



California Public Utilities Commission Committee on Finance and Administration

Feb. 7, 2018



Report on

Strategic Directive 04 – Rates and Affordability &

Strategic Directive 05 – Universal Access

Directors - Edward Randolph, Raminder Kahlon, Cynthia Walker, & Nick Zanjani



Strategic Directive 04 – Rates and Affordability

- The CPUC ensures that rates are just and reasonable. Within its jurisdictional authority, the CPUC will:
 1. Assure that essential services remain affordable for Californians, while also assuring safety and reliability;
 2. Ensure that any necessary and appropriate rate changes are approved in a timely manner and are fairly amortized over time;
 3. Help consumers understand services and rate changes and assure that regulated entities provide the information and tools to inform choices and minimize costs;
 4. For services where the CPUC does not directly regulate prices, monitor market conditions and take appropriate action if it appears that rates are no longer just and reasonable;
 5. Represent the interests of California ratepayers before the Federal Energy Regulatory Commission and the Federal Communications Commission to advance these directives.





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Low Income Support from Lifeline and Federal Universal Service Program

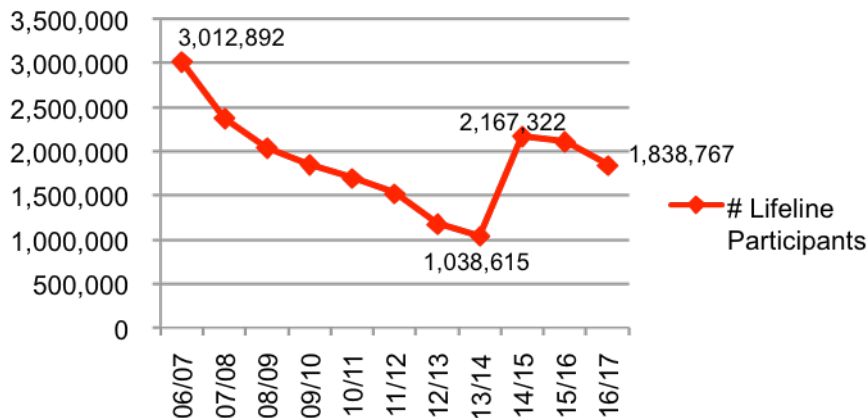
- Provides low-income households with basic, affordable telephone service.
 - Monthly support amounts:
 - »Federal Program: \$9.25 (Eligible Telecommunications Carriers)
 - »Federal Tribal Program: \$25
 - »California LifeLine Program: \$14.30
- Carriers of last resort are required to provide basic service, which includes Lifeline.



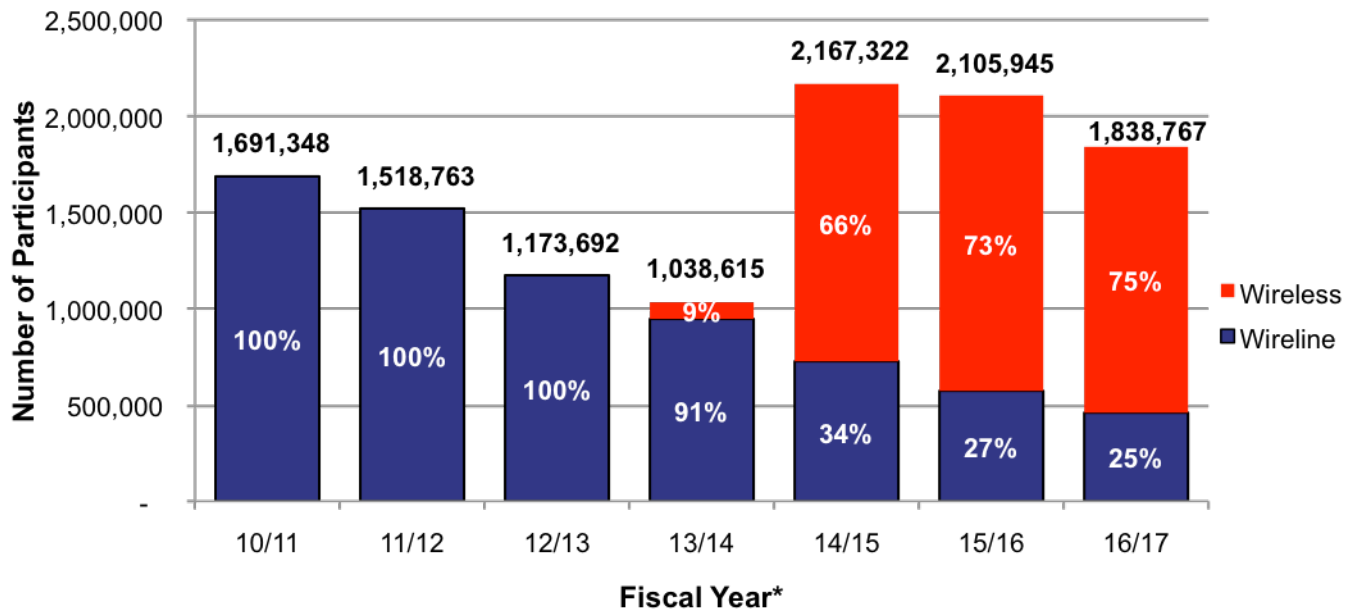


LifeLine Trends since Wireless Introduction

CA LifeLine Participants 2006 - 2016



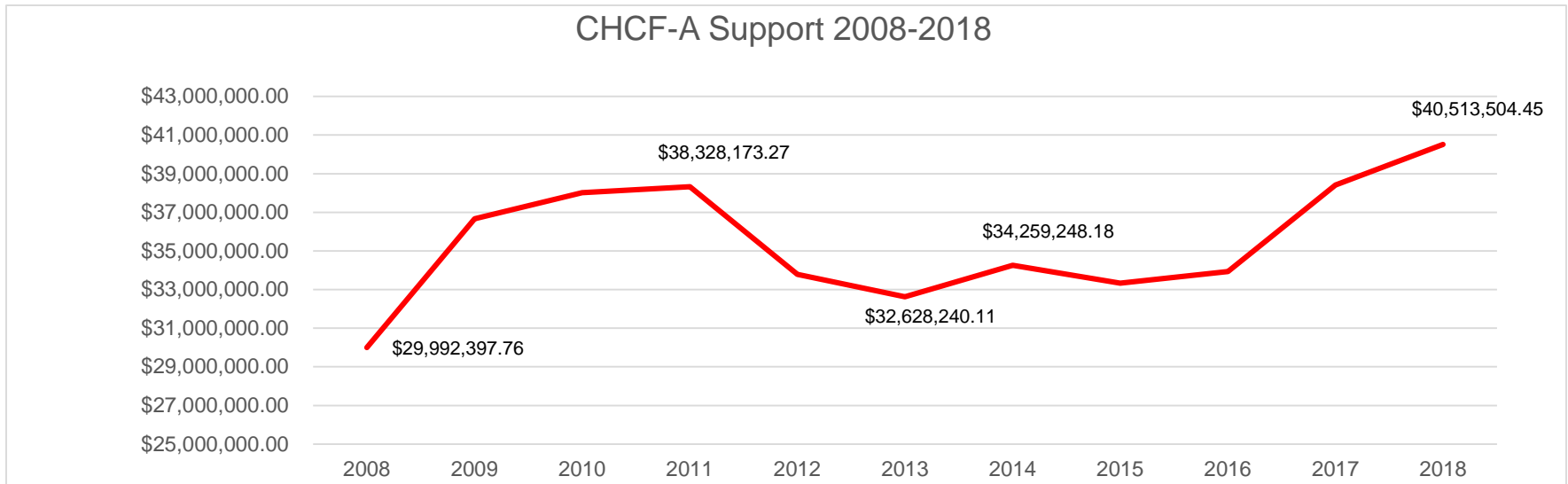
CA LifeLine Recent Participation 2010 - 2017; Wireless Growing, Wireline Declining





California High Cost Fund A

Capital and operating subsidies for 10 telephone corporations serving rural Californians to keep rural rates affordable



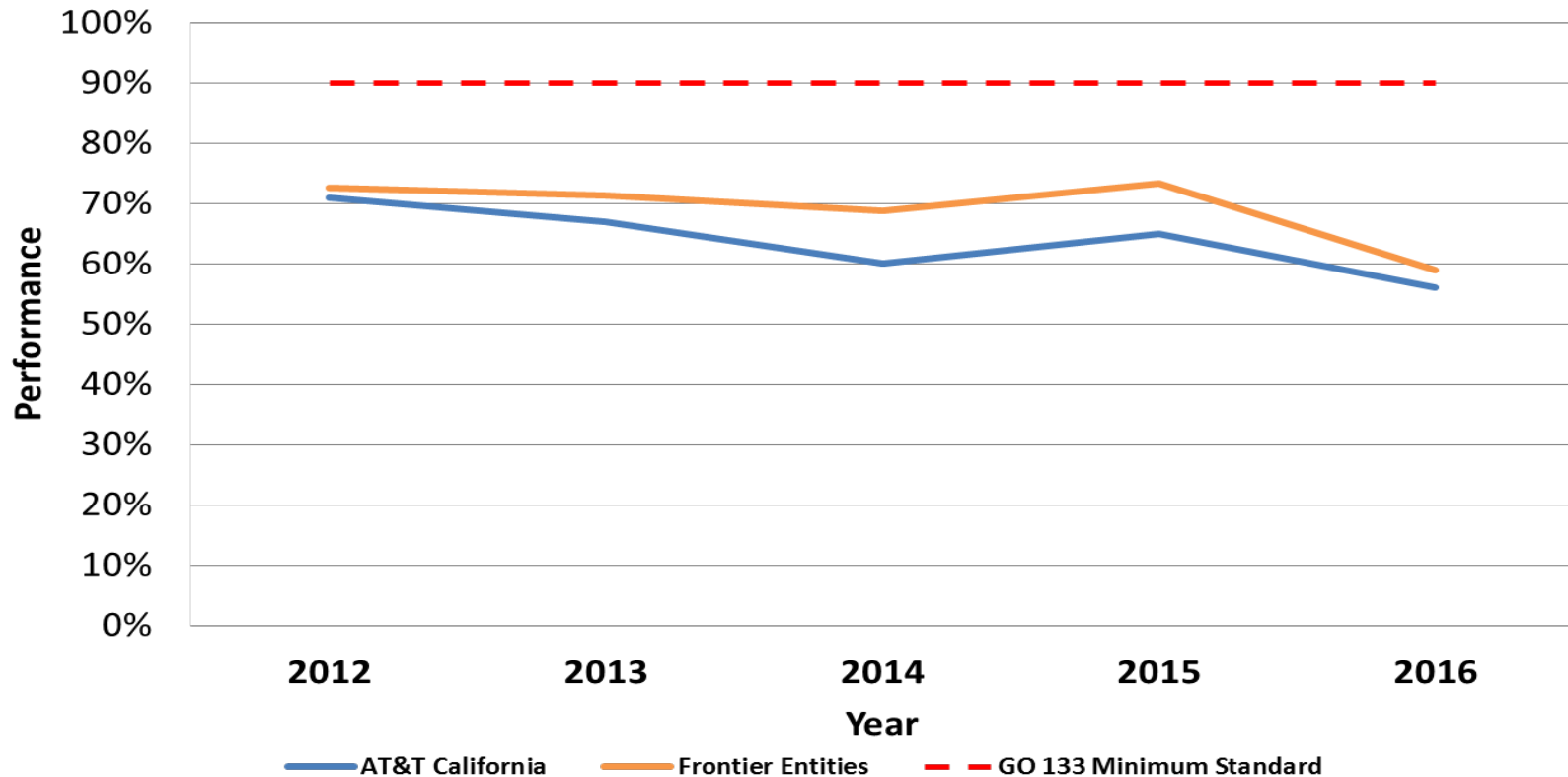
Annual subsidies range from \$519 to \$2,381 per line, based on the general rate case process. Total of approximately 52,000 lines.





Safety / Reliability

Out of Service Repair Interval - AT&T and Frontier



Out of Service Repair Interval for AT&T + Frontier vs. GO 133 minimum standard (red dotted line) over last 5 years. The out of service repair interval minimum standard = 90% of outages restored within 24 hours.

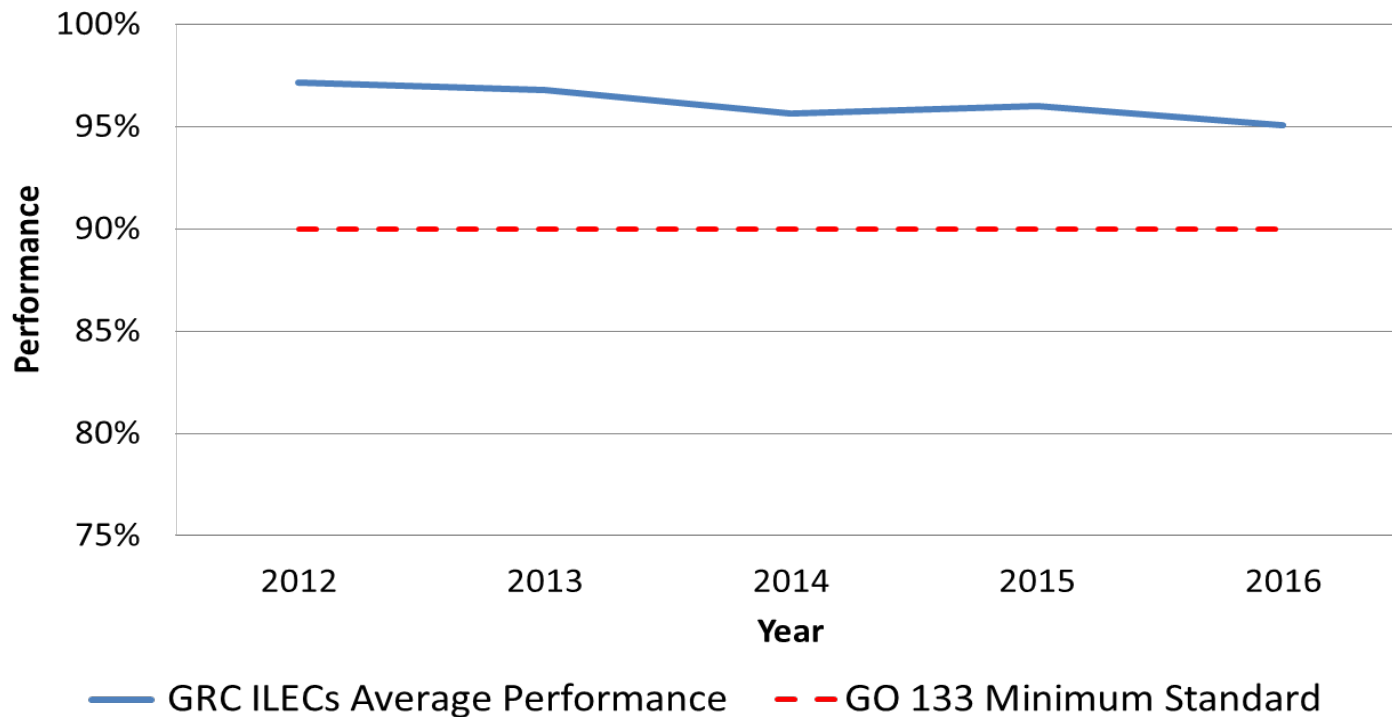
These are the largest carriers – about 90% of total lines reported in California.





Out of Service Measure

Out of Service Repair Interval - GRC ILECs



General rate case service providers exceed the minimum standard, on average





Water Affordability

- SD-04; “Assure that essential services remain affordable for Californians...”
- Water IOUs serve 15% of the state’s population
 - Districts span the entire state
- Median Household Income is **\$59,756***
 - In the cities that contain the service areas of our 9 Class A Water Utilities
- Median Average Monthly Water Bill is **\$64.22****



Q: Is water affordable?

*2016 American Community Survey

**June 2017





Water Affordability

- How to define Affordability?
 - CPUC has not adopted an affordability standard
 - Low-Income Programs
 - 19% participation rate
 - Average Monthly Discount - \$9.50
 - Eligibility Criteria
 - 200% of Federal Poverty Guidelines
 - \$50,200 (2017 Family of Four)
 - Agencies with Affordability Guidelines
(Percentage of monthly household income)
 - SWRCB – 1.5%
 - US EPA – 2%
 - United Nations Development Program – 3%





Water Affordability

- Applying the Affordability Criteria to Median Household Income, the monthly water bills are as follows:

SWRCB	US EPA	UN
1.5%	2%	3%
\$74.70	\$99.60	\$149.39

- Water IOUs
 - Median Average Monthly Bill is **\$64.22**



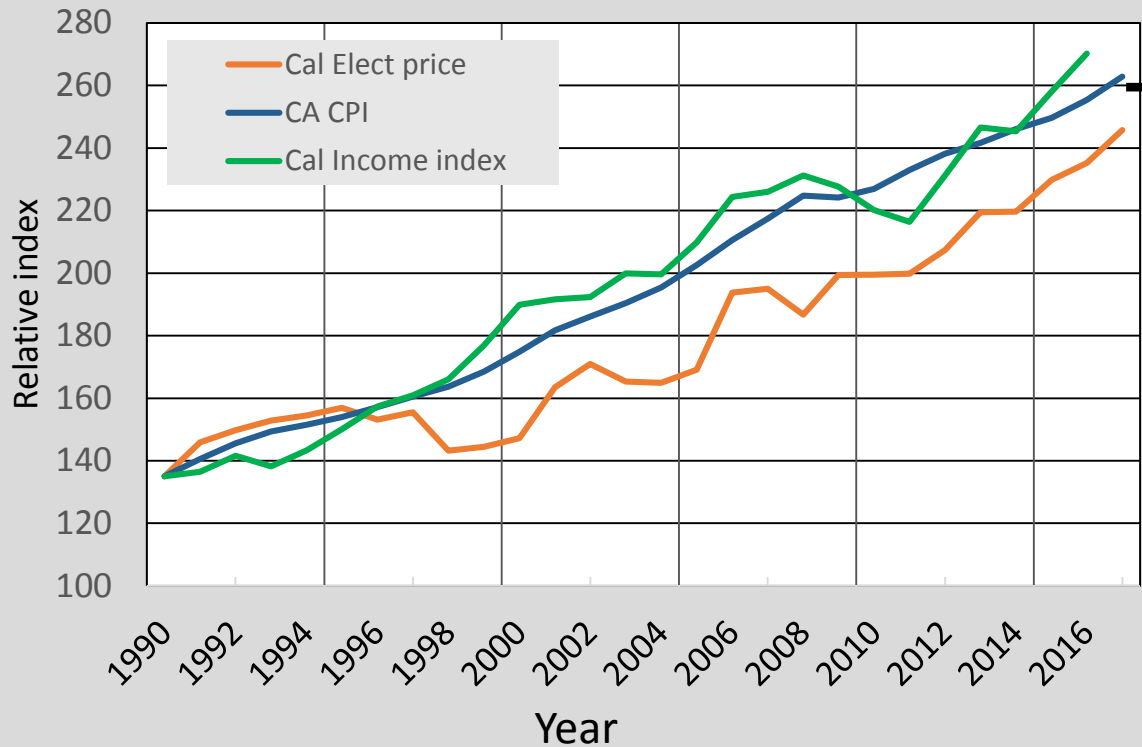
Q: Is Water Affordable?





But is Electric Service Affordable? Compared to What?

Historical California Economic Indices



Index	Change from 1990 - 2016
Electricity	1.7422
CPI	1.8913
Income	2.0017



- ❖ Implies that electricity since 1990 is more “affordable”
- ❖ Since 2000 no change in “affordability”
- ❖ Is this the right conclusion?

Base year = 1990. Set to 135 for all indices

Sources EIA Form 861, Federal Reserve



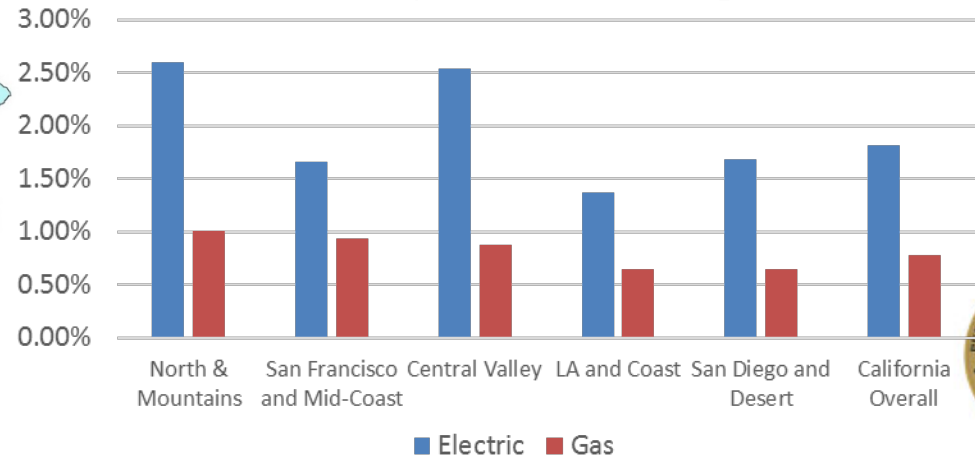


CARE Customer Bills by Region



Region	Avg. Monthly CA Bill (Electric)	Avg. Monthly CA Bill (Gas)
North & Mountains	\$87.50	\$33.74
San Francisco and Mid-Coast	\$55.76	\$31.61
Central Valley	\$85.25	\$29.84
LA and Coast	\$46.07	\$21.84
San Diego and Desert	\$56.37	\$21.57
California Overall	\$61.12	\$26.01

% of income for Service
CARE family of 3 household @ \$40320





Non CARE Customer Bills by Region



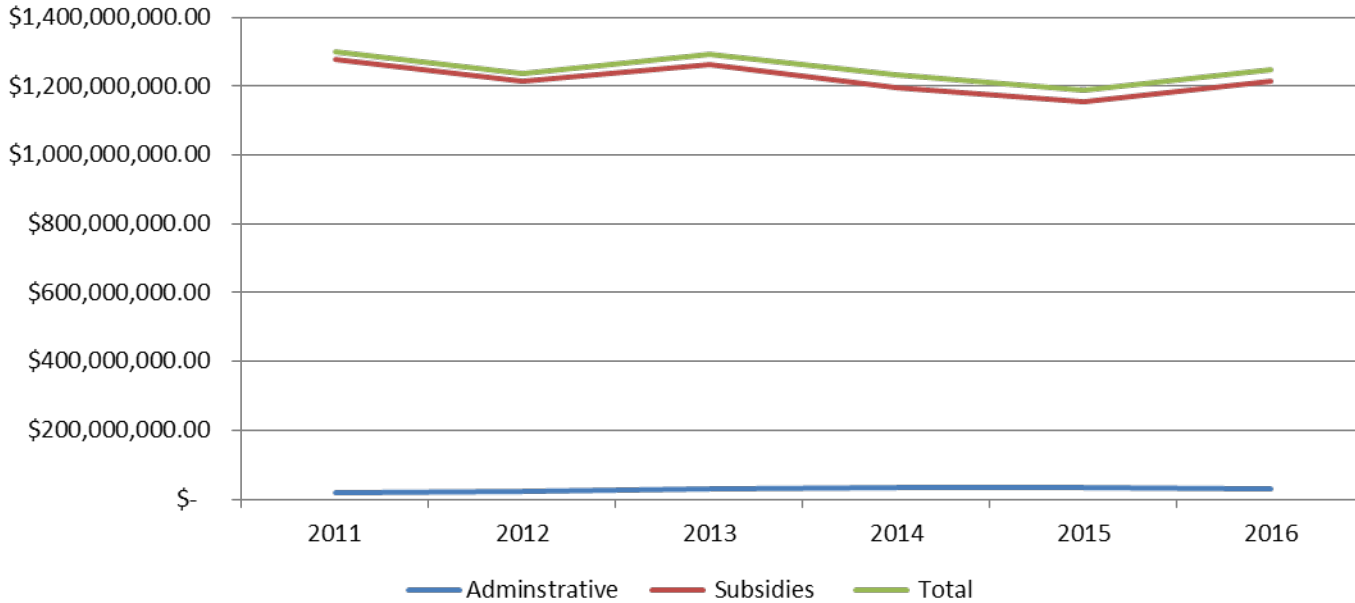
Region	Avg Monthly Non-CARE Bill (Electric)	Avg Monthly Non-CARE Bill (Gas)
North & Mountains	\$ 147.25	\$ 47.75
San Francisco and Mid-Coast	\$ 98.15	\$ 48.77
Central Valley	\$ 137.62	\$ 37.92
LA and Coast	\$ 93.78	\$ 29.47
San Diego and Desert	\$ 103.60	\$ 28.52
California Overall	\$ 104.79	\$ 36.67





CARE Collections

Administrative Costs + Subsidies



	2011	2012	2013	2014	2015	2016
Administrative	\$20,488,447	\$21,763,591	\$31,367,651	\$35,362,474	\$33,516,585	\$31,159,644
Subsidies	\$1,278,967,273	\$1,213,990,592	\$1,262,968,425	\$1,196,135,876	\$1,154,090,624	\$1,214,937,461
Total	\$1,299,455,720	\$1,235,754,184	\$1,294,336,076	\$1,231,498,350	\$1,187,607,209	\$1,246,097,105





CARE Customers Served December 2017

	Households Eligible	Households Served	Penetration Rate
Pacific Gas & Electric Company	1,588,015	1,406,396	89%
Southern California Edison	1,457,787	1,222,526	84%
Southern California Gas Company	1,819,451	1,564,126	86%
San Diego Gas & Electric	329,763	282,228	86%





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Timeliness of Electric and Gas GRCs

Utility	Test Year	Application Filing Date	Decision Issuance Date
PG&E	2017	September 1, 2015	September 18, 2017
SCE	2015	November 12, 2013	November 12, 2015
Sempra	2016	November 14, 2014	July 1, 2016





Timeliness of Water GRCs

Utility	Test Year	Application Filing Date	Decision Issuance Date	On Time
San Gabriel	July 2017	January 4, 2016	June 15, 2017	✓
Cal Am	2018	July 1, 2016	Pending	
Suburban	2018	January 1, 2017	Pending	
Cal Water	2017	July 9, 2015	December 15, 2016	✓
Golden State	2016	July 15, 2014	December 15, 2016	
San Jose	2016	January 2, 2015	June 9, 2016	
Great Oaks	July 2016	July 1, 2015	May 26, 2016	✓
Park Water	2016	January 2, 2015	January 14, 2016	✓
Apple Valley	2015	January 2, 2014	November 19, 2015	





Assure Timely Approval of Rate Changes for Telecommunications Companies

- CPUC has limited authority to regulate rates for telephone corporations
 - Set rates for small Local Exchange Carriers through general rate cases
 - Advice Letters are required for other carriers to report rate changes
 - For communication services, the Commission is in compliance with SD-04 sub-element 2.





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Helping Consumers Understand Services and Rate Changes

- Goal includes both proactive community outreach (PAO) and assistive services for those who inquire (CAB).
- More appropriately addressed under SD 6 re: Consumer Protection, Education, and Assistance.
- SD 6 includes (1) more effective internal communication across divisions and (2) technology upgrades to assist consumers.





Measuring Consumer Assistance Efforts

- Continue to track contacts to CPUC and regulated utilities; better identify specific problems and challenges.
- Ensure adequate advance notice of service changes and rate changes so that materials can be prepared and distributed by CPUC and regulated entities.
- Integrate feedback mechanism for consumers who inquire and/or complain.





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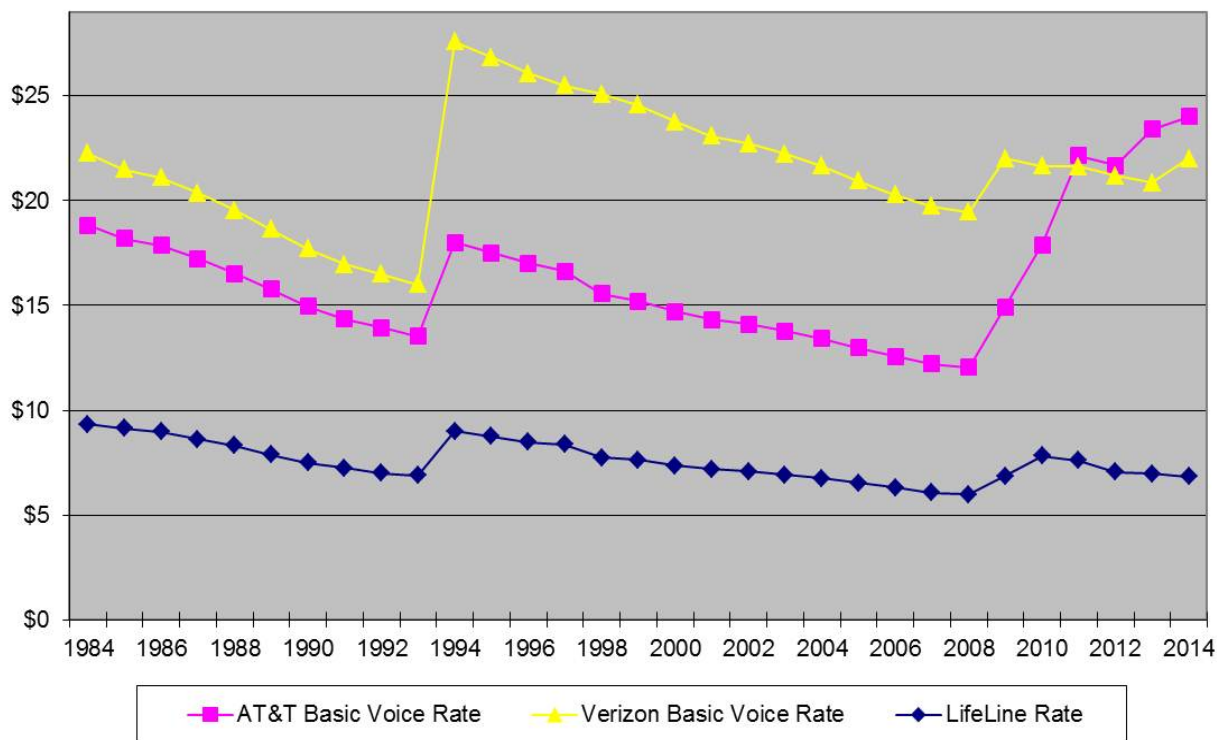
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Basic Service Rates 1984-2014

California Wireline Basic Voice Service Monthly Rates
In 2014 Dollars

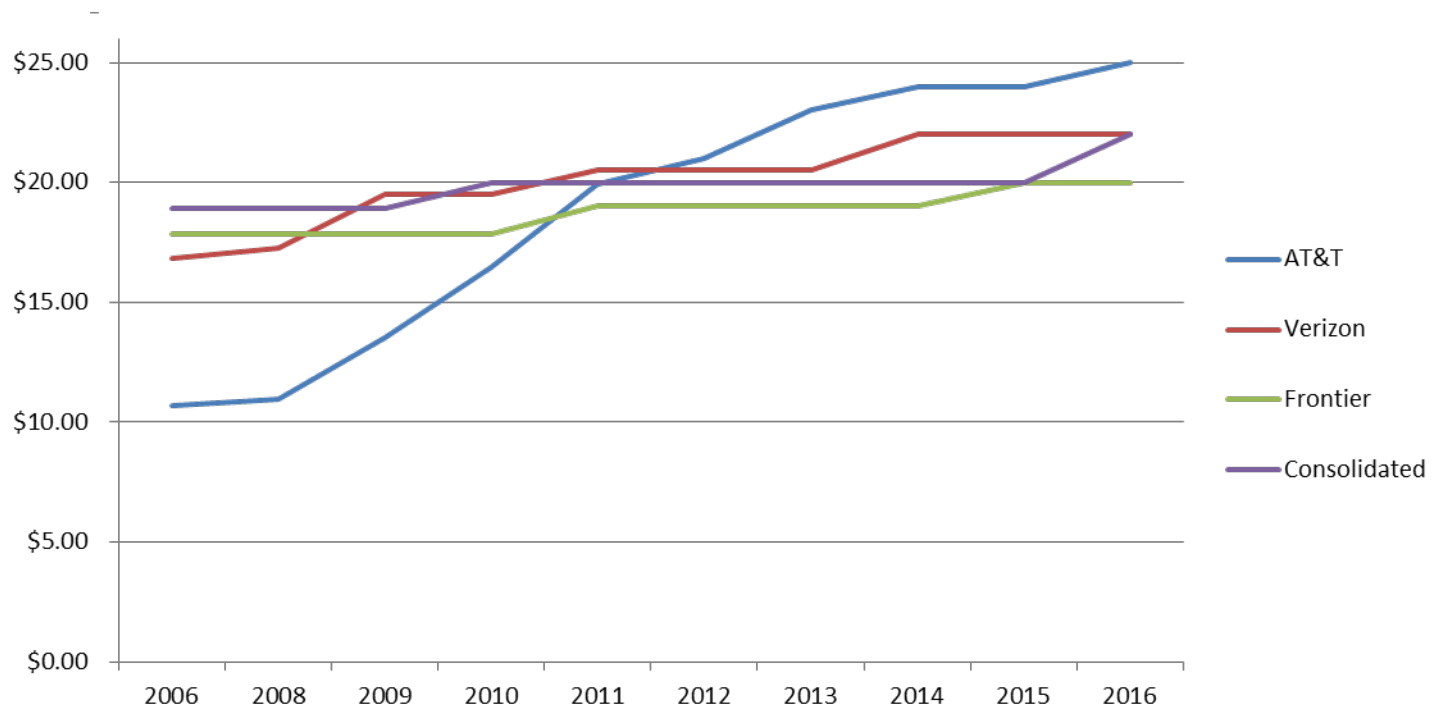


From "Market Pricing Survey of Retail Communication Services in California," Published 12/2/2014, page 14





URF Carrier Residential Basic Service Rates 2006 - 2015: Flat Rate





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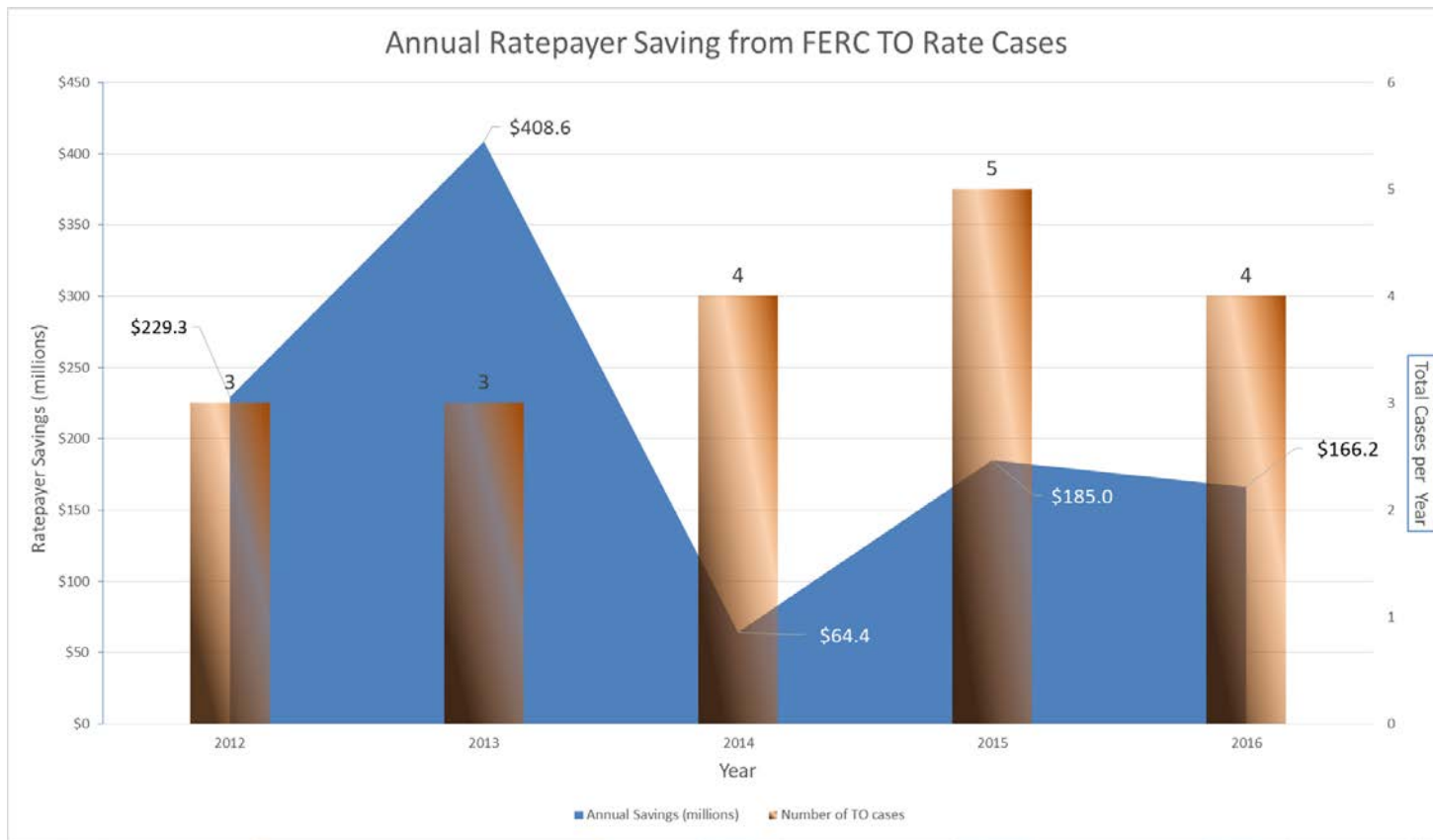




FCC Proceedings

- Lifeline
- Copper Retirement
- Broadband Measurement
- Connect America Fund II Obligations
- Open Internet Rules
- Tele Relay Service/Dead and Disabled
- 911 Access
- Numbering
- Network Resiliency
- Cramming
- Rural Call Completion





A large FERC TO rate case is currently being litigated, causing 2017 figures to be incomplete.





Compliance with Strategic Directive 04

- CPUC staff believe the organization is substantially in compliance with SD-04.
- Caveats:
 - We need to further define what is meant by “affordable”.
 - Sub-element 2 on “Timeliness” -- electric, gas, and water are not compliant.





Questions?





Strategic Directive 05 – Universal Access

- The CPUC seeks to provide Californians with access to necessary services from utilities and regulated entities. Within its jurisdictional authority, the CPUC will:
 1. Promote policies and rules that provide universal service for energy, communications, water, and transportation;
 2. Administer the efficient and fair collection of applicable surcharges and fees that support its public purpose programs;
 3. Facilitate the expansion of equitable access to energy, communications, water, and transportation services.
 4. Consider the impacts of CPUC decisions and policies on a wide range of Californians, including people with disabilities.





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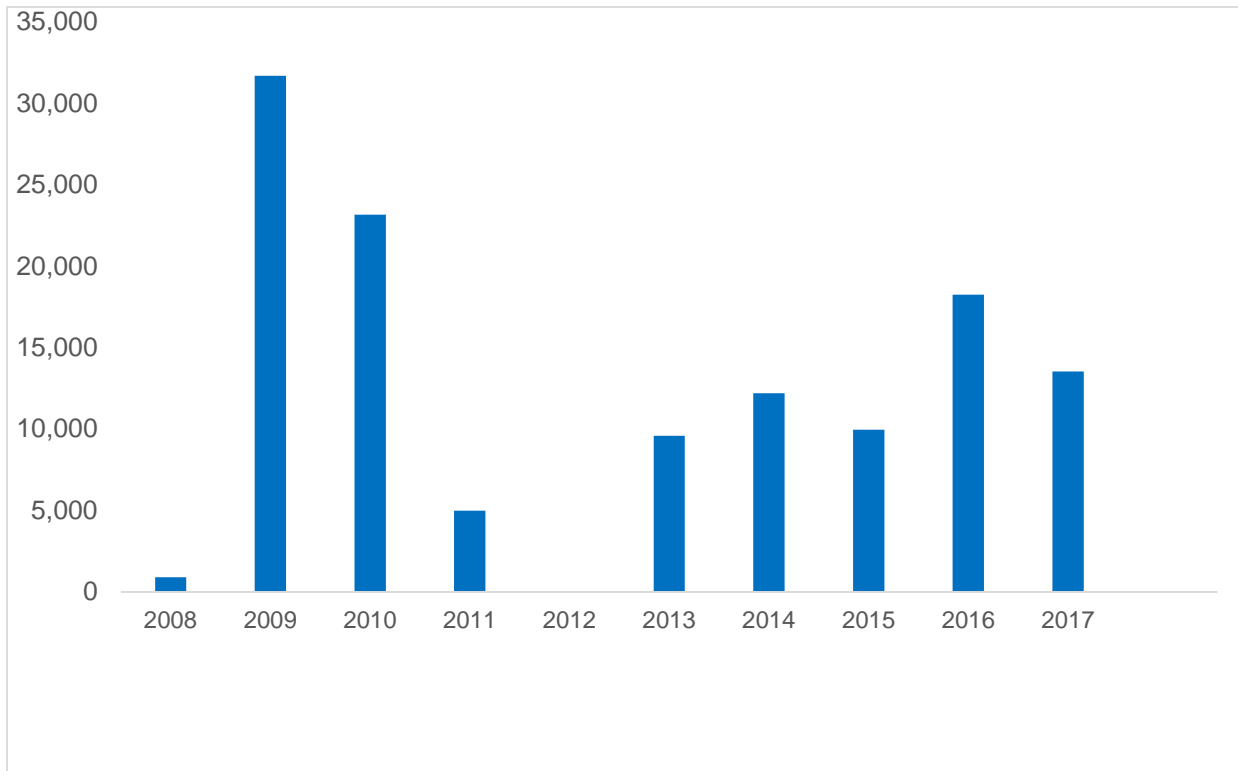
Universal Service Measures

- Voice goal of 95% Access Has Been Achieved
 - As of March 2010, 97% of all California households had some sort of voice service.
- Progressing toward Broadband Goal of 98% Access
 - Broadband defined at 6/1.5 Mbps
 - 96% of households in CA served
 - Many rural consortia are far below this 98% goal.
 - Urban areas have met or exceeded the 98% goal.





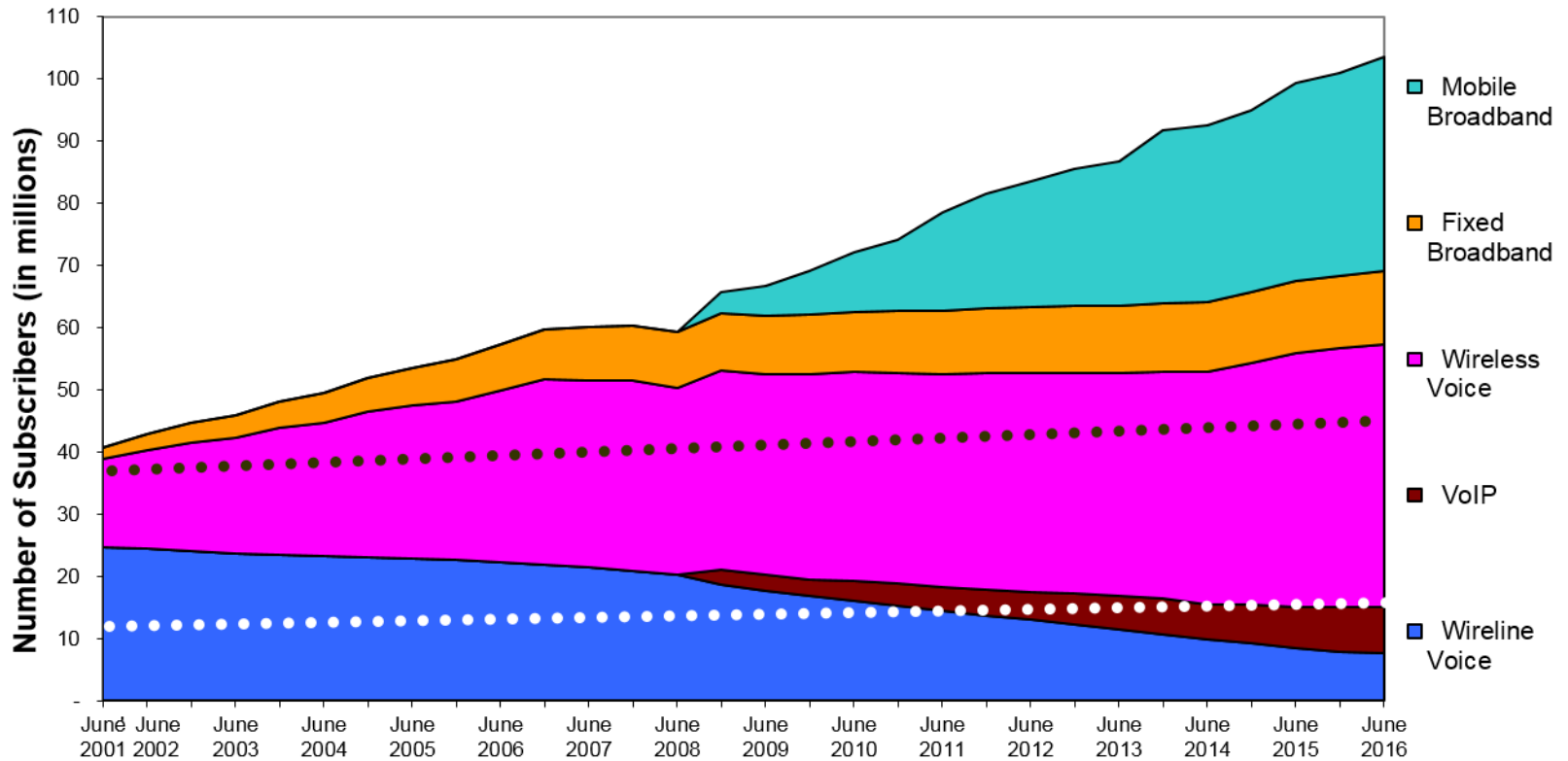
Potential Households Served By CASF Projects





Over 100 Million Broadband and Voice Connections in CA

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



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





Deaf and Disabled Trust Fund

- Provides equipment and services to deaf, hard of hearing, as well as disabilities involving vision, speech, cognition and mobility
- 680,000 Californians provided with specialized equipment
- Relay Service handled 1.9 million calls in FY 16-17
- Speech Generating Devices—expanded equipment selection and increased marketing





California Teleconnect Fund

- Provides subsidies to support discounted communication services
- Schools, Libraries and Non-Profits
- 25% discount for voice service
- 50% discount for broadband





Universal Access

- SD-05: “Promote policies and rules that provide universal service for...water.”
- Water IOUs serve 6 million Californians
 - 101 jurisdictional water utilities
 - Distinct service areas, some with multiple districts.
 - Service areas are not interconnected.
 - No water transmission lines.
- The CPUC grants Certificated Service Areas.
- Within these certificated service areas, there is an **Obligation to Serve.**





Universal Access

- PU Code Section 451
 - “shall furnish and maintain such adequate, efficient, just, and reasonable service...to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.”
- PU Code Section 1501
 - “...Provide facilities to meet the present and prospective needs of those in its service area...”



Obligation to Serve ensures Universal Access.





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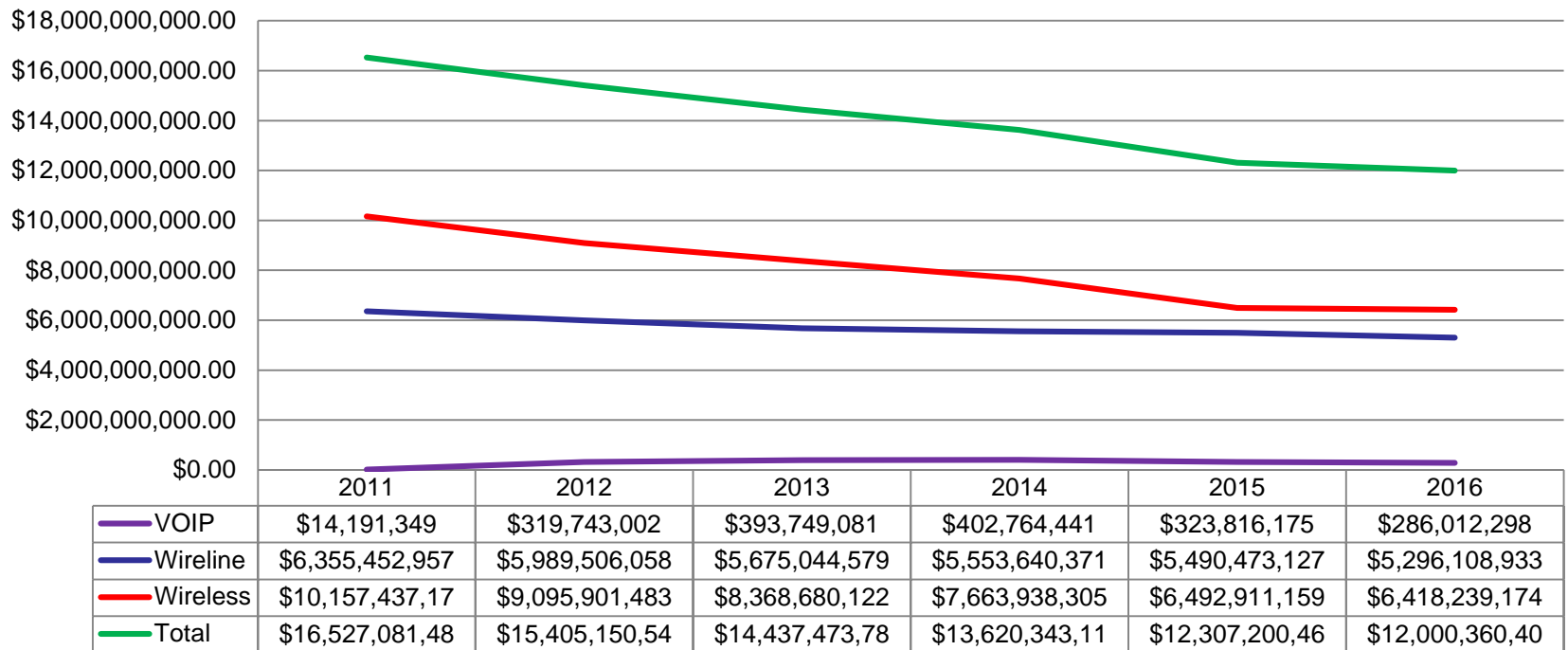
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Billing Base (Intrastate Revenue) Declined 27.3% (\$4.5 Billion) since 2011

Reported Intrastate Revenue by Year



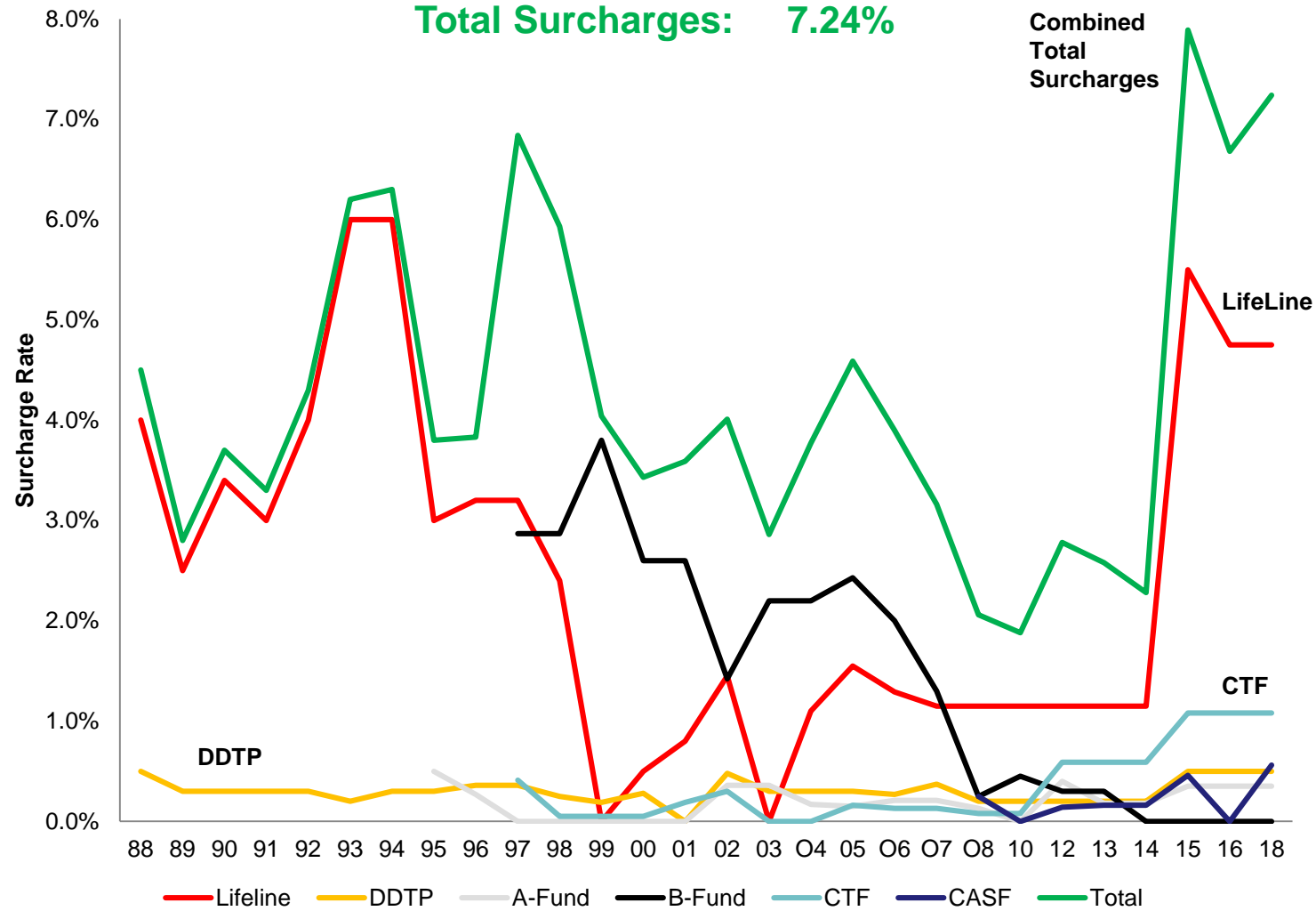


Lifeline has the Largest Surcharge: 4.75%

CTF is Second: 1.08%

CASF is Third: 0.56%

Total Surcharges: 7.24%





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Rural/Urban Digital Divide

December 2015

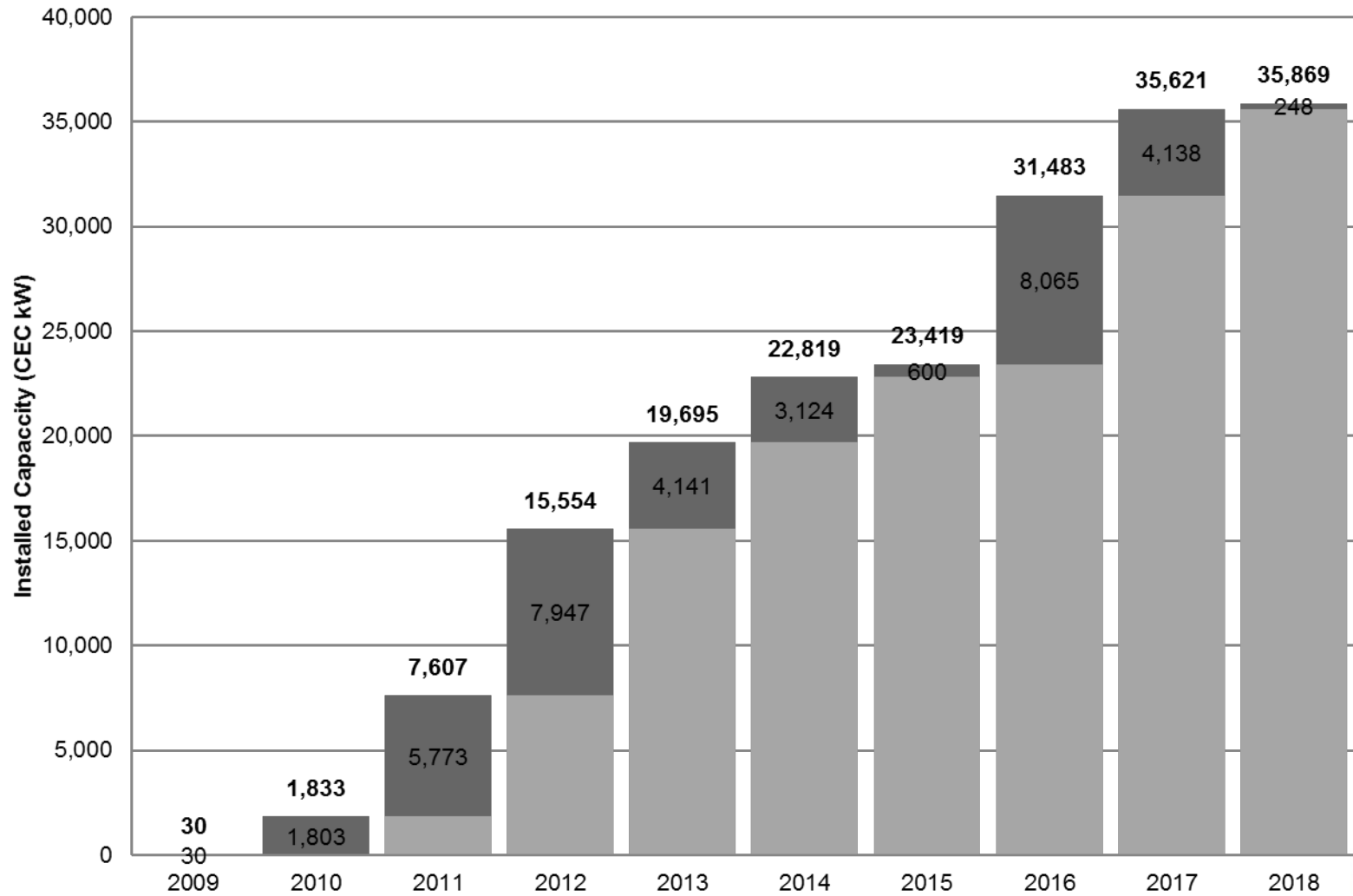
	% Statewide Households Served	% Rural Households Served	% Urban Households Served
Wireline Broadband 6Mbps / <u>1.5</u> <u>Mbps</u>	95%	47%	97.6%





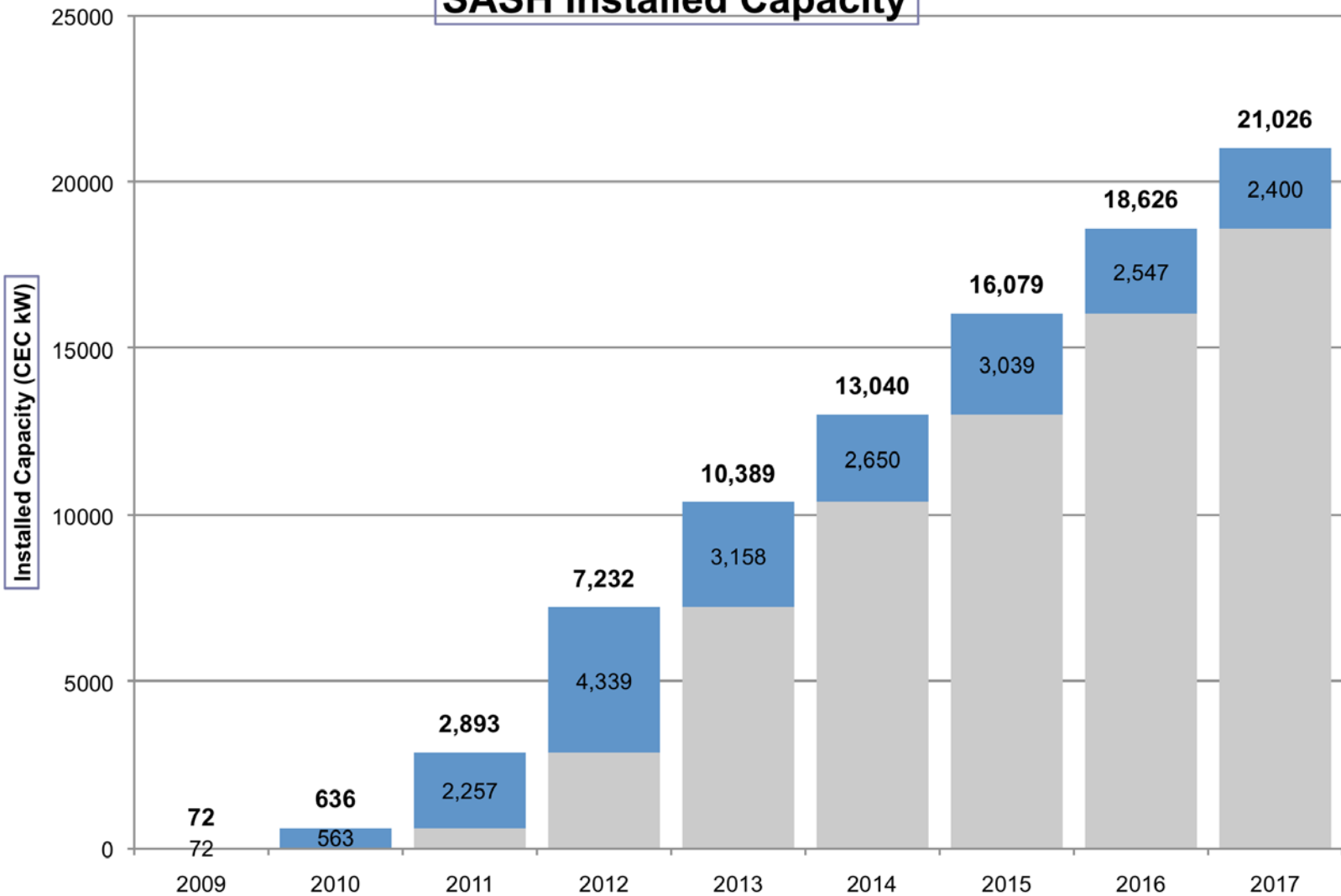
MASH Installed Capacity

■ Cumulative Installed ■ Annual Installed



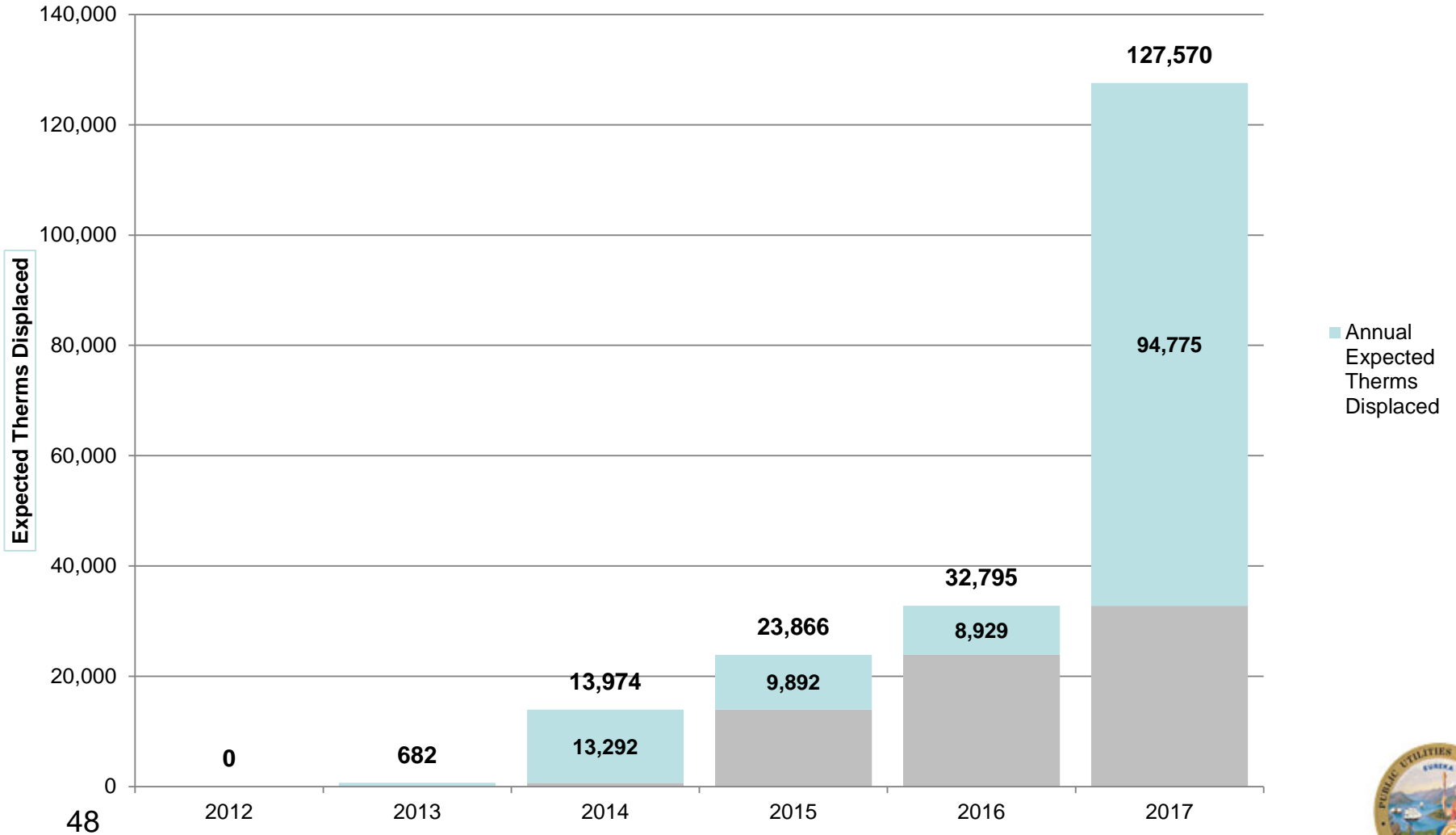


SASH Installed Capacity



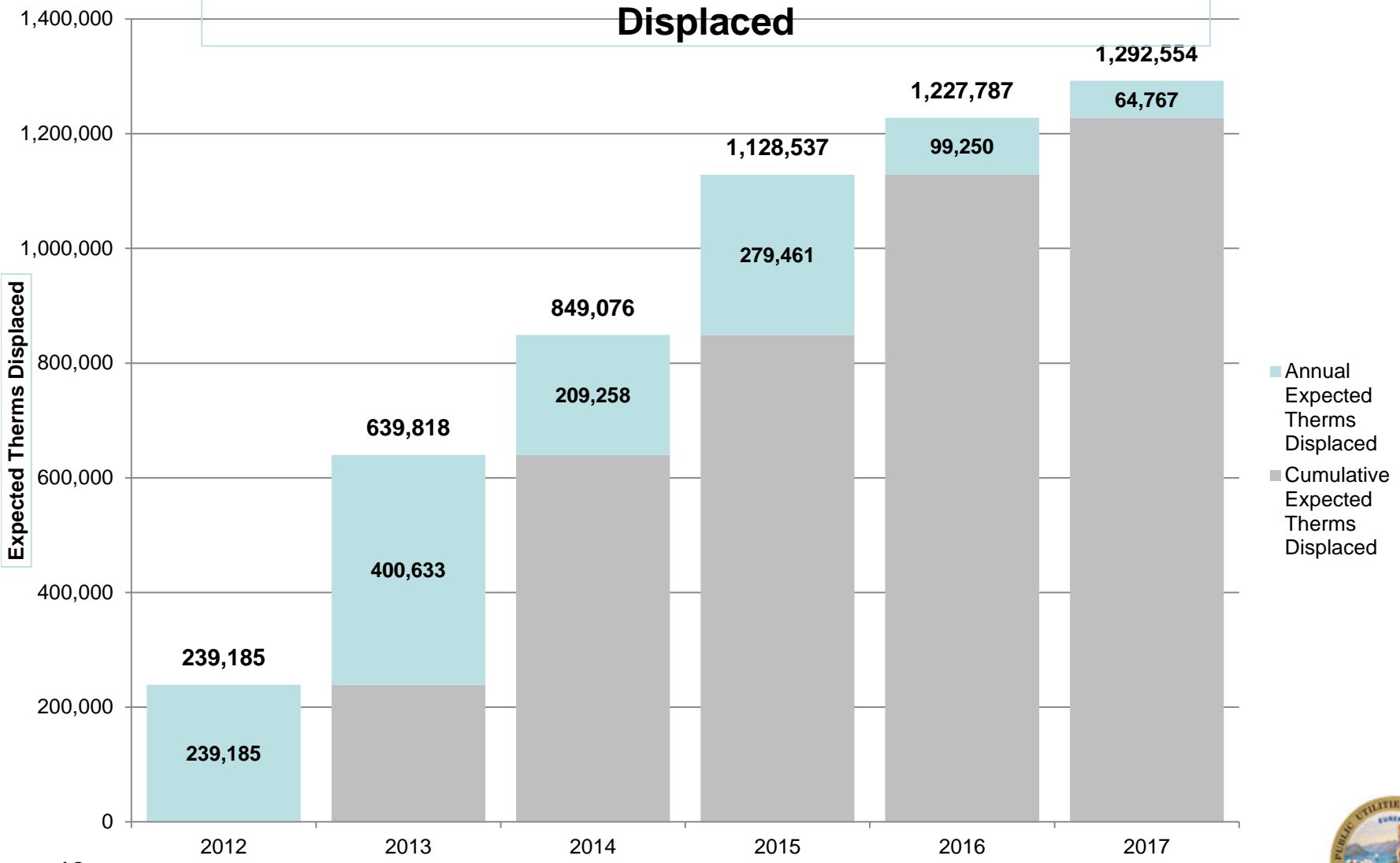


CSI Thermal Low Income Single Family: Expected Therms Displaced





CSI Thermal Low Income Multifamily: Expected Therms Displaced





San Joaquin Valley Baseline

- Within the 170 communities meeting the statutory definition of disadvantaged communities in the San Joaquin Valley, there are approximately 891,000 households, and approximately 862,000 have gas service and 29,000 do not. That is, approximately 3% of households currently lack access to natural gas.





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Ensuring Disabled Access to Transportation Services

- Transportation services operate in a highly competitive market, but many vehicles lack disabled access.
- R.12-12-011 is scoped to help ensure greater disabled access (Track 5, Phase 3b).
- Success measures include (1) greater disabled access vehicle availability and (2) more trips for those requiring disabled access vehicles.





“Consider the Impacts...”

How should we measure this sub-element?





Compliance with Strategic Directive 05

- CPUC staff believe the organization is substantially in compliance with SD-05.





Questions?

