



California Public Utilities Commission

Work Plan 2006

January 17, 2006

INTRODUCTION

This Work Plan generally describes the ratemaking proceedings and other decisions the California Public Utilities Commission (CPUC) expects to consider during 2006. It is provided pursuant to Public Utilities (PU) Code §321.6 and §321.7 and is intended to provide the Governor, Legislature, and public with the highlights of the work the CPUC intends to undertake this year. It describes the CPUC's objectives and priorities, and identifies the key issues the CPUC will focus on during 2006 to achieve its goals and satisfy legislative requirements.

Access to background information on the CPUC and current information about CPUC formal proceedings, its daily calendar of proceedings, meetings, decisions, programs, and public participation hearings, and how the public can arrange through the CPUC Public Advisor's Office to participate in proceedings is available on the CPUC Internet website:

<http://www.cpuc.ca.gov/>. A list of current and anticipated formal proceedings of broad public interest is provided as an appendix.

ORGANIZATION

The CPUC, headquartered in San Francisco, regulates privately owned telecommunications, electric, natural gas, water, railroad, rail transit, and passenger transportation companies. We are responsible for ensuring that customers have safe, reliable utility service at reasonable rates, protecting against fraud, and promoting the health of California's economy.

Commissioners

The Commission board is comprised of five commissioners who serve six-year terms, which are staggered to assure experience on the board. The commissioners are appointed by the Governor and confirmed by the California Senate. The Governor chooses one of the five commissioners to serve as the Commission president. The commissioners make all Commission policy decisions, meeting usually twice a month to discuss and vote on issues noticed on an agenda that is distributed ten days before the meeting and posted on the Commission's website.

Executive Office

The Executive Office has overall responsibility for assuring that the Commission's decisions and policies are implemented, and works in conjunction with commissioners, directors, and staff to coordinate and facilitate the handling of procedural matters and the internal operations of the Commission. The Office of Governmental Affairs and the Press Office are branches of the Executive Division. Executive Director Steve Larson, and Deputy Executive Directors Paul Clanon and Laura Doll lead the Executive Office.

Legal Division

The Legal Division advises commissioners and agency staff. Staff attorneys review filings by public utilities, appear in a wide variety of proceedings before the Commission, and represent the Commission and the State of California before state and Federal courts and agencies. The many issues and cases the CPUC's lawyers handle include energy procurement, electricity and natural

gas distribution and transmission, enforcement and safety, telecommunications, transportation, and water. The Commission's General Counsel, Randy Wu, leads the Division.

Division of Strategic Planning (DSP)

DSP identifies and analyzes utility industry issues, internal and external procedures, and inter-agency relationships that would not ordinarily be addressed by the industry divisions in their course of operations. DSP provides the Commission with independent analysis and advice focusing on Commission practices, procedures, issues, and policies. Assignments are distinct from those of other CPUC divisions in that the projects are likely to be more comprehensive in scope.

Administrative Law Judge (ALJ) Division

The ALJ Division ensures that the Commission's decision-making process is based on an adequate administrative record developed through evidentiary hearings or briefs and comments, as appropriate. The ALJs' proposed decisions are based on the record for Commission approval. Alternative Dispute Resolution (ADR) approaches have been commonly used at the Commission for many years. Because the Commission endorses the policies behind ADR, the Commission has taken additional steps to encourage its more frequent and systematic application in formal proceedings (and selectively to avoid the filing of formal proceedings). The ALJ Division offers various ADR services, including mediation, early neutral evaluation, and facilitation, in many types of proceedings. The ALJ Division supports the decision-making process by receiving all filings, preparing and updating service lists, maintaining a database of all formal proceedings, ensuring that the Commission's files are complete and accurate, and preparing and coordinating the agendas for the Commission's bi-weekly decision-making meetings. The ALJ Division is also developing electronic filing for formal matters.

Energy Division

The Energy Division advises the Commission 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 advises the Commission about major developments affecting energy utilities. It assists the Commission 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. It emphasizes protection for consumers and those with special needs, assurance of safe and reliable service, and consideration of environmental issues.

Telecommunications Division

The Telecommunications Division assists the Commission in developing and implementing policies and procedures in the interest of consumers in all telecommunications markets, and in addressing regulatory changes required by state and Federal legislation. The division assists the Commission's oversight of a competitive market by ensuring that consumers are protected from fraud and abuse and receive affordable and universal access to necessary services, that the telecommunications networks can accommodate many competitors using different technologies, and that competition rules are clear and allow flexibility without compromising due process.

Water Division

The Water Division investigates rate increase requests from investor-owned water and sewer service utilities, tracks compliance with Commission orders, and assists the public in resolving technical problems with water and sewer companies. In the Commission's effort to provide improved oversight of the various industries it regulates, the advisory audit functions from three industry divisions (Water, Telecommunications, and Energy) were consolidated in the Water Division as of October 2005. Auditors assigned to the Water Division perform accounting, auditing, and financial analysis as requested.

Division of Ratepayer Advocates

The Division of Ratepayer Advocates (DRA) independently participates as an advocate for all ratepayers in Commission proceedings, workshops, and other forums that cover issues that have significant dollar impact on consumers or address consumer protection issues. DRA aggressively pursues development of fair rules for competition, good service quality, fair rates, and other significant policy issues. DRA's mission, as defined by Senate Bill (SB) 960 in 1996 and embodied in the California Public Utilities Code, Section 309.5 is to "obtain the lowest possible rate for service consistent with reliable and safe service levels."

Consumer Protection and Safety Division (CPSD)

CPSD protects consumer interests by ensuring that transportation providers (rail, passenger, and household goods movers) and public utilities operate safely, legally, and are necessary for the public interest. CPSD also enforces consumer protections in all regulated industries and alerts the Commission about consumer problems it needs to prevent or address. CPSD monitors and enforces operation, maintenance and performance standards for electric power plants to ensure safe and reliable electric service.

Consumer Service and Information Division (CSID)

CSID's primary functions are to assist consumers, provide information to the public, and communicate with various communities within California. CSID helps consumers resolve billing and service disputes and identifies patterns of consumer problems, fraud, and other abuses. CSID's Public Advisor's Office advises the public and consumer organizations regarding how to participate in formal proceedings and provides outreach to local government and community groups. CSID also monitors the utilities' women-owned, minority-owned, and disabled veteran-owned business enterprise programs.

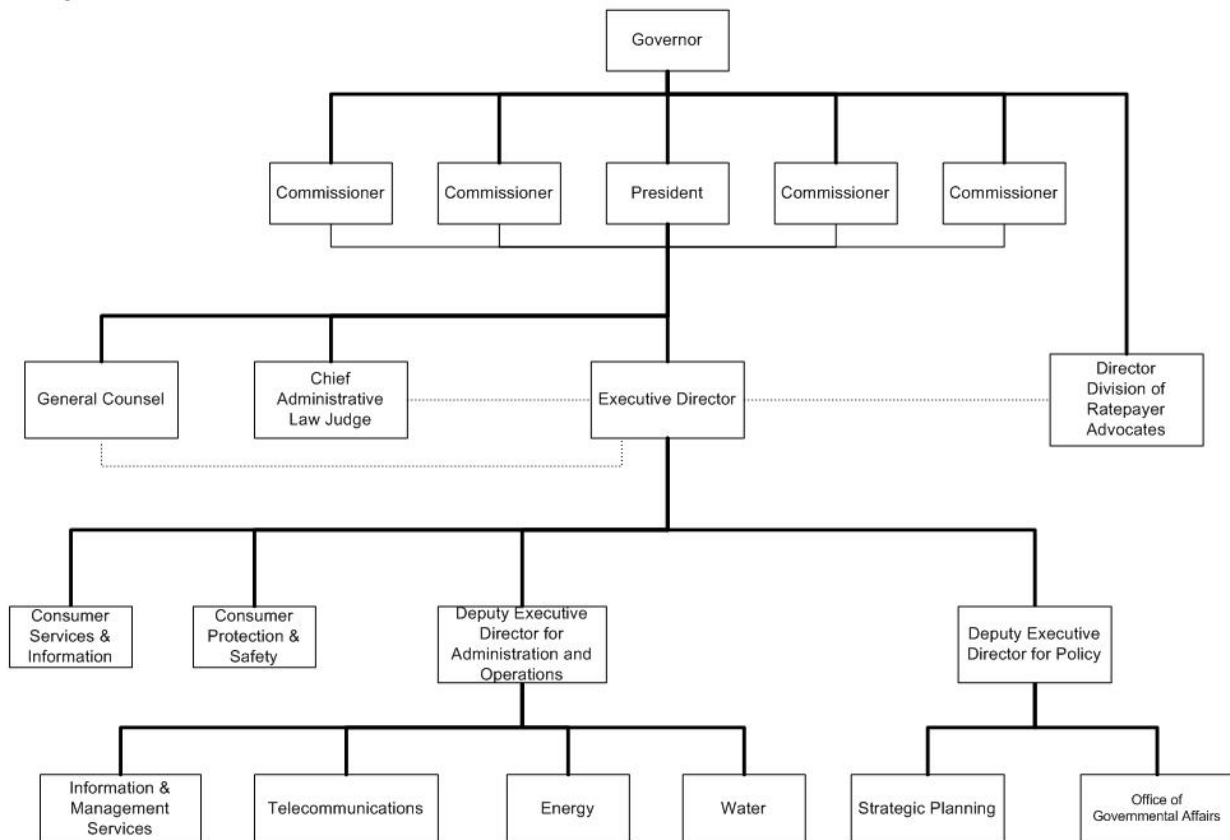
Information and Management Services Division (IMSD)

IMSD integrates and facilitates Commission employee and external stakeholder access to Commission information and documents, maintains and improves the Commission's technological information resources, and provides administrative, fiscal, and budget services to Commission management.

The following chart depicts the CPUC's organizational structure:

California Public Utilities Commission

January 1, 2006



CRITERIA FOR DETERMINING REGULATORY PRIORITIES

The CPUC's fundamental objective is to assure fair and reasonable utility prices, and safe, reliable, high quality essential services. CPUC actions are driven by the belief that the provision of reliable and reasonably priced utility services is essential to the health of the California economy, the health and well being of the population, and a high quality of life for all Californians. Because the CPUC does not have the resources to address every issue, the CPUC must set priorities by comparing the expected benefits a regulatory activity may have for the State of California relative to CPUC staff requirements. This evaluation is performed using a set of criteria established by the President. The CPUC prioritizes activities by considering the following criteria:

- *Complying with and Enforcing the Law* – the CPUC sets priorities to assure compliance with and enforcement of the law.
- *Furthering the Public Interest* – the CPUC places a higher priority on promoting the interests of the public, the State of California and consumers ahead of any single entity or constituency consistent with statute.
- *Addressing the Needs of Vulnerable Groups* – the CPUC considers the needs of consumers who are most vulnerable ahead of those who are more sophisticated and addresses issues affecting captive consumers ahead of consumers of competitive services.
- *Considering Dollars at Stake* – the CPUC sets priorities considering the amount of money at stake and the impact on the state's economy and consumers.
- *Considering the Number of People and Businesses Affected* – the CPUC prioritizes activities that impact large numbers of consumers and businesses over activities that impact a small number of individual people and businesses.
- *Placing Essential Services Ahead of Nonessential Services* - importance of the service, product or policy – the CPUC addresses issues related to essential services ahead of issues related to nonessential services.
- *Focusing on Monopoly Activities* – the CPUC addresses industries and services with monopoly characteristics ahead of those that are competitive in nature.

In allocating its staff to various activities, the CPUC considers opportunities for interagency collaboration and planning to ensure that resources are allocated effectively and redundancies eliminated. In 2005 the CPUC continued collaboration at an unprecedented level with several state agencies. This coordination and collaboration has allowed for more efficient use of resources and expertise and has contributed to more effective decision making on all fronts. This collaboration will continue in 2006 and beyond.

ENERGY

California's Energy Must be Reliable, Affordable, Environmentally-Sound and Technologically Advanced

During 2006 the CPUC will continue to act to ensure that California's energy is reliable, affordable, environmentally sound and technologically advanced. Energy must be reliable – provided when and where needed to meet the needs of Californians and fuel the state's economy. Energy must be affordable to households, commercial businesses, industry and agriculture – and in particular to disadvantaged customers who rely on the CPUC to ensure that they can afford this fundamental commodity. Energy must be supplied, delivered and used in an environmentally sound way that addresses local, regional and global environmental threats, especially climate change. Finally, advanced technologies must be developed and tapped to achieve these goals of reliability, affordability and an environmentally-sound energy future.

The CPUC Will Implement Energy Goals Developed Jointly with the CEC

The CPUC and the California Energy Commission (CEC) have jointly identified specific actions necessary to meet California's future energy needs. These actions are described in the Energy Action Plan II (EAP II), adopted by the CPUC and CEC during 2005 and attached to this Work Plan as an appendix. The EAP II represents a continuation of close cooperation between the state's two major energy agencies, following the adoption of the first Energy Action Plan in 2003. Other entities with energy-related responsibilities including the Business, Transportation, and Housing Agency, the Resources Agency, the State and Consumer Services Agency, the California Independent System Operator (CAISO), the California Department of Food and Agriculture and the California Environmental Protection Agency actively participated in the plan's development.

The CPUC's Energy Priorities Are Guided by the Loading Order

The loading order in the EAP describes the priority sequence for actions to address increasing energy needs. The loading order identifies energy efficiency and demand response as the State's preferred means of meeting growing energy needs. After cost-effective efficiency and demand response mechanisms, the loading order next includes renewable sources of power and distributed generation, such as combined heat and power applications. To the extent efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, clean and efficient fossil-fired generation is to be used. Concurrently, the bulk electricity transmission grid and distribution facility infrastructure must be improved to support growing demand centers and the interconnection of new generation, both on the utility and customer side of the meter.

The CPUC Will Improve Transparency and Consumer Education

The CPUC will provide open, transparent, and compelling information and education to all stakeholders and consumers in the State. The CPUC is committed to providing more effective information dissemination through increased cooperation among all branches of government, businesses, and energy organizations. A key goal is to increase outreach to consumers by providing improved education and services regarding energy efficiency, demand response, rates, climate change, and opportunities to reduce the environmental impacts of energy use.

Expand Energy Efficiency

Cost effective energy efficiency is the resource of first choice for meeting California's energy needs. Energy efficiency is the least cost, most reliable, and most environmentally sensitive resource, and minimizes our contribution to climate change. To that end, in 2006 the CPUC will ensure that all cost-effective energy efficiency measures are integrated into utilities' resource plans on an equal basis with supply-side resource options as required by Public Utilities Code §454.5 (SB 1037 (Kehoe) Ch. 366, 2005).

As part of this effort, the four largest investor-owned utilities will begin implementing their 2006 to 2008 energy efficiency portfolio plans, which were adopted by the CPUC in 2005, along with associated funding. The annual energy savings achieved by 2008 will be equivalent to three 500 megawatt power plants and will have the same impact on greenhouse gas emissions as removing about 650,000 cars from the road. The plans include significant efforts to improve public awareness of energy efficiency.

Evaluation, measurement and verification plans were adopted by the CPUC in 2005 and will be refined during 2006. In 2006, the CPUC will also reexamine the avoided cost methodology used to quantify the benefits of electricity efficiency measures, specifically to determine whether the benefits of critical peak load reductions are being appropriately valued. In 2006 the CPUC will also develop an energy efficiency risk and reward incentive mechanism to align utility incentives with customer interests.

Lower Energy Costs by Deploying Advanced Technology

With well-designed dynamic pricing tariffs and demand response programs for all customer classes, California can lower consumer electricity costs and increase system reliability. To achieve this transformation, in 2006 the CPUC expects to consider authorizing ratepayer funding for PG&E's proposal for deployment of advanced metering and communications infrastructure for all customers, and to continue to work with SCE and SDG&E as they develop their deployment plans. The CPUC will also be reviewing the electric utilities' 2006-2008 demand response plans, which include customer education, and will establish protocols for standardized measurement and verification mechanisms. In order to encourage the deployment of dynamic pricing tariffs, in 2006 the Commission will consider proposed demand response tariffs, consider adoption of critical peak pricing tariffs for large customers and explore development of customer-friendly billing formats to promote demand response. In 2005 the CPUC directed each utility to include a real time pricing tariff as part of its comprehensive rate design in its next general rate case.

Increase Utility Procurement of Renewable Energy

In 2006, the CPUC will continue to implement California's Renewable Portfolio Standard (RPS) program. The CPUC and CEC have jointly set a goal that utility customers should ensure that 20% of retail electric load will be met by eligible renewable generation by 2010.

During 2006, the CPUC will apply the criteria it developed in 2005 to keep the RPS program moving toward attainment of the 20% goal. The CPUC will review the utilities' 2006 RPS procurement plans and requests for offers; examine long-term RPS planning as part of its review of utility long-term procurement planning; and review and act on contracts submitted for approval from the utilities' RPS solicitations (including an annual update of the Market Price Referent). In cooperation with the CEC, the CPUC will refine its criteria for Load Serving Entity reporting on RPS compliance. In 2006, the CPUC will also implement its determination (made in 2005) of the methods by which small and multi-jurisdictional electric utilities, electric service providers, and Community Choice Aggregators will participate in the RPS program.

Adequate transmission for renewable energy is essential to meet California's renewable energy procurement targets. The CPUC initiated an investigation in September 2005 to ensure the development of adequate transmission infrastructure that can access renewable resources for California. In 2006, the Commission plans to use that proceeding to (1) identify near-term transmission projects needed for renewable resources to meet the 2010 RPS goals, (2) examine and alter the transmission planning, permitting, and cost recovery process to better accommodate the unique characteristics of renewable energy, and (3) continue to refine the methodology by which transmission impacts are reflected in the RPS bid-ranking and selection process for renewables procurement.

The CPUC will also work with the CEC to implement the California Solar Initiative in 2006 to spur the installation of 3,000 megawatts (MW) of solar distributed generation by 2017. In late 2005 the CPUC completed a draft plan laying out how the initiative can be implemented under the CPUC's existing statutory authority. This framework for the Solar Initiative will be completed in January 2006 with further implementation during 2006.

Ensure Reliable Electricity and Expand Transmission

Significant capital investments are needed to augment existing facilities, replace aging infrastructure, and ensure that California's electrical supplies will meet current and future needs. Additionally, an expanded, robust electric transmission system is required to access cleaner and more competitively priced energy, mitigate grid congestion, and increase grid reliability.

Implement Short-Term and Long-Term Integrated Procurement Plans

In December 2004 the CPUC adopted a procurement policy framework under which the investor-owned utilities and other load-serving entities (LSEs) procure, plan, and make investments for the energy resources and investments necessary to make sure that California consumers receive reliable service at low and stable prices. These actions are necessary to ensure the LSEs are well prepared to meet the electricity needs of California customers.

In 2006, the CPUC will continue to coordinate and integrate energy procurement with legislative and Commission efforts including energy efficiency, demand response, the Renewable Portfolio Standard, distributed generation, Community Choice Aggregation and transmission planning.

In 2006, the CPUC's procurement efforts will be focused on:

- Implementation of the Resource Adequacy framework established in 2005 to ensure that all LSEs meet the state's adopted reserve and resource adequacy requirements of a 15-17 percent planning reserve no later than June 2006, consistent with Public Utilities Code §380 (AB 380 (Nunez) Ch. 367, 2005).
- Review and consideration of next generation resource adequacy requirements, including local capacity requirements and multi-year capacity requirements.
- Review and approval of 2006 long-term procurement plans, including planning for new generation resources consistent with Public Utilities Code §454.5 (AB 57, Ch. 835, 2001).
- Review and consideration of a proposal for capacity markets to support investment in new generation capacity.
- Review of applications for new capacity, including the contracts that result from renewable portfolio standard solicitations and/or long-term Requests for Offers (RFOs) for the Investor-Owned Utilities (IOUs).
- Monitoring of all IOU procurement activities to ensure compliance with all CPUC policies and procurement rules, including CPUC loading order from Energy Action Plan, portfolio risk, credit policies, gas hedging strategies, and greenhouse gas/carbon adders.
- Review and consider a long-term policy framework for Qualified Facilities.
- Further develop and monitor implementation of renewable portfolio standard for all LSEs.
- Review and consider all other procurement related filings, including contracts or applications for new or existing generation, procurement related policy or rule changes, and ERRA (Energy Resource Recovery Account—procurement cost) applications.
- Coordinate the State's procurement policy with related efforts at the CEC and CAISO.

Expand the Transmission System and Improve Transmission Planning

Numerous transmission projects approved earlier became operational in 2005, which add some 4700 MW of capacity or comparable reliability to the grid. With input from the CEC, the CAISO, and stakeholders, the CPUC will continue in 2006 to identify and prioritize review of the potential transmission construction projects to alleviate transmission constraints that are costly and impede the reliable and efficient operation of the system. Currently, the CPUC is reviewing 85 transmission projects throughout the state to mitigate local constraints and secure a more efficient and reliable transmission grid in California. Of those, the major transmission projects under review in 2006 include:

- Antelope-Pardee 500 kilovolt (kV) transmission line
- Devers-Palo Verde 500 kV transmission line
- Antelope-Vincent 500 kV transmission line
- Antelope- Tehachapi 500 kV and 220kV transmission projects

The CPUC, together with the CEC and CAISO, recognize that California must improve its transmission planning and siting process to ensure that it is efficient and results in the timely addition of needed transmission infrastructure. To achieve this end, the CPUC will continue to collaborate with the CEC and CAISO in 2006 to seek to propose an integrated electricity supply planning process for California that fully coordinates the individual proceedings of the three entities. The CPUC's long-term procurement process and its Certificate of Public Convenience

and Necessity (CPCN) process will be important components of this new, single electricity transmission planning process for California. Together with the CEC and the CAISO, the CPUC will integrate planning, procurement and monitoring activities to ensure that all load serving entities acquire the resources necessary to assure reliable electricity service.

Continue Reexamining Electricity Market Structure

The CPUC is committed to taking action to decrease overall retail energy bills and to reform rate structures while providing consumers tools to manage their energy usage. To promote dependable, affordable, environmentally responsible wholesale and retail markets, the CPUC must foster sound market rules.

In 2007, the CAISO plans to implement its Market Redesign and Technology Upgrade (MRTU) to reform California's wholesale electricity market and to ensure adequate market power mitigation to protect California consumers. Among other things, MRTU will implement locational marginal pricing paid to generators in order to create incentives for more efficient use of the transmission system. During 2006 the CPUC will continue to play a consultative role to the CAISO, ensuring that consumer protections remain a significant feature of MRTU, and will collaborate with the ISO to ensure that MRTU is consistent with the CPUC's Resource Adequacy program. The CPUC also will be active at FERC in the CAISO's MRTU docket during 2006.

In December 2005 the Commission issued an order in the Community Choice Aggregation (CCA) proceeding that set out all remaining implementation details of the program. The City and County of San Francisco and the City of Chula Vista have stated their intent to submit implementation plans to the Commission.

As required by PU Code §747 (AB 67 (Levine) Ch.562, 2005), in 2006 the CPUC will prepare the first annual report identifying the programs and activities conducted by each IOU that are mandated by statute or the Commission and identifying their annual cost to ratepayers. The report will also identify costs related to the Department of Water Resources energy purchase contracts and bond-related costs, as well as all other aggregated categories of costs currently recovered in retail rates as determined by the Commission.

Ensure Long-Term Natural Gas Reliability through Policies that Address Supply, Demand, and Infrastructure

Ensure Supply and Infrastructure Adequacy

During the first half of the year, the Commission will issue one or more decisions in its natural gas rulemaking proceeding. The issues to be addressed include infrastructure adequacy and slack capacity, interconnection and operational balancing agreements, the creation of an infrastructure working group, natural gas supply and infrastructure adequacy for electric generators, and proposed changes to the utilities' previously-approved gas quality rules.

Encourage Natural Gas Energy Efficiency

The CPUC will identify and adopt additional natural gas efficiency programs and standards to reduce the reliance on natural gas for various end uses through all available natural gas efficiency and demand reduction resources that are cost effective, reliable, and feasible, as required by Public Utilities Code §454.56 (SB 1037 (Kehoe) Ch. 366, 2005). The CPUC is implementing natural gas energy efficiency as a part of the IOU's energy efficiency portfolios described above.

Ensure Natural Gas Delivery Storage System is Sufficient for Peak Needs

The Commission is also reviewing the reliability planning standard for PG&E's core gas customers. During 2006 the CPUC will determine if additional firm core storage is needed and will define rules under which independent storage providers can compete to provide additional storage.

Facilitate Prompt and Environmentally Sensitive Siting of Liquefied Natural Gas Facilities

The CPUC will continue its active participation in the State's Liquefied Natural Gas (LNG) Interagency Permitting Working Group, which is intended to facilitate the prompt and environmentally-sensitive evaluation and siting of needed LNG facilities. The CPUC will also continue to be active in FERC's LNG proceedings by representing California's safety-related concerns.

In early 2006 the CPUC will rule on the proposal of SoCalGas and SDG&E to integrate their two gas transmission systems in order to allow natural gas, including regasified LNG, to be transported from any receipt point on the two systems at the same transportation rate. In 2006, the Commission will also address the firm access rights for the transmission of natural gas on the gas transmission system of SoCalGas and SDG&E.

Implement Strategies to Address Climate Change

Climate change is the most serious threat to our environmental future and demands immediate action. The Governor has set a goal of reducing the state's greenhouse gas emissions to 2000 levels by 2010, to 1990 levels by 2020 and to 80 percent below 1990 levels by 2050. The CPUC coordinates its climate change activities with other state agencies through the Climate Action Team. The CPUC will implement the following policies to achieve the state's greenhouse gas reduction goals:

Greenhouse Gas Cap for Jurisdictional Load Serving Entities (LSEs)

In early 2006 the CPUC will consider a decision to impose a load-base greenhouse gas emissions cap on all LSEs within the CPUC's jurisdiction. If the Commission decides to impose a cap, then many details of the cap program will need to be finalized in 2006, including setting the cap, selecting a baseline, methods for measuring and verifying progress, and whether penalties for noncompliance should be imposed. The CPUC will continue to work with the Governor's Climate Action Team on these issues.

Accelerated Renewable Portfolio Standard

The CPUC is reviewing the legal, regulatory and infrastructure changes necessary to achieve the Governor's goal of achieving 33% renewables in the State's resource mix by 2020. In January 2006 the CPUC will complete a work plan that identifies necessary steps and will implement the plan throughout the year.

Million Solar Roofs Initiative

As described previously, the CPUC will implement policies to deploy 3,000 MW of solar photovoltaics in California by 2017.

Energy Efficiency Programs

The investor owned utilities' energy efficiency programs, which are approved by the CPUC, are a key component of the strategy to reduce greenhouse gas emissions.

Greenhouse Gas Emissions Reduction Framework for Utility Procurement

During 2006 the CPUC will investigate various strategies and incentives to encourage the IOUs to make cost-effective procurement decisions that are based in part on reducing greenhouse gas emissions. One possible strategy is the adoption of a greenhouse gas emissions performance standard that would mandate that new IOU generation and long-term contracts have greenhouse gas emissions no higher than that of a state-of-the-art, combined-cycle natural gas turbine.

Combined Heating and Power Initiative

Combined Heating and Power (CHP) describes power producing facilities that are used to meet both heat and electricity loads onsite. The CPUC is working closely with the California Energy Commission to investigate whether encouraging the expansion of CHP could lower greenhouse gas emissions. If the CHP is found to be an attractive means to address climate change, the CPUC will investigate policies that would encourage CHP deployment for investor-owned utility customers.

Represent California's Electric and Gas Consumers at FERC

The federal Energy Policy Act of 2005 (EPAct) preempted state authority in a number of areas and has required FERC to initiate a number of proceedings that are critical to California's energy future. The CPUC will focus on new EPAct-generated FERC Proceedings, including the following:

- FERC has been given authority to impose mandatory transmission standards and enforce penalties for non-compliance. The CPUC will participate in proceedings to ensure that none of FERC's actions interfere with CPUC authority over safety, reliability and adequacy.
- FERC has been given backstop siting authority of transmission. The CPUC will participate in the designation of national interest transmission corridors and seek to ensure that rules for future FERC transmission siting proceedings take into account important state and local concerns.
- FERC has been given authority to promote transparency in electric and gas markets. This is equally important for state retail markets, as the CPUC implements the Legislature's

mandates in SB 1488 (Ch. 690, 2004 (Bowen)), to increase public access to information. The CPUC will participate in the rulemakings to ensure federal rules are developed to be compatible with existing State law.

- FERC has been asked to develop additional tools to prevent market manipulation. The CPUC will critically review proposed frameworks to bar and sanction manipulative practices that were prevalent during the California Energy Crisis.
- To the extent utilities ask FERC to relieve them of their obligation to purchase power from Qualifying Facilities under the Public Utility Regulatory Policies Act, as they can now do pursuant to EPAct, the CPUC will intervene in those FERC proceedings to weigh in on the issue of whether the relevant market is fully competitive.
- To protect the safety of California citizens who live or work near proposed LNG projects the CPUC will actively participate in various proceedings involving proposed LNG projects.

These FERC rulemaking proceedings are on a fast track and most will be completed within a year.

The CPUC will also represent California consumers in numerous electric transmission and interstate pipeline rate cases at the FERC.

TELECOMMUNICATIONS

The CPUC's fundamental priorities in the telecommunication sector are to:

- Maintain appropriate policy and regulatory treatment for carriers, competitive use of the network, and facilitate the deployment of advanced telecommunication services;
- Facilitate the deployment of new information technologies and services vital to California's future;
- Strengthen customer protection and empower consumers against fraud;
- Maintain and improve consumer access to high quality telecommunication services at fair terms, including universal service programs; and
- Process carrier filings and certifications.

Reevaluate the Current Regulatory Treatment of Telecommunications Carriers

Throughout the past decade, consistent with state and federal policy, the CPUC has provided the state's four largest incumbent local exchange carriers (ILECs) with greater regulatory flexibility to meet an increasingly competitive telecommunications market. This was achieved through the adoption and application of the New Regulatory Framework (NRF) mechanism in 1990, which established a triennial review of ILEC operations, along with enforcement of basic requirements of the ILECS for financial reporting and service quality. In 2002 the Commission required an audit of Verizon for the years of 1999 through 2002. The CPUC is considering a motion to expand the audit to include 2003 and 2004. The final decision on the Verizon audit will be implemented in 2006.

During the last few years there have been substantial changes in the telecommunications industry that compelled the Commission to review and consider revising regulations for all California-regulated telecommunications carriers. To that end, in 2005 the Commission began the process of developing a uniform regulatory framework (URF) for telecommunications carriers in California. This process will likely result in a simplified regulatory framework and will provide carriers additional pricing flexibility. A final decision on the first phase of URF will likely be adopted in early 2006 and will be implemented in mid 2006. In addition, there will be a second phase of URF, the details of which will be established after the adoption of the first phase in 2006.

Address Access and Pricing Issues for Competitive Use of Utility Networks

Pursuant to federal requirements, the CPUC unbundled the local network elements that incumbent local carriers must provide to their competitors. After a comprehensive review of the costs of unbundled network elements (UNEs), the CPUC in September 2004 concluded its analysis and increased UNE pricing rates on an interim basis for Verizon, and on a permanent basis for SBC.

In addition, the FCC issued the Triennial Review Remand Order, in February 2005, which no longer required ILECs to provide new UNE-P arrangements. The Commission issued decisions in March 2005 which supported the ILECs in withdrawing UNE-P arrangements, consistent with the FCC Order. The need for adopted UNE pricing rates will be reconsidered in 2006 as part of the URF and other proceedings that propose increased pricing flexibility.

In November 2004 the CPUC readjusted the penalty mechanism that was established to encourage AT&T to provide competitors with fair access to their network. An overall review of this performance incentive will likely take place in 2006.

Facilitate the Deployment of New Information Technologies and Services

In response to SB 1563 (Ch. 674, 2002 (Polanco)), the CPUC conducted a rulemaking proceeding into what California can do to promote the deployment of and access to advanced communications infrastructure. As part of this proceeding, the CPUC conducted surveys, public workshops, and independent research. The CPUC summarized its conclusions on what more can be achieved with respect to the availability and use of broadband and submitted recommendations to the legislature in the *Broadband Deployment in California* Report, adopted in May 2005.

In the Broadband Report, the CPUC found that California leads the nation in deployment of broadband services and usage, and yet must continue to advance forward-looking public policies and programs that will ensure the state's continued leadership in deploying new advanced telecommunications technologies. The CPUC also found that California should consider policies in several key areas, among them, improving access to rights-of-way, modifying the role of Commission approval of new networks and new providers of telecommunications services, and encouraging the examination of broadband deployment over existing power lines. In addition, it was found that the widespread adoption of Voice over Internet Protocol (VoIP) services and

other innovative services is likely to spur the deployment of broadband networks in California. Finally, the report discussed several ways to ensure broadband services are available to communities such as lower-income Californians, residents of rural areas, and the disabled community. The CPUC will continue to implement the recommendations of the Broadband Report in 2006.

In 2005 the CPUC began developing a regulatory and policy framework to encourage deployment of Broadband over Power Line (BPL) over the power lines owned by California's electric utilities. The Commission has proposed establishing sufficient regulatory certainty to encourage the investor-owned electric utility companies to deploy BPL projects and intends to encourage BPL deployment in a manner that does not harm ratepayers, that promotes accessibility to broadband networks, and that contributes to California's competitive broadband market. The Commission expects to issue a decision in this proceeding in 2006.

Introduction of new and innovative technologies in the telecommunication market will also require new approaches to public policy and regulation. For example, VoIP technology has made two-way voice communication over the Internet feasible for mass deployment to customers. In 2004, the FCC found that an entirely Internet-based VoIP service was an unregulated information service. During 2006 the CPUC will address regulatory challenges created by the FCC's decision. For example the CPUC will be evaluating the impact of the FCC's decision on the funding of Universal Service programs.

The CPUC believes that the ability to access emergency services by dialing 9-1-1 is a vital component of public safety and emergency preparedness. Concerned that many consumers were not able to reach 9-1-1 services while using VoIP, the CPUC successfully articulated this concern and the FCC subsequently imposed E9-1-1 obligations on all VoIP providers. By the end of 2005, all "interconnected" VoIP providers were required to automatically provide a 9-1-1 caller's call back number and, in many cases, location information to emergency service personnel. In 2006, the CPUC will work with the FCC to ensure that all carriers in California comply with the FCC 9-1-1 requirements.

Strengthen Customer Protection and Empower Consumers against Fraud

Protecting customers against fraud is of utmost importance to the CPUC. The CPUC aggressively pursues violators and prosecutes them, and also cooperates with local district attorneys to achieve the highest level of consumer protection for Californians. The CPUC also applies penalties and places companies on probation if necessary.

The CPUC adopted the Telecommunication Consumer Bill of Rights (BOR) in 2004. The Bill of Rights is intended to empower consumers with information about service choices and better safeguards to avoid problems. In 2005 the CPUC reexamined the consumer protection rules in order to address implementation issues and ensure that California's consumer protection structure will be viable and enforceable. The revised Bill of Rights will be implemented in 2006.

The CPUC receives complaints from consumers about their telecommunication carriers and is committed to ensuring that each one is handled in an efficient and timely manner, despite

resource constraints. To assist consumers in the ever more complex and diverse telecommunications market, the CPUC facilitates consumer awareness of telecommunication services and features in order to mitigate potential confusion when choosing among competing service providers. The CPUC's website helps consumers by providing information about how to submit complaints, and how to better understand telecommunication services, consumer programs and consumer rights. The CPUC will continue to upgrade and improve its website in 2006.

Increase Involvement in FCC Proceedings and Emerging Federal Legislation

The FCC and the Congress are making decisions that affect California's interests about telecommunications to an unprecedented degree. The Commission will be the voice that represents those interests in an informed and timely way. The Commission will succeed by collaborating closely with the Legislature and the California congressional delegation, as well as many interest groups, to influence the shape of federal policy and legislation. The CPUC then will participate in the FCC's proceedings as it crafts new regulations. During 2006 the CPUC will focus on the following priorities at the federal level:

- Standardize Universal Service Program structure and fees between State and Federal jurisdictions for differing technologies.
- Assess whether or not incumbent ILECs exercise market control and create rules, where States are not preempted, to encourage facilities-based competition, support access to unbundled broadband service (e.g., naked DSL) and support access by customers to the services of their choice.
- Ensure universal access for consumers by coordinating with the FCC to redefine Universal Basic Service to services using wireless, internet protocol and perhaps other newly developed technologies as they become more mature.
- Coordinate with Federal requirements to prevent, or at least minimize, fraud and to maximize participation in public purpose programs such as lifeline.
- Coordinate with the FCC to address market abuses by carriers by participating in the FCC's Truth-In-Billing and IP-Enabled Services proceedings, and the re-write of the Telecommunications Act.

Improve Access to High Quality Basic Telecommunication Services at Fair Terms

Assembly Bill 140 (Ch. 903, 2001 (Strom-Martin, Florez)) set forth a program through January 2008 to fund up to \$10 million annually to build telecommunication infrastructure to unserved service areas of the state. In June 2005, the CPUC approved two grants to rural areas currently without telephone service:

- \$2.5 million to the Indian Springs School District for wireless infrastructure throughout northeastern Shasta County.
- \$860,000 to the Tule River Indian Council for a Passive Optical Network (PON) network to serve the reservation. As a result of the CPUC grant, the Tule River Indians were also awarded a Rural Utility Service (RUS) Federal grant for broadband for the reservation.

The CPUC sent out announcements in November 2005 seeking proposals to establish telecommunications access for unserved service areas. The CPUC expects to continue to award grants in 2006.

As part of the Deaf and Disabled Telecommunications Program (DDTP), in 2005 the CPUC activated the new DDTP website; created “choice” for users of the California Relay Service, who can now chose from three providers; and started implementation of the long awaited Captioned Telephone Service (CapTel) Expanded Field Trial. In 2006, the CPUC intends to continue to provide stable program administration and contract oversight of the DDTP operations, while seeking to clarify roles and responsibilities of the various parties involved in the DDTP structure.

The CPUC also administers programs to promote universal service. Two of these programs (California High Cost Funds A & B) provide subsidies to specific telecommunication carriers providing telephone service to higher cost areas of the state. A third program (California Teleconnect Fund) offers telephone service and equipment discounts to qualifying schools, libraries, hospitals and community-based organizations, while another program (Universal Lifeline Telephone Service) provides basic telephone service to low-income subscribers who may not be able to afford such service. In 2006, the Commission may be revising program rules to determine the appropriate subsidy level for carriers providing basic service in high cost areas. Besides administering these programs, the CPUC routinely audits carrier compliance with rules covering program claims and remittances, and will continue such activities throughout 2006.

Assure Efficient Carrier Usage of Telephone Numbering Resources to Minimize Unnecessary Area Code Changes

The diminishing availability of new telephone numbers in existing area codes has been an issue of concern for the CPUC since the late 1990s when the number of area codes in the state nearly doubled in just a few years. By becoming more actively involved in the oversight of the industry’s use of telephone numbering resources and by promoting number conservation measures for carriers to employ, the CPUC has managed to avoid putting its consumers through unnecessary area code changes in recent years.

Since June 1998, the CPUC has approved two area code changes in California. They are the 909/951 area code split and the 310/424 area code overlay. The implementation of the 909/951 area code split is complete. The 310/424 area code overlay implementation is currently in process and will continue in 2006.

To implement the 310/424 area code overlay, members of the telecommunications industry and CPUC staff have formed a Task Force to conduct a Public Education Program to support affected customers through the overlay transition. The Task Force plans to achieve a 70% customer awareness level of the overlay program. The first customer notice on the overlay went out in late November 2005, and permissive dialing began December 31, 2005. Mandatory dialing begins June 2006. In addition, in 2006 the CPUC will continue to oversee the efficient usage of all telephone numbering resources.

Over the past few years, the CPUC also approved several requests to initiate 2-1-1 service. This is an abbreviated dialing code to be used by an authorized information and referral provider in a given area to provide social service information such as housing or food assistance and non-urgent health questions. To date, the CPUC has approved 2-1-1 service in 10 counties of the state and has provided extensions to several other counties. More requests are expected to be submitted and approved in 2006.

Process Carrier Filings and Certifications

The CPUC routinely processes advice letter filings submitted by over 1200 telecommunication carriers seeking to implement changes in service, rates, terms or conditions on an expedited basis. The CPUC expects to handle several thousand advice letters in 2006. In addition, the CPUC requires these carriers to have a valid certificate of service on file and regularly processes certification changes and compliance requirements (e.g. financial reports, surcharge remittances). In 2006, the CPUC expects to undertake increased efforts to identify non-compliant carriers and initiate enforcement actions against them. Currently, 687 licensees are under investigation and face the potential of having their licenses revoked.

WATER

In light of increasing statewide concerns about water quality and supply, the Commission will explore innovative solutions to water problems and keep pace with newer approaches the Commission is implementing in the energy and telecommunications sectors, as well as with strategies being used by water agencies and entities not subject to Commission jurisdiction.

The CPUC is responsible for ensuring that the utilities deliver clean, safe, and reliable water to their customers at reasonable rates. There are approximately 140 companies under CPUC jurisdiction providing potable and irrigation water service to about 20%, or more than 6 million, residents of California. Total annual revenues for CPUC-regulated water utilities in California are nearly \$1 billion. Water quality and water supply issues are governed by various federal and state agencies, and the CPUC works collaboratively and closely with them.

The Commission adopted a Water Action Plan on December 15, 2005 which lays out specific actions the CPUC will take in 2006. The plan has been attached to this Work Plan.

In the Water Action Plan the Commission identified four key principles that will guide the CPUC's activities in 2006:

- Safe, high quality water,
- Highly reliable water supplies,
- Efficient use of water, and
- Reasonable rates and viable utilities.

Building off these principles, the Commission has developed six objectives:

Maintain Highest Standards of Water Quality

Water quality is vital to the health of consumers. Delivering safe water requires a reliable infrastructure. We will bolster our current collaborative relationship with the enforcers of water quality standards, the Department of Health Services and the Federal Environmental Protection Agency, so that problems are identified and acted upon as quickly as possible.

Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities

Water conservation is critical in California to extend limited resources as far as possible and allow for future growth. Indeed, water conservation is the least expensive source of water. The Commission will use existing tools to strengthen utility conservation programs, and will provide the necessary direction to do so by initiating formal proceedings where appropriate. Emphasis on water conservation mirrors the Commission's similar high priority for conservation in the energy sector.

Promote Water Infrastructure Investment

The water infrastructure in California needs significant improvement. We will provide financial incentives and direction to encourage investment in infrastructure needed to improve water quality.

Assist Low Income Ratepayers

Low income customers often struggle with payments for basic monthly water service. Similar to our practices in the telecommunications and energy industries, we will develop options to increase affordability of water service for these customers as well as provide specific emphasis on water conservation programs for low income water customers.

Streamline CPUC Regulatory Decision-making

The CPUC's decision-making process will be streamlined to the benefit of both the utilities and their ratepayers. We will seek public input as we develop new procedures to ensure meaningful consumer input into our decision-making is maintained.

Set Rates Balancing Investment, Conservation, and Affordability Concerns

When establishing rates, we will ensure that rates provide for recovery of reasonable and prudently incurred costs plus provide a fair and equitable return to shareholders. We will develop rates and ratemaking mechanisms to further the above goals of affordability, conservation, and investment in necessary infrastructure.

The Water Action Plan contained in the Appendix describes the specific actions the CPUC will pursue in 2006 to meet these objectives.

TRANSPORTATION

The CPUC oversees the safety of rail transit systems, common carrier railroads, and over 11,000 public and 5,000 private highway-rail crossings. This includes safety inspections and accident investigations by specially trained and federally certified inspectors and engineering staff. The CPUC is also responsible for licensing and registering motor carriers of passengers and household goods and acts to prevent any unlawful business practices of these entities.

Transportation responsibilities of the CPUC include:

- Inspect railroads for compliance with, and enforcement of, state and federal railroad safety regulations;
- Improve rail crossing safety through elimination of hazards, engineering, education, and enforcement;
- Investigate rail accidents and safety-related complaints;
- Recommend improved safety requirements to the CPUC or federal government; and
- Ensure consumer protection through effective and efficient enforcement of protection and safety requirements.

Implement the Railroad Safety Action Plan

Due to an increasing number of major train accidents and derailments as well as an ongoing increase in the volume of rail traffic in California, the Commission adopted the Railroad Safety Action Plan on April 21, 2005 (see attachment). The following is a summary of the Action Plan measures that staff will be implementing in 2006:

- Advocate and seek support from the California Legislature and other states for a resolution to amend to the Federal Railroad Safety Act (FRSA) to delegate more authority to states to regulate railroad safety locally.
- Investigate all rail-related fatalities and significant crossing accidents, including engineering diagnostic reviews and apply the lessons learned to safety enhancements that advance the cause of rail safety.
- Publish reports of all rail accidents, collisions, and derailments investigated, including root cause and significant contributing factors.
- Convene quarterly meetings with the Federal Railroad Administration's Regional Management team to discuss on-going safety alerts and advisories.
- Expand the CPUC's commitment to the Operation LifeSaver Program on a statewide basis to assist local cities, schools, law enforcement, and fire departments in creating a safer environment around railroads.
- Publicly advocate for new safety technologies such as positive train control, positive train stop, and locomotive-mounted video cameras.
- Consider authorizing investigators to cite railroads for not following railroad operating rules, as well as for authority to issue an "on-the-spot-citation" for violations of Commission General Orders.
- Support Federal and State railroad safety legislation from inception.

Improve Rail Crossing and Railroad Safety

Over one-third of all rail-related fatalities in California occur at crossings where the railroad and roadway intersect. The CPUC supports additional rail service, and is working to reduce rail crossing hazards, exploring ways to improve safety of existing and proposed rail crossings in the state. The CPUC will identify, prioritize, and address the most dangerous rail crossings through federal and state funding programs and improvement recommendations to local roadway agencies and the railroads.

The CPUC will continue to analyze and participate in local government efforts to establish “quiet zones” under the Federal Railroad Administration’s new Train Horn Rule. Additionally, the CPUC will continue to evaluate environmental review documents submitted to the State Clearinghouse and work cooperatively with local authorities to ensure that rail crossing safety issues are considered early in the process.

Staff will offer proposed revisions to the industry, public agencies, and other stakeholders to streamline and clarify GO 75-C, working toward a revised rule to bring before the Commission. Two major transit agency line extensions are also being evaluated: the LACMTA Gold Line between Los Angeles and Pasadena and the Exposition Line between Los Angeles and Culver City.

Enhance the Safety of Light Rail Public Transportation

The CPUC has regulatory authority over all public rail transit operations and works with the Federal Transit Administration and the publicly-owned rail transit agencies to protect the public. Significant resources are dedicated to ensuring all transit system extensions follow a safety certification process that builds safety into the system. The CPUC also performs safety audits to ensure transit agencies are following a system safety approach.

The CPUC continues to work on rail transit issues to ensure safety. These include:

- Revise General Order 164-C as required by Federal Transit Administration rulemaking.
- Revise accident investigation rules for clarification and consistency.
- Conduct Triennial Safety Audit of San Diego Trolley Incorporated.
- Conduct Triennial Safety Audit of Bay Area Rapid Transit District (BART).
- Review the Safety Certification Plans for a new BART station in West Dublin, and the Silicon Valley Rapid Transit Project, and submit a resolution for Commission approval if they comply with General Order 164-C.
- Verify the safety certification process of the North County Transit District Oceanside-Escondido line.

Ensure Consumer Protection through Effective and Efficient Enforcement

The CPUC will work toward better serving customers by efficiently carrying out the responsibilities for licensing and registration of passenger and household goods carriers. In 2006, this includes continuing to upgrade the electronic database and automated system for the

issuance, suspension and revocation of operating authorities; enhancing call routing, and filing of electronic insurance claims. The CPUC will also ensure that household goods and passenger carriers operate in conformance with consumer protection and safety requirements and compete fairly in the marketplace.

DIVERSITY, OUTREACH AND CONSUMER AFFAIRS

The CPUC is engaged in efforts to promote utility workforce diversity, improve procurement opportunities for women-, minority-, and disabled-veteran owned firms, communicate with California's diverse population and assist consumers in resolving issues with utilities. In 2006, Commission initiatives will include efforts to:

- Increase monitoring of the utilities' supplier diversity programs, focusing on professional services such as financial and legal services;
- Continue to expand the CPUC's ability to communicate with and inform consumers including limited English proficient communities, seniors, and low-income customers;
- Partner with organizations and local government to present community forums on key issues;
- Increase staffing and other resources to improve assistance to consumers with resolving their utility billing and service complaints.

Examine Diversity in Utility Workforce and Procurement

The Commission encourages utilities to increase their procurement of goods and services from women-, minority-, and disabled-veteran owned firms through the Utility Supplier Diversity Program. The program, which was established by the Legislature in 1985, supports economic growth by increasing business opportunities in the state. In 2004, utilities reported procurement of over \$1.9 billion from women-, minority-, and disabled veteran-owned businesses, representing 15.5% of total utility procurement. The utilities' 2005 procurement activity will be submitted to the Commission in March 2006.

On October 25, 2005 the Commission held its third annual full panel hearing on diversity-related matters in the utility industry. The hearing focused on diversity in the utilities' workforce, improving diversity with respect to the utilities' procurement of legal services, and how language access relates to customer service. As a result of this hearing, the Commission will be able to better evaluate the status of the utilities' efforts and identify areas for further review.

In 2006, the Commission will continue pursuing its efforts in specific underrepresented procurement categories. In addition to monitoring the utilities' procurement of legal services from women-owned, minority-owned and disabled veteran-owned firms, the Commission will begin to evaluate and to monitor the utilities' procurement of in the areas of consulting and architectural and engineering services.

In 2005, the six major regulated water utilities jointly submitted their first annual plan on their supplier diversity programs, which provided a broad overview of their efforts from the previous year. The utilities state they will need time to quantify the diversity procurement challenges

unique to their industry and will submit their first full report in March 2006. The Commission expects the water utilities to submit individual annual plans showing their accomplishments and providing detailed information describing how they will increase their procurement with diverse suppliers.

The California Utilities Diversity Council (CUDC) will continue its work with the utilities and other interested parties in increasing the utilities' procurement opportunities with women-, minority-, and disabled veteran-owned businesses in the areas of procurement, philanthropy, corporate governance, language access, and customer service and marketing. Members of the Council include recognized leaders from the business community, consumer groups, multi-language interests, education, labor organizations, and the utilities.

Increase Outreach to Limited English Proficient Communities, Seniors, and Low-Income Customers

In 2005, the Commission improved outreach to limited English proficient persons and communities. The Commission's primary information pamphlet, *The Consumer Guide*, has been translated into Spanish and Chinese languages. In 2006, it will become available in several more languages including Vietnamese, Russian and Hmong. The Commission will continue to increase the number of staff certified by the State Personnel Board (SPB) in a variety of languages. In addition, the Bilingual Services Coordinator will ensure that key public documents and meetings are accessible in Spanish, Chinese and other languages. The 2006 SPB biennial survey will help the Commission develop further goals. The Bilingual Services Coordinator is also a member of an SPB state task force to increase language accessibility in every state agency.

In 2006, the Commission will expand its outreach to all consumers in the state with particular emphasis on "hard to reach" communities by continuing to work with community based organizations, foundations, consumer action groups and other agencies. The primary outreach goal is to increase awareness of the utility services and programs that the CPUC oversees and directly provides to the public. The CPUC intends to increase the use of demographic data to target efforts effectively.

Dialogue between the CPUC and key consumer and business organizations will continue so that emerging consumer concerns can be identified and resolved quickly and fairly. An example of this interaction is the Commission's quick response to the anticipated increase in natural gas bills for retail customers, particularly low income customers, during the winter of 2005/2006. The Commission sought and received input from various impacted low income communities including seniors and limited English proficient consumers. The Commission will continue to monitor this area through 2006 to ensure that these communities are adequately protected.

The Commission will also focus on outreach to the small business community by identifying effective means to provide information and get input on key policy issues affecting this customer segment.

Partner with Organizations and Local Governments through Community Forums

In 2005, the Commission co-sponsored several successful public forums with legislative offices, community organizations such as the League of Women voters and local jurisdictions on subjects ranging from the future of energy policy to rail safety problems in local communities. In 2006, it will continue identifying issues and working with other state agencies and governmental jurisdictions to provide important information to the public.

Provide Timely Assistance to Consumers

The CPUC's Consumer Affairs Branch (CAB) assists consumers with resolution of their complaints regarding utility billing and service problems. In the latter half of 2005, CAB's staffing constraints were alleviated by the hiring of eight consumer service representatives. In 2006, CAB will focus on improving the consumer complaint process in coordination with other divisions. The addition of new staff and an assessment of current operations are expected to help reduce the number of pending complaints and increase timely responses to consumers.

LOW INCOME ASSISTANCE

Continue Assistance for Low-Income Energy Consumers

Each of the energy utilities will file applications in 2006 for approval of low-income programs and funding levels for 2007 and 2008. The low-income programs include the California Alternate Rates for Energy (CARE), which provide an approximately 20% discount on energy rates for residential customers with household earnings at or below 200% of Federal poverty guideline levels; and the Low-Income Energy Efficiency program which offers weatherization and energy-efficient appliances for customers meeting the same income criteria. The smaller and multi-jurisdictional utilities will file their applications on June 1, 2006. The larger utilities will file their applications on July 1, 2006. The Commission hopes to issue decisions on these applications by the end of the year. Thereafter, it is anticipated that all utilities will be on a three-year program cycle to correspond with the broader energy efficiency programs offered by the utilities.

In addition, in the first half of 2006 the Energy Division staff will review, and the Assigned Commissioner will approve or reject, a large series of changes to program manuals that govern program delivery.

Expand Enrollment in Low-Income Assistance Program for Basic Telephone Service

The CPUC's Universal Lifeline Telephone Service (ULTS) program makes high quality basic telephone service more affordable for low-income residents of California. The CPUC awarded a contract to provide marketing and outreach to residents likely to be eligible for the discounted ULTS rate. As of result of this effort, over 23,000 customers were found to be eligible for discounted ULTS in 2005, more than half of which did not have telephone service previously. Outreach activities will continue throughout 2006.

In addition, the CPUC reviewed lifeline service eligibility rules to comply with federal rules and preserve federal subsidies. In 2005, the CPUC amended the ULTS program from self-certification to income documentation; added a program-based eligibility criterion; contracted the certification process to a third-party agent; and opened a new rulemaking for a more comprehensive review of the ULTS. The CPUC will continue to implement the April 2005 decision requirements throughout 2006.

Develop Low-Income Rate Assistance Program for Customers of Water Utilities

The CPUC will develop a low-income rate assistance program for customers of CPUC-regulated water utilities. The Commission currently considers low-income rate assistance programs for water utilities on a case-by-case basis. The CPUC will review lessons learned from these individual programs and initiate a proceeding to develop a feasible and effective standard low income rate assistance program for all water utilities. The CPUC will also evaluate the possibility of authorizing bill payment programs for assisting low income ratepayers, including an averaging of payments over a specified time period. The potential impact on conservation will be considered when the rate assistance program is developed. The Low Income Oversight Board will advise the Commission on these issues and serve as a liaison for the Commission to low-income water ratepayers, in accordance with Public Utilities Code §382.1 (SB 580 (Escutia) Ch.662, 2005).

Strengthen the Low Income Oversight Board

The Low Income Oversight Board (LIOB) advises the CPUC on the energy and water low-income assistance programs of utilities under the jurisdiction of the Commission and serves as liaison for the Commission to low-income ratepayers and their representatives. During 2006 the LIOB will be expanded to include members who will assist the Board in fulfilling its duties related to low-income water ratepayers in accordance with Public Utilities Code §382.1 (SB 580 (Escutia) Ch.662, 2005). The LIOB will assist in the development of programs for low-income water customers. Additionally, the LIOB will solicit community input and develop initiatives to enroll more qualified customers in the CARE program. In early 2006, the LIOB will participate in a strategic planning session to plan future activities. The LIOB will also be given an opportunity to discuss and comment on all important initiatives and decisions of the Commission with regard to Low Income programs.

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
505 Van Ness Avenue
San Francisco, CA 94102
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
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102
1-866-849-8390
public.advisor@cpuc.ca.gov

CPUC Public Advisor
320 W. 4th Street, Suite 500
Los Angeles, CA 90013
1-866-849-8391
public.advisor.la@cpuc.ca.gov

THE GUIDE TO PUBLIC PARTICIPATION explains how consumers may participate in the CPUC's formal proceedings and is available from the CPUC Public Advisor's Office, or on-line at www.cpuc.ca.gov.

How the CPUC is Addressing Its Priorities and Objectives

The list of proceedings contained in the Appendix provides a brief description of major formal proceedings before the CPUC. These proceedings are being highlighted from the 439 active cases the CPUC is processing because they raise issues of broad consumer interest or impact. The proceeding number necessary for quickly obtaining additional information about the case is noted, along with the name of the lead Commissioner responsible for managing the case to resolution. Some of the cases listed in the Appendix will be reassigned to the new Commissioners expected in January 2006 and January 2007.

Appendices:

Energy Action Plan II
Water Action Plan
Railroad Safety Action Plan
CPUC Major Proceedings

[CPUC 1006 Work Plan Attachment](#)