a significant reduction in SCE's requested contingency costs. The CPUC adopted DRA's recommendation in December, which will save ratepayers approximately \$200 million based on the final cost cap.

Renewables Portfolio Standard (RPS)

DRA is the primary representative of ratepayers in renewable energy development. DRA has actively participated in all aspects of the RPS program implementation proceedings since its inception. In order to protect ratepayers from any unnecessary costs or overcharges in the utilities efforts to meet the RPS goals, DRA:

- Reviews RPS contracts before the CPUC for approval.
- Meets regularly with utilities to review their anticipated renewable resource procurement activities in order to streamline the process, thereby making it more efficient and cost-effective.
- Evaluates transmission plans and projects for renewable resource integration.
- Provides technical expertise and support for developing reliability criteria for renewable resources integration and the Market Price Referent (MPR) for support of renewable resource development. MPR is a proxy cost per kWh of fossil fueled electricity.

Utility Solar Development Projects

While DRA endorses solar development as a means to reduce our reliance on fossil-fuel generation, DRA opposed the solar photovoltaic (PV) programs proposed by PG&E, SCE, and SDG&E. DRA estimates that the total cost of these projects will be over \$6 billion. DRA argued that:

1. The Utility Solar PV programs are not competitive with other renewable projects.
2. The Solar PV programs will not contribute significantly toward the utilities' RPS goals.
3. The California Solar Initiative (CSI) results in projects costing much less. CSI also effectively leverages private investment, resulting in downward pressure.
4. DRA has supported many utility-owned renewable projects in the past due to economies of scale. Utility-scale projects are typically cheaper per megawatt than smaller projects.

The CPUC approved SCE's proposal in June, but DRA has requested the CPUC reconsider its decision. Parties filed briefs for PG&E's solar PV program in October 2009 and for SDG&E's solar PV program in November 2009. Proposed decisions are expected in both Applications during the first quarter of 2010.

Information Technology and Management Services



Information Technology and Management Services Overview

Above and beyond meeting the CPUC's ongoing business and IT needs, the Information Technology and Management Services Division (IMSD) accomplished several strategic initiatives aimed at making CPUC staff's work more efficient, systematic, and environmentally sustainable.

Information Technology

At the annual Government Technology Conference (GTC West) in May, IMSD's Information Services Branch (ISB) won a Government Solutions Award for its Open Campus/Momentum enterprise infrastructure design. This improved infrastructure incorporates thin client machines, allowing greater mobility for employees and cutting computing energy demand by as much as 70 percent (per machine).

ISB's Applications Development Unit implemented a number of new database and application tools, including:

- Enhancing the California Advanced Services Fund application to allow non-certified telecommunications carriers to file broadband project requests via the Internet, and to capture broadband speed data by census tract.
- Deploying a general filing system for various periodic filings from utilities.
- A new enterprise-wide Geographic Information System (GIS), which will facilitate information sharing among different division-based GIS activities.
- A new online subscription service for proceeding documents, which allows CPUC to reduce a significant source of its printing expenses.

ISB's 2010 projects include:

- Rolling out the Open Campus network, including deploying the CPUC cloud and facilitating user adoption.
- Deploying a new data warehouse and expanding CPUC's GIS infrastructure.
- Deploying new web applications for:
 - CPUC's transportation licensing database, which will provide law enforcement agencies, regulatory agencies, and airport police with 24/7 access to transportation licensing data.

- Telecommunications carriers' periodic service quality reports.
- Telecommunications carriers' monthly billing amounts subject to surcharge.
- Submitting broadband provider data to the National Telecommunications and Information Administration.
- Contracts management – this application will allow contract vendors to monitor their contract payment status, and simultaneously allow project managers to track invoices and contract encumbrance balances.

Budget and Fiscal Services

In 2009 the Budget and Fiscal Services Branch implemented several changes aimed at strengthening CPUC's financial responsibilities:

- Conducted an internal review of CPUC's fiscal controls, processes, and procedures and adopted standard operating procedures for specific divisions' fiscal/accounting needs.
- In response to recommendations outlined by the State Controller's Office, the Fiscal Branch improved operating and fiscal procedures that will augment both internal operations as well as bolster the CPUC's ability to collect debts owed by utility companies.

Business Services

The Business Services Branch helped the CPUC do more with less in 2009:

- Through careful planning and by encouraging staff to reuse, Business Services reduced the CPUC's non-IT expenditures by over 24 percent from the previous fiscal year;
- Diverted more than one ton of useful materials from the landfill, and helped other State agencies and schools save thousands of dollars by donating surplus supplies, such as binders, IT equipment, and office furniture that was deemed no longer useful by the State.

For 2010, the Business Services Branch's Reprographics Unit has developed a printer networking plan with an estimated annual savings of more than \$50,000 in printing costs, over one ton of paper, and 900,000 hours of staff time.

Contracts

In 2009 the Personal Services and Consultant Contracts Branch offered a comprehensive training program for all CPUC staff on the general contract process as well as specific contract types. Additionally, the Contracts Branch designed a streamlined Contracts Tracking System that will facilitate CPUC staff's ability to manage the contract process. In support of the CPUC's commitment to diversity, the Contracts Branch actively participated in numerous procurement events supporting Small Business and Disabled Veterans Business Enterprise programs.

The Contracts Services Branch processed a total of 109 contracts for Fiscal Year (FY) 2008/09, including 55 A&E (CEQA)/Other Reimbursable contracts, other Governmental and InterAgency agreements, 23 new contracts, and 31 contract amendments for a total consultant services contract dollar amount of nearly \$100 million.

The total contracting activity for Goods (Non-IT); Services (non-IT); IT (Goods & Services); and CALCard Data for FY 2008-09 resulted in a total contract dollar amount of approximately \$114 million.

footprint through improved waste management and source reduction practices. Specific accomplishments include:

- Organized three employee e-waste collection events, diverting more than six tons of electronic waste from the landfill.
- ESB and others toured their waste hauler's and e-waste collector's facilities, summarizing their visits in "spotlight" articles to provide staff with in-depth information about the recycling process.
- ESB and DGS introduced green bins for composting, diverting nearly 70 tons of food waste and 36 tons of recyclable material from the landfill and reducing CPUC's annual waste expenses by nearly \$20 thousand.
- Set up collection bins for single-side printed paper, personal cell phones, toner cartridges, and plastic bags. Paper donations to a local school helped save over 500 pounds of paper – the equivalent of five trees and 1,440 pounds of GHG emissions.

In 2010, ESB plans to focus on internal business practices to maximize resource (i.e., energy, water, time, raw materials, etc.) reduction efforts. Part and parcel of this effort will be to design and propose an environmental management system to institutionalize continuous monitoring, analysis, and improvement of CPUC's business operations and environmental impacts. ESB is also looking towards achieving LEED-EB Gold certification for the San Francisco building.

GOODS (Non-IT)	\$10,798,653	Business Services
SERVICES (Non-IT / Including A&E)	\$99,667,186	Total Service Contracts Business Services
	\$99,399,619	
	\$267,567	
CONSTRUCTION	\$0	
IT (Goods & Services)	\$3,601,437	IT
CALCard Data	\$100,020	Business Services
TOTAL	\$114,167,295	

Environmental Sustainability

In August 2009, the CPUC's San Francisco headquarters received LEED-Existing Building (LEED-EB) Silver certification for its efforts to reduce water and energy consumption, make environmentally preferable purchases, and facilitate alternative transportation modes. These and other initiatives were managed by IMSD's Environmental Sustainability (ESB) and Business Services branches in cooperation with the Department of General Services (DGS).

Business Services replaced one of the CPUC's State fleet cars with an electrical hybrid leased from DGS, and hopes to replace other State vehicles with hybrids in the next year.

Aside from helping accomplish LEED certification for the San Francisco headquarters building, ESB focused on reducing CPUC's environmental



Priority Proceedings



List of 2010 Priority Proceedings

NUMBER	SHORT TITLE	UTILITY	COMMISSIONER
A0910020	PACBELL DBA AT&T CALIFORNIA - FOR ARBITRATION OF AN INTERCONNECTION AGREEMENT WITH SKYLINK PAGING, INC.	Communications	Dian Grueneich
R0605028	CPUC - OIR TO REVIEW THE TELECOMMUNICATIONS PUBLIC POLICY PROGRAMS	Communications	John Bohn
R0610006	CPUC - TELECOMMUNICATION - OIR INTO THE APPLICATION OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT TO APPLICATIONS OF JURISDICTIONAL TELECOMMUNICATIONS UTILITIES TO OFFER SERVICE AND CONSTRUCT FACILITIES	Communications	John Bohn
R0704015	CPUC - OIR INTO RELIABILITY STANDARDS FOR TELECOMMUNICATIONS EMERGENCY BACKUP POWER SYSTEMS & EMERGENCY NOTIFICATION SYSTEMS	Communications	Timothy Alan Simon
A0805039	EDISON - CPCN FOR THE SAN JOAQUIN CROSS VALLEY LOOP TRANSMISSION PROJECT	Electric	Dian Grueneich
A0807017	SDG&E - FOR APPROVAL OF THE SDG&E SOLAR ENERGY PROJECT	Electric	Michael R. Peevey
A0807021	EDISON - FOR APPROVAL OF ITS 2009 -2011 ENERGY EFFICIENCY PROGRAM PLANS AND ASSOCIATED PUBLIC GOODS CHARGE AND PROCUREMENT FUNDING REQUESTS	Electric	Dian Grueneich
A0807023	SDG&E - FOR APPROVAL OF ELECTRIC AND NATURAL GAS ENERGY EFFICIENCY PROGRAMS AND BUDGETS FOR YEARS 2009 THROUGH 2011	Electric	Dian Grueneich
A0807031	PG&E - FOR APPROVAL OF THE 2009-2011 ENERGY EFFICIENCY PROGRAMS AND BUDGET	Electric	Dian Grueneich
A0902013	PG&E - FOR APPROVAL AND RECOVERY OF COSTS ASSOCIATED WITH FUEL CELL PROJECT	Electric	Michael R. Peevey
A0902019	PG&E - TO IMPLEMENT AND RECOVER IN RATES THE COSTS OF ITS PHOTOVOLTAIC PROGRAM	Electric	Michael R. Peevey
A0904018	EDISON - FOR AUTHORITY TO IMPLEMENT AND RECOVER IN RATES THE COST OF ITS PROPOSED FUEL CELL INSTALLATION PROGRAM FOR STATE UNIVERSITIES	Electric	Michael R. Peevey
A0905027	EDISON - FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE ELDORADO-IVANPAH TRANSMISSION PROJECT	Electric	Michael R. Peevey
A0910028	SIERRA PACIFIC POWER CO. AND CALIFORNIA PACIFIC ELECTRIC CO., LLC - FOR TRANSFER OF CONTROL AND ADDITIONAL REQUEST RELATED TO THE PROPOSED TRANSACTION	Electric	Dian Grueneich
I0811006	CPUC - OII INTO THE OPERATIONS AND PRACTICES OF SDG&E REGARDING THE UTILITY FACILITIES LINKED TO THE WITCH AND RICE FIRES OF OCTOBER 2007	Electric	Timothy Alan Simon
I0811007	CPUC - OII INTO THE OPERATIONS AND PRACTICES OF COX COMMUNICATIONS AND SDG&E REGARDING THE UTILITY FACILITIES LINKED TO THE GUEJITO FIRE OF OCTOBER 2007	Electric	Timothy Alan Simon
I0901017	CPUC - OII INTO CALPINE POWER OPERATIONS AND PRACTICES REGARDING ITS 2007 VIOLATION OF SYSTEMS AND LOCAL RESOURCE ADEQUACY REQUIREMENTS	Electric	Michael R. Peevey
R0512013	CPUC - OIR TO CONSIDER REFINEMENTS TO AND FURTHER DEVELOPMENT OF THE RESOURCE ADEQUACY REQUIREMENTS PROGRAM	Electric	Michael R. Peevey

NUMBER	SHORT TITLE	UTILITY	COMMISSIONER
R0602012	CPUC - PG&E, SDG&E, AND EDISON ET. AL. OIR TO DEVELOP ADDITIONAL METHODS TO IMPLEMENT A CALIFORNIA RENEWABLES PORTFOLIO STANDARD PROGRAM	Electric	Michael R. Peevey
R0604010	CPUC - PG&E, EDISON, SDG&E, SOCALGAS - OIR TO EXAMINE THE COMMISSION POST -2005 ENERGY EFFICIENCY POLICIES AND RELATED ISSUES	Electric	Dian Grueneich
R0701041	CPUC-PG&E, SDG&E, EDISON - OIR REGARDING POLICIES AND PROTOCOLS FOR DEMAND RESPONSE LOAD IMPACT ESTIMATES ET AL. WITH CALIFORNIA SYSTEM OPERATOR MARKET DESIGN PROTOCOLS	Electric	Dian Grueneich
R0802007	CPUC - OIR TO INTEGRATE AND REFINE PROCUREMENT POLICIES UNDERLYING LONG-TERM PROCUREMENT PLANS	Electric	Michael R. Peevey
R0803008	CPUC - PG&E, SCE, SDG&E AND SOCALGAS - OIR REGARDING POLICIES, PROCEDURES, AND RULES FOR THE CALIFORNIA SOLAR INITIATIVE, THE SELF-GENERATION INCENTIVE PROGRAM AND OTHER DISTRIBUTED GENERATION ISSUES	Electric	Michael R. Peevey
R0804012	CPUC - OIR TO CONSIDER REVISIONS TO THE PLANNING RESERVE MARGIN FOR RELIABLE AND COST-EFFECTIVE ELECTRIC SERVICE	Electric	Michael R. Peevey
R0811005	CPUC - OIR TO REVISE AND CLARIFY COMMISSION REGULATIONS RELATING TO SAFETY OF ELECTRIC UTILITY AND COMMUNICATIONS INFRASTRUCTURE PROVIDERS FACILITIES	Electric	Timothy Alan Simon
R0812009	CPUC - OIR TO CONSIDER SMART GRID TECHNOLOGIES PURSUANT TO FEDERAL LEGISLATION	Electric	Michael R. Peevey
R0901019	CPUC - OIR TO EXAMINE COMMISSION'S ENERGY EFFICIENCY RISK/REWARD INCENTIVE MECHANISM	Electric	John Bohn
R0908009	CPUC - OIR TO CONSIDER ALTERNATIVE-FUELED VEHICLE TARIFFS, INFRASTRUCTURE AND POLICIES TO SUPPORT CALIFORNIA'S GREENHOUSE GAS EMISSIONS REDUCTION GOALS	Electric	Michael R. Peevey
R0910032	CPUC - OIR TO OVERSEE THE RESOURCE ADEQUACY PROGRAM, CONSIDER PROGRAM REFINEMENTS, AND ESTABLISH ANNUAL LOCAL PROCUREMENT OBLIGATIONS	Electric	Michael R. Peevey
R0911014	CPUC - OIR TO EXAMINE THE COMMISSION'S POST-2008 ENERGY EFFICIENCY POLICIES, PROGRAMS, EVALUATION, MEASUREMENT, AND VERIFICATION, AND RELATED ISSUES	Electric	Dian Grueneich
A0807022	SOCAL GAS CO - FOR APPROVAL OF NATURAL GAS ENERGY EFFICIENCY PROGRAMS AND BUDGETS FOR YEARS 2009 THROUGH 2011	Gas	Dian Grueneich
A0809023	SOCAL GAS CO. - FOR APPROVAL OF ADVANCED METERING INFRASTRUCTURE	Gas	Dian Grueneich
I0803010	CPUC - OII TO PROMOTE THE DEVELOPMENT OF TRANSMISSION INFRASTRUCTURE TO PROVIDE ACCESS TO RENEWABLE ENERGY RESOURCES	Miscellaneous	Michael R. Peevey
I0901018	CPUC - OII INTO THE OPERATIONS AND PRACTICES OF EDISON ET AL. REGARDING THE UTILITY FACILITIES AND CANYON FIRE IN MALIBU OF OCTOBER 2007	Miscellaneous	Timothy Alan Simon
R0705025	CPUC - OIR REGARDING THE CONDITIONS IN WHICH THE SUSPENSION OF DIRECT ACCESS MAY BE LIFTED	Miscellaneous	Michael R. Peevey
R0803009	CPUC - OIR TO ACTIVELY PROMOTE THE DEVELOPMENT OF TRANSMISSION INFRASTRUCTURE TO PROVIDE ACCESS TO RENEWABLE ENERGY RESOURCES	Miscellaneous	Michael R. Peevey

NUMBER	SHORT TITLE	UTILITY	COMMISSIONER
R0907027	CPUC - OIR FOR THE PURPOSE OF REVIEWING AND POTENTIALLY AMENDING GENERAL ORDER 156 AND TO CONSIDER OTHER MEASURES TO PROMOTE ECONOMIC EFFICIENCIES OF AN EXPANDED SUPPLIER BASE	Miscellaneous	Michael R. Peevey
A0912020	PG&E - FOR AUTHORITY TO INCREASE RATES AND CHARGES FOR ELECTRIC AND GAS SERVICE EFFECTIVE ON JANUARY 1, 2011	Multiple Types	Michael R. Peevey
R0808009	CPUC - OIR TO CONTINUE IMPLEMENTATION AND ADMINISTRATION OF CALIFORNIA RENEWABLES PORTFOLIO STANDARD PROGRAM	Multiple Types	Michael R. Peevey
R0810007	CPUC - OIR TO DETERMINE WHETHER THE TEMPORARY MEASURES ADOPTED IN RES SX-88 BANNING PERSONAL USE OF ELECTRONIC DEVICES BY RAIL TRANSIT PERSONNEL SHOULD BE ADOPTED IN A PERMANENT BASIS	Railroad/Grade Crossings	John Bohn
R0811017	CPUC - OIR TO CONSIDER IMPLEMENTATION OF COLLISION-AVOIDANCE SYSTEMS ON COMMUTER RAIL LINES	Railroad/Grade Crossings	John Bohn
R0901020	CPUC - OIR TO CONSIDER ROADWAY WORKER PROTECTIONS BY TRANSIT AGENCIES IN CALIFORNIA	Railroad/Grade Crossings	Timothy Alan Simon
A0609006	GOLDEN STATE WATER CO. - TO IMPLEMENT CHANGES IN RATESETTING MECHANISMS AND REALLOCATION OF RATES	Water	John Bohn
A0610026	CALIFORNIA WATER SERVICE CO. - TO ESTABLISH A WATER REVENUE BALANCING ACCOUNT	Water	John Bohn
A0611009	PARK WATER CO. - TO IMPLEMENT A WATER REVENUE ADJUSTMENT MECHANISM	Water	John Bohn
A0611010	SUBURBAN WATER SYSTEMS - FOR AUTHORIZATION TO IMPLEMENT A LOW INCOME ASSISTANCE PROGRAM	Water	John Bohn
A0703019	SAN JOSE WATER CO. - FOR APPROVAL OF ITS PROPOSAL TO IMPLEMENT THE OBJECTIVES OF THE WATER ACTION PLAN	Water	John Bohn
A0905001	SAN JOSE WATER CO. - TO DETERMINE ITS COST OF CAPITAL AND TO APPLY THE COST IN RATES	Water	John Bohn
A0905002	VALENCIA WATER CO. - TO ADJUST ITS COST OF CAPITAL AND TO REFLECT THAT COST IN ITS RATES FOR THE PERIOD OF 1/1/10 TO 12/31/12	Water	John Bohn
A0905003	PARK WATER CO. AND APPLE VALLEY RANCHOS WATER CO. - FOR AUTHORITY TO ESTABLISH AUTHORIZED COST OF CAPITAL	Water	John Bohn
A0905004	SAN GABRIEL VALLEY WATER CO. - FOR AN ORDER TO AUTHORIZED COST OF CAPITAL FOR 2010 THROUGH 2012	Water	John Bohn
A0905005	SUBURBAN WATER SYSTEMS - FOR AN AUTHORIZED COST OF CAPITAL FOR UTILITY OPERATIONS FOR 2009	Water	John Bohn
A0905007	GREAT OAKS WATER CO. - FOR AUTHORITY TO ESTABLISH ITS COST OF CAPITAL PURSUANT TO THE RATE CASE PLAN OR WATER UTILITIES	Water	John Bohn
I0701022	CPUC - CLASS A WATER CO. - OII TO CONSIDER POLICIES TO ACHIEVE THE CONSERVATION OBJECTIVES OF THE COMMISSION FOR CLASS A WATER UTILITIES	Water	John Bohn
R0904012	CPUC - OIR TO DEVELOP STANDARD RULES AND PROCEDURES FOR REGULATED WATER AND SEWER UTILITIES GOVERNING AFFILIATE TRANSACTIONS AND THE USE OF REGULATED ASSETS FOR NON-TARIFFED UTILITY SERVICES	Water	John Bohn



CPUC Annual Report 2009

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