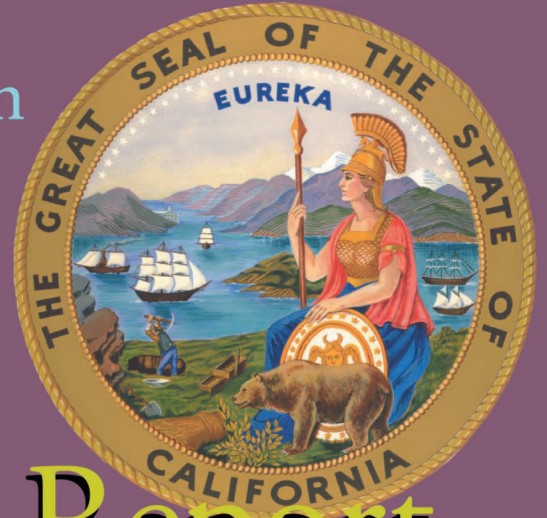


California

Public Utilities Commission

2000-2001

# Annual Report



California

Public Utilities Commission



# Annual Report

2000-2001

## California Public Utilities Commission

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## *Role and Responsibilities*

### *of the California Public Utilities Commission*

Founded in 1911 by constitutional amendment as the state Railroad Commission, what is today the California Public Utilities Commission has been responsible since then for ensuring that California utility customers have safe, reliable utility service at reasonable rates, protecting utility customers from fraud, and establishing programs and policies that contribute to a strong California economy. In fiscal year 2000-01, the industries that the Commission regulates were paid \$38 billion in rates.

From its roots in the national railroad expansion and the Populist-era drive to balance public and private interests, the CPUC is recognized nationally for its innovative regulatory practices, and is a national leader among state regulatory bodies.

The Commission regulates privately owned electric, natural gas, telecommunications, water, sewer, railroad, rail transit, and passenger transportation companies. It does not regulate municipal or district-owned utilities, or mutual water companies.

The Commission establishes rates for utility companies and has broad regulatory powers. It sets standards of service and safety for utility and transportation services, monitors the reliability and safety of their operations, oversees markets to prevent anti-competitive activity, oversees the merger and restructuring of utility corporations, and evaluates major utility investment proposals when utilities seek rate increases to finance those projects. It works with other state and federal agencies to assure water quality, and protect the environment. And it implements programs to assist low-income utility customers, and to provide telecommunications services for customers with disabilities.

To produce and deliver vital products, such as telecommunications, gas, electricity, and water services, costs money, so utilities have a right to charge consumers for what they use. Moreover, the owners and stockholders of these utilities expect a return on their investments. The Commission ultimately serves as an intermediary, balancing the public interest in obtaining adequate, reliable and safe products and services with utility stockholders' expectations of a fair profit on investment.

To protect consumers, the CPUC prosecutes unlawful utility marketing and billing activities, governs business relationships between utilities and their affiliates, and resolves complaints by customers against utilities.

The CPUC also implements energy efficiency programs, and enforces the California Environmental Quality Act as it applies to utility construction programs.

The CPUC participates in regional and multi-state issues forums to advocate California's interests, and helps shape federal public policy by participating in federal proceedings when issues that affect California utility customers' rates or services are at stake.

## *Commission Decision-making*

The Governor appoints the members of the Commission, which is made up of five persons, to six-year staggered terms; each must be confirmed by the Senate. The Governor appoints one of the five to serve as President. Commissioners make all final policy, procedural and other decisions.

The Commissioners are supported in their work by a staff of 964 economists, engineers, auditors, investigators, administrative law judges, accountants, lawyers, safety and transportation specialists and support personnel.

The Commission has a variety of fact-finding and decision-making tools it may use separately or in combination. It relies on evidentiary hearings when material issues of fact are in dispute, legislative-style and “paper” hearings for policy considerations, and informal workshops for open discussion among technical experts. It establishes its own procedures according to statute and to provide due process for those affected by its decisions. It has quasi-legislative and quasi-judicial authority in that it establishes and enforces administrative regulations and, like a court, may take testimony and subpoena witnesses and records.

The Commission initiates investigations and rulemakings to explore broad policy issues, modify procedures, investigate allegations of illegal utility activity or respond to legislative requirements. Regardless of the decision-making tools applied, the Commission’s decision-making process is open, and the Commissioners make the ultimate decision. The Commission attempts to involve and make its decision-making processes accessible to the public at large, while rigorously analyzing issues before it makes decisions. It encourages participation of all affected parties in its decision-making process and provides a Work Plan that outlines the goals and priorities and describes the proceedings and issues it will work on during the year.

The Commission meets in public session approximately every two weeks to vote on an average of 50 items on a publicly noticed agenda. In most cases, the agenda items are written documents developed from a body of information open to public challenge and scrutiny, with opportunities for comment by interested stakeholders and consumers. The exceptions are items considered in Executive Session which relate to agency litigation, personnel, and other confidential administrative matters.

## Commissioners

### *President Loretta Lynch*

Governor Gray Davis appointed Loretta Lynch to be President of the California Public Utilities Commission on March 22, 2000.

Since her appointment as Commission President, she coauthored a report in August 2000 for the Governor that was among the first of its kind, providing a comprehensive analysis of the causes of the State's energy crisis, the history of California's deregulation experiment, and recommendations to solve the crisis. Since energy prices spiked in early summer 2000, President Lynch has been a leader in the evolution of State energy policies with regard to energy efficiency programs, financial protections for the cash-strapped utilities, low income customer rate discounts, natural gas infrastructure, and transmission line siting. She led the CPUC's efforts to protect California from anti-consumer proposals in PG&E's federal bankruptcy proceeding, intervened before the Federal Energy Regulatory Commission on issues relating to price gouging by power sellers, and developed legislation to address dozens of energy issues.

Prior to her appointment to the CPUC, President Lynch was director of Governor Davis' Office of Planning and Research (OPR).

President Lynch holds a degree from Yale Law School, and prior to joining public service was a partner in the litigation firm of Kecker & Van Nest.



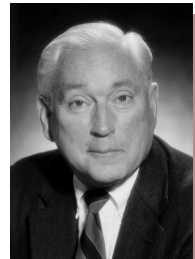
### *Henry M. Duque*

Henry M. Duque originally was appointed to an expired term at the California Public Utilities Commission by Governor Pete Wilson on April 3, 1995. Governor Wilson reappointed him to a full six-year term on December 17, 1996.

Duque is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves as a member of both the NARUC Water Committee and its Committee on International Relations, as NARUC representative to the American Water Works Association Public Advisory Forum, and as a member of the NARUC Board of Directors. He is also a member of the California Institute for Energy Efficiency (CIEE) Research Board and of the National Drinking Water Advisory Council, which is chartered by the United States Environmental Protection Agency.

Prior to his appointment, Duque served as a senior executive for financial institutions and non-profit organizations for most of his career in Los Angeles, and later in the San Francisco Bay Area.

Duque has a B.A. in political science from Stanford University and is a graduate of Indiana University's Graduate School of Savings & Loan and the School of International Building Societies in Oxford, England. He also did graduate work at the University of California Boalt School of Law.



*Commissioners**Josiah L. Neeper*

Josiah L. Neeper was appointed to the California Public Utilities Commission by Governor Pete Wilson on September 20, 1995.

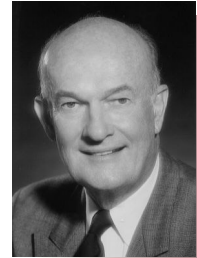
Commissioner Neeper was an attorney practicing in both San Diego and Palo Alto. He served clients from 1960-1995 as a labor relations advisor to management, an anti-trust advisor to business, a business litigator, and as General Counsel both to the University of San Diego and the Zoological Society of San Diego.

He served the City of Los Angeles from 1972-1995 as a member, and more recently as Chairperson, of its Employee Relations Board. He also served the City of San Diego, the Port of San Diego and other local governments as an advisor on labor relations. He was an Adjunct Professor in labor law for 20 years at the University of San Diego School of Law.

He has also been active in community affairs, serving either as director or officer for the National Opera Institute, San Diego's Old Globe Theater, San Diego Opera, Scripps Memorial Hospital, and other arts, health care, and higher education institutions in San Diego and Los Angeles.

Commissioner Neeper has a B.A. in economics from San Diego State College and a law degree from UCLA School of Law.

Mr. Neeper's term ended on January 1, 2001.

*Richard A. Bilas*

Richard A. Bilas was appointed to the California Public Utilities Commission on January 1, 1997, by Governor Pete Wilson, and was elected by his colleagues to serve as President in 1998 and 1999.

Bilas came to the Commission from the University of Oklahoma where he held the John A. and Donnie Brock Chair in Energy Economics and Policy at Sarkeys Energy Center from 1995 to 1996. Prior to that he was a Commissioner with the California Energy Commission for eight years.

He is a member of the editorial board of the Western Economic Association's Contemporary Policy Issues, and the author of three books on economics. He is also a member of the distinguished economic Mont Pelerin Society.

He has been a faculty member at the University of Southern California, University of Colorado, Georgia State University, and California State University - Bakersfield.

Commissioner Bilas has an A.B. in mathematics from Duke University and a Ph.D in economics from the University of Virginia, is a former Fulbright Scholar to the Philippines, and is a member of Phi Beta Kappa. Commissioner Bilas resigned from the PUC on March 8, 2002.



## Commissioners

### *Carl W. Wood*

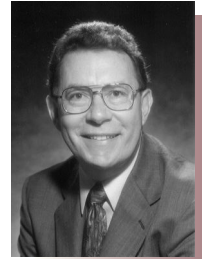
Carl W. Wood was appointed to the California Public Utilities Commission by Governor Gray Davis on June 21, 1999.

Wood worked 10 years in the steel mills of Indiana and California, completing his apprenticeship as an industrial electrician in 1975, and later worked as an electrician at the San Onofre Nuclear Generating Station.

In 1986, Wood was elected Business Agent (Chief Officer) of Utility Workers Union of America (UWUA) Local 246, representing 2000 generating plant workers at Edison. From 1987 to 1997 he also served on the National Executive Board of that union, and in 1997, as UWUA National Deregulation Coordinator, testified before Congressional and state legislative committees on the impacts of deregulation on reliability, consumer prices and worker protection.

From 1994 to 1999, Wood served as Secretary of the Coalition of California Utility Employees, a coalition of unions representing electricity and gas utility workers. From 1998 to 1999, he also served as Chairman of the Southern California Gas Workers Council, a coalition of local unions formed in 1998 to fight deregulation in California's natural gas utility industry.

He attended the University of California at Riverside, and was elected student body president for 1967-68.



### *Geoffrey F. Brown*

Geoffrey F. Brown was appointed to the California Public Utilities Commission by Governor Davis in January 2001.

Born in San Francisco, Commissioner Brown graduated from the University of California at Berkeley 1964, and San Francisco Law School in 1970.

Commissioner Brown was admitted to the Bar in January 1971 and practiced with his father until joining the San Francisco Public Defender's Office in October of 1971.

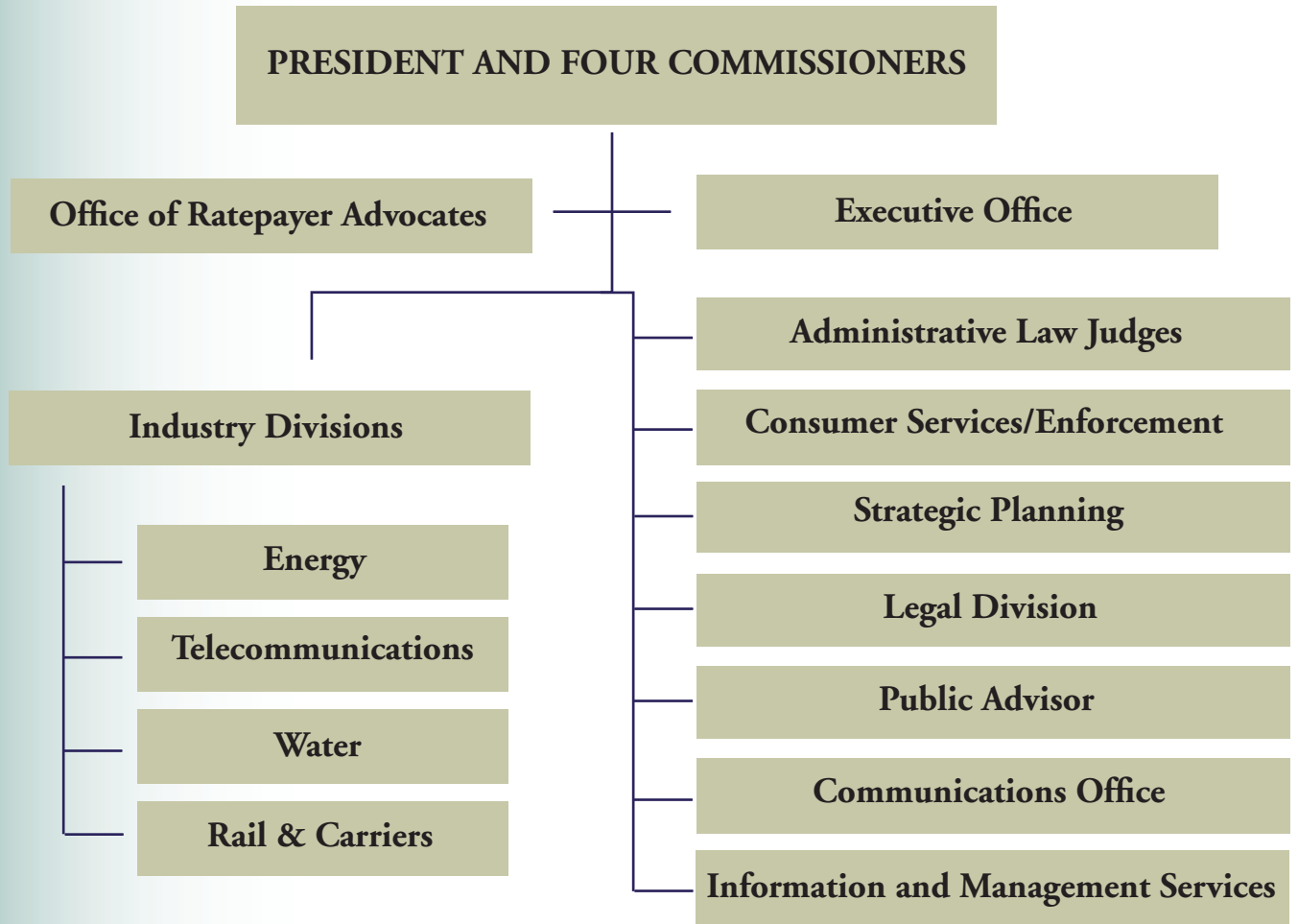
Brown was elected as the Public Defender for the City and County of San Francisco in 1978. He was reelected to this position in 1982, 1986, 1990, 1994 and 1998. Brown also served as Chief Executive Officer of a public law firm that handled legal representation of more than 20,000 people each year. In addition, Brown was an adjunct professor of law at Golden Gate University Law School and the New College of California.





**CPUC**

*Organization*



**CPUC***Organization*

Commissioners make all final decisions. They are supported in their work by a staff of economists, engineers, auditors, investigators, administrative law judges, accountants, lawyers, and safety and transportation specialists, and support personnel.

The CPUC is organized into industry divisions, an enforcement division, and a strategic planning group. The Office of Ratepayer Advocates is an advocacy arm of the CPUC established by the Public Utilities Code to represent consumers in CPUC proceedings. The CPUC Public Advisor assists the public in participating in Commission proceedings, and in resolving complaints against utilities.

CPUC headquarters is in San Francisco, and it has offices in Los Angeles, Sacramento and San Diego.

*Executive Office*

The Executive Office is accountable to the Commission for assuring implementation of its decisions and policies, 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

*Legal Division*

The Legal Division advises Commissioners, advisors 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.

*Administrative Law Judge Division*

The Administrative Law Judge (ALJ) Division supports the Commission's decision-making process by processing formal filings, facilitating alternative dispute resolution, conducting hearings, developing an administrative record, and preparing and coordinating the agendas for the Commission's biweekly decision-making meetings.

*Strategic Planning*

Strategic Planning assists the Commission in analyzing problems and adapting regulatory policies to meet the needs of California's citizens and regulated industries by identifying important regulatory, industry or organizational problems not addressed by other divisions, and reviewing industry trends and developments and associated regulatory impacts.

## *Organization*

### *Energy Division*

The Energy Division advises the Commission 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 and informs the Commission about major developments affecting energy utilities. It assists the Commission in developing rules for and monitoring of competition, and economic regulation of remaining monopoly services, and in implementing regulatory objectives and programs for California's electricity and natural gas industries - with protection for consumers and those with special needs, assurance of continued safe, reliable service, and consideration of environmental issues.

### *Telecommunications Division*

The Telecommunications Division assists the Commission in developing and implementing policies and procedures to facilitate competition, when in the interest of consumers, in all telecommunications markets, and addressing regulatory changes required by state and federal legislation. Once telecommunications markets are fully competitive, with necessary consumer protections, its ongoing role will be to assist the Commission in ensuring: the provision of telecommunications networks where there are many competing service providers using a variety of technologies; ensuring fair, affordable, universal access to necessary services, with special emphasis on preserving universal access; developing clear rules and regulatory tools to allow flexibility without compromising due process; and reducing or eliminating burdensome regulation.

### *Water Division*

The Water industry for the foreseeable future is likely to remain a natural monopoly. The Water Division investigates rate increase requests from the 150 smaller (less than 10,000 service connections) 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. Auditors assigned to the Water Division also perform accounting, auditing, and financial analysis as requested by other industry divisions.

### *Rail Safety and Carriers Division*

The Rail Safety and Carriers Division assists the Commission in promoting public safety and protecting consumers through its regulatory authority over railroads and light rail transit systems, motor passenger carriers, vessel carriers, and household goods carriers. The Division ensures they operate safely, legally, and in the public interest. It also maintains liability insurance filings of for-hire water vessels and commercial air carriers operating only in California, and takes appropriate enforcement action against passenger carriers when they engage in unfair or illegal business practices harmful to consumers, and oversees railroad and light rail transit system safety and operation and maintenance by reviewing safety plans, conducting safety inspections, and investigating accidents.

## *Organization*

### *Consumer Services*

The Consumer Services/ Enforcement Division assists the Commission in developing and enforcing consumer protection rules in all regulated industries, facilitating consumer awareness in competitive markets by providing information and education consumers need to make informed choices regarding competing service providers, and alerting the Commission to consumer problems it needs to prevent or address. The Division also oversees consumer education programs.

The Division's Consumer Affairs Branch answers general questions about utility services and helps consumers resolve informal complaints about utility service or unfair utility practices, and reports trends in consumer issues and complaints to the Commission for possible action. The Utilities Safety Branch oversees the safety of and inspects electric, propane, and natural gas systems to ensure that these systems operate safely. The Enforcement Branch investigates utility practices for compliance with applicable tariffs, rules, and statutes, and provides advocacy support on a selective basis for consumers filing formal complaints.

### *Public Advisor*

The Public Advisor's Office provides information and assistance to people who want to participate in Commission proceedings or who wish to file formal complaints regarding utility service. It also organizes public participation hearings on key Commission proceedings around the State so that citizens can express their opinions on issues of interest in their communities. In addition, Outreach Officers in Los Angeles and San Diego provide public, community, and local government access to information about CPUC services and programs.

### *Information and Management Services Division*

The Information and Management Services Division integrates and facilitates CPUC 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 CPUC management.

### *Office of Ratepayer Advocates*

The Office of Ratepayer Advocates (ORA) independently participates in Commission proceedings, workshops and other forums with significant dollar impact on consumers and that address consumer protection issues, development of fair rules for competition, service quality, rate levels, rate of return, and other significant policy issues. ORA's mission, as defined by Senate Bill 960 in 1996 and embodied in Public Utilities Code 309.5, is to "obtain the lowest possible rate for service consistent with reliable and safe service levels."

## *Community Outreach and Consumer Assistance*

During 2000-2001, assistance to the public was principally provided by the Consumer Affairs Branch (CAB) in the Consumer Services Division and by the Office of the Public Advisor in the CPUC Executive Office. The events of 2000-2001 that are commonly called “the energy crisis” had major impacts on the workload of both offices. Unprecedented numbers of written, electronic and telephone communications were received regarding specific events in the crisis as well as general concerns about rising utility rates, customer service and a host of policy issues before the Commission.

The Consumer Affairs Branch (CAB) handles specific complaints from residents and businesses about utility service or billing. Representatives work with the consumers and the utilities to resolve disputes informally. The 2000-2001 period saw a large increase in consumer complaints relating to telecommunications and energy utility services and billing as a result of energy deregulation and the recent proliferation of telecommunication providers.

CAB solves over 90 percent of complaints informally. If, however, a customer is not satisfied with the result, a formal complaint may be filed with the Commission. The Office of the Public Advisor provides procedural assistance to customers who wish to file a formal complaint, which is then heard by an Administrative Law Judge.

The Public Advisor’s Office was created by legislation specifically to assist the public to participate in Commission proceedings both through the formal complaint process and also as intervenors (parties) in Commission proceedings. As such, it provides “The Guide to Public Participation” as well as staff assistance to individuals, ad hoc groups, and established organizations who need help with procedural matters involved in participating effectively.

Over the years, the Public Advisor’s Office, both in San Francisco and Los Angeles, has become the main point of contact for consumers who need information on a wide variety of subjects or who wish to register their opinion or concerns with confidence that the Commissioners will be informed of their communication. During 2000-2001, there were numerous periods when hundreds of calls, cards, emails or letters would be received in a day or a week in the Public Advisor’s Office on controversial issues such as the rate design, the rate spike in the San Diego Gas & Electric service territory, or on other issues such as baseline. The Public Advisor’s Office would obtain accurate information from the relevant CPUC divisions, respond to the public as appropriate, keep count of form letter communications and circulate the individual communications and totals of form letters to the Commissioners and their staffs on a regular basis. Those communications would then be forwarded to Central Files where they became part of the permanent record of the related proceeding.

Another important responsibility of the Public Advisor’s Office is to assist in organizing and running the Public Participation Hearings (PPH), which are scheduled in local communities in connection with Commission proceedings. Working with the Administrative Law Judge Division, CPUC technical staff and local communities, the Public Advisor helps identify the most accessible locations and serves as on site staff to assist the public in signing up to speak at the hearings. Over 65 PPHs were held around the state during this period.

The 2000-2001 year was unprecedented in its challenges to the CPUC branches charged with assisting the public and receiving and disseminating their comments, concerns and complaints in response to Commission actions and to the headlines in the media.

*Community Outreach and Consumer Assistance*

In meeting these challenges, the Consumer Affairs Branch, the Public Advisor's Office and the Public Information Office have worked together successfully as the fiscal year ended to improve internal communication, improve the quality and efficiency of responses and solutions, streamline public procedures, upgrade the consumer portion of the CPUC website and build a strong team committed to helping the public in the best possible ways. As a result of this experience, the Commission is planning to join the three offices together in a new Communications Division signifying a strong CPUC commitment to responsiveness and assistance to the citizens of California.


**Accomplishments 2000-2001**
**Consumer Information and Education**

- The CPUC website provides information about CPUC programs and services available to the public. In FY 2000-2001, the average number of visitors to the site was 2,500 per day. A comprehensive program to update the Consumer Help section was undertaken in the fiscal year. Improvements in ease of access and accuracy of information were immediately noticeable and are continuing.
- Electric Education Trust: Grants totaling \$8.5 million have been awarded to 113 community-based organizations statewide to provide consumer information on electric services, energy conservation, and low-income customer discount programs. Grants totaling \$400,000 were provided to local governments for the same purpose.
- CPUC outreach to community-based organizations and constituency groups is done in several languages, and the CPUC has non-English-language and TTY services on consumer help lines and at public participation hearings.
- The CPUC Outreach Officers of the Public Advisor's Office, located in Los Angeles and San Diego, spoke to dozens of organizations during 2000-2001, disseminating basic consumer information, explaining issues relating to the energy crisis and assisting local and state government representatives with information. The Outreach Officer in Los Angeles also prepared many consumer oriented handouts for CPUC staff to use when meeting with the public
- The Commission is an active participant in Operation Lifesaver, a non-profit educational program dedicated to reducing and eliminating trespasser casualties on railroad right of way and accidents at highway railroad grade crossings. The Commission's commitment to Operation Lifesaver remains strong through both leadership and partnership. During the fiscal year the Commission appointed a full time Operation Lifesaver coordinator to analyze data to determine hazardous locations and then marshal resources from within and outside the agency to educate civic groups, schools, bus and truck drivers, and law enforcement personnel. This leadership has melded the Commission commitment with that of 145 active presenters in California. From July 2000 through June 2001, the combined effort resulted in 2,608 educational presentations to 201,000 recipients in the State.

*Community Outreach and Consumer Assistance***Answering Consumer Questions and Resolving Complaints**

- 140,000 utility consumers phoned the CPUC with questions or concerns. Serious concerns were registered as complaints, more than 47,000 of which were resolved, resulting in \$2.2 million in utility bill adjustments for customers.
- 1,188 complaints were received from customers of household goods and passenger carriers of which 1,131 were closed, resulting in refunds of \$265,200.

**Assisting Public Participation in CPUC Proceedings**

- The Commission awards compensation to members of the public who participate in and contribute substantively to CPUC decisions. In the fiscal year, the Commission awarded \$2,672,860 in intervenor compensation; it has awarded a total of \$19.2 million over the past 20 years

**Hearing Public Comment**

- The CPUC, through the Office of the Public Advisor, solicited public ideas and comments on current energy and telecommunications issues at 19 problem-solving sessions across the state in 2000-2001.
- CPUC Commissioners and staff participated in 20 Town Meetings statewide, which were sponsored by state legislators, local government agencies, and civic organizations, dealing principally with energy issues.
- The Commission has several Advisory Boards composed of members representing consumers, utilities, and community-based organizations, including: The Electric Education Trust Committee, Universal Lifeline Telephone Service Administrative Committee, and the Deaf and Disabled Telephone Program Administrative Committee. The purpose of these boards is to give advice to CPUC staff about these public program operations.
- The Public Advisor's Office of the CPUC organized 65 Public Participation Hearings throughout the state to enable individuals and groups to offer their opinion on the record about specific issues being addressed by the Commission.
- The Public Advisor's Office functions as the Commission clearinghouse for citizen questions, opinions, protests and complaints on issues before the Commission. The Public Advisor's Office responded to an average of 1,000 phone calls and 2,500 emails and letters every month from consumers with questions, protests, and complaints about issues before the Commission.

## Regulatory Achievements

### Energy

Fiscal Year 2000-2001 saw the Commission taking aggressive action to help the state through the worst electricity crisis in its history. Due to actions by wholesale generators and providers of wholesale power, California electricity consumers were hit with blackouts, unprecedented price increases, damage to the economy, and great uncertainty about California's energy future. The Commission stepped up to the plate, protecting utility operational health within the constraints of the law, protecting low-income customers, implementing new energy efficiency measures and voluntary interruption programs to keep demand down, investigating wholesale generators, inspecting plants taken out of service, recommending new transmission investments, ensuring an orderly transition to the Department of Water Resources' (DWR) taking responsibility for buying power for utility customers, and representing California's interests in key Federal regulatory forums.

The Commission continued its commitment to ensuring a healthy natural gas infrastructure providing service at reasonable rates.



### Electricity

#### Priorities

#### Reduce California Electricity Rates and Increase System

- Setting Reasonable Rates and Protecting Consumers
- Energy Efficiency Programs and Incentives
- Improving System Reliability and Adding New Power Supplies
- Promoting Utility Financial Integrity

#### Industry Overview

- 10,228,448 Customers
- \$16,781,152,000 in Revenue
- 33,347 Miles of Transmission Lines
- 162,768 Miles of Distribution Lines



*Regulatory Achievements***Accomplishments 2000-2001****Responding to the Immediate Crisis**

Wholesale electricity prices rose drastically throughout the summer of 2000 and into the fall. Because utility rates continued to be frozen under the restructuring legislation passed in 1996, utilities were collecting far less in rates than they were spending to buy power to keep the lights on. The Commission took a number of steps within the constraints of the law to keep the utilities operating.

- **Granted electric utilities long-term contract authority August 2000**

Beginning in 1999, the Commission consistently gave rapid approval to the utilities' participation in long-term markets at the Power Exchange, to hedge the risks of relying on spot prices. When the wholesale market began to show signs of manipulation and price spikes, Pacific Gas & Electric (PG&E) and Southern California Edison filed on July 21, 2000 emergency motions for authority to enter into long-term bilateral contracts outside the PX. The Commission granted the authority less than two weeks later, on August 3. San Diego Gas & Electric (SDG&E) followed suit, and received authority to sign long-term bilateral contracts in September. The approvals carried with them the need for the utilities to submit to a standard prudency review after contracting.

- **Rate increases**

Wholesale electricity prices rose steadily throughout the second half of 2000, putting increasing strain on utility financial health and ability to serve. In December 2000, the Federal Energy Regulatory Commission (FERC) unexpectedly removed wholesale price caps, causing prices to soar again and putting the utilities, still under a legislated rate freeze, in a financially untenable spot. The Commission took immediate action, raising prices for the two largest utilities by a temporary one cent per kilowatt-hour while conducting a thorough financial audit of the utilities, and asking parties for legal analyses of the Commission's ability under the law to raise rates still higher to cover the skyrocketing costs.

On March 27, 2001, after public hearings and legal briefing, the Commission again raised rates for customers of PG&E and So Cal Edison, by an unprecedented average three cents per kilowatt-hour, making total rate increases on average for the first three months of 2001 almost 40%. Mindful that such unprecedented rate increases would damage the economy and impose hardship on low-income customers especially, the Commission exempted such customers from the emergency rate increases. The Legislature had already exempted from any rate increases (after January 7, 2001) residential usage up to 130% of Baseline, the quantity of gas and electricity which is necessary to supply a significant portion of the needs of the average residential customer.

The rate increases hit business and agriculture hard, with impacts on the California economy that will be felt for years to come.

On April 8, 2001, after the Commission had already raised rates an average four cents, PG&E filed in federal bankruptcy court for Chapter 11 protection.

## *Regulatory Achievements*

### **Implementing New Energy Efficiency and Demand-Reduction Measures**

The Commission continued its commitment to energy efficiency, allocating \$384 million per year to programs benefiting both large and small customers.

- **Energy Efficiency**

The Summer Initiative used unspent energy efficiency funding from prior years to create seven new statewide programs and eight local projects. Appliance recycling, swimming pool efficiency programs, LED replacement lamps for traffic signals and improvements in UC/USC campus energy usage were several examples of this program that yielded 339 GWH of electricity, 448 million therms of natural gas and 160 MW of peak demand.

Expanded energy efficiency funding provided by the first extraordinary session of the legislature in 2001 resulted in an additional \$97 million for purchase of energy efficient equipments and retirement of inefficient appliances, and replacement of low-efficiency lighting systems. The Commission allocated these funds to expand existing utility programs and through pilot programs to non-utilities such as the cities of San Francisco and Berkeley to improve lighting systems in small retail and commercial buildings in a neighborhood-based approach.

- **Interruptible Programs**

In October 2000, the Commission opened a rulemaking to examine and coordinate the utilities' interruptible programs, which compensate customers who are willing to lower their demand at times when the system is approaching its maximum capacity, especially for the summer of 2001. Phase I authorized three new interruptible programs (Base Interruptible Program, Voluntary Demand Response Program and Optional Binding Mandatory Curtailment) to augment the utilities' existing programs. A few months later, the Commission authorized two more programs (Scheduled Load Reduction Program and Rolling Blackout Reduction Program) to further increase the utilities' array of programs available for customers. By end of June 2001, the utilities had approximately 1,474 MWs of curtailable load from these programs.

In May 2001 the Commission added a new category of essential customers (Category M) to those customers who are already exempt from rotating outages (hospitals, police, prisons, national defense agencies, etc.). To qualify for Category M, customers were required to demonstrate to the Commission that their inclusion in a rotating outage presents unacceptable jeopardy or imminent danger to public health and safety. The Commission granted Category M status to 405 out of 9,500 applicants. Category M status will expire by September 2003.

### **Recommending New Transmission Investments**

In March 2001, the Commission submitted to the Legislature a report titled "Relieving Transmission Constraints: An Overview in Response to AB 970". The report identified 51 existing constraints on California's transmission and distribution, and an additional 107 constraints that would affect the system's reliability from 2002 to 2005. The report recommended that utilities complete 31 projects in 2001, costing \$120 million, to address 38 of the 51 constraints and raise overall capacity by 3,000 MW.

In March 2001 the Commission directed PG&E to propose ways to upgrade the Path 15 transmission corridor in central California and evaluate the environmental impacts.

## Regulatory Achievements

### Facilitating DWR's Power Purchases in Behalf of Utility Customers

Beginning in February 2001, the Commission helped implement AB 1X 1, which permitted the Department of Water Resources to buy power and provide service to the customers of regulated utilities. The Commission established interim mechanisms to allow the utilities to deliver the DWR power and bill customers for DWR.

### Representing California in Key Federal Forums

In September 2000, the Commission held hearings in San Diego to address skyrocketing electricity prices – the first obvious manifestation of what would grow into the worst crisis in the history of the California electricity industry. At the Commission's urging, both the FERC and the US Congress also held hearings in San Diego. Throughout the year, the Commission participated actively in the FERC's investigation of wholesale prices in California.



## Natural Gas

### Priorities

- Reasonable Rates and Good Service
- Adequate Natural Gas Supply
- Prevent Market Abuse
- Promote Utility Financial Integrity
- Improve the Natural Gas Industry Market Structure

### Industry Overview

- 8,731,000 Customers
- \$5,134,296,000 in Revenue
- 11,005 Miles of Transmission Lines
- 90,452 Miles of Distribution Lines

***Regulatory Achievements*****Accomplishments 2000-2001****Reasonable Rates and Good Service**

- The CPUC reviewed 250 gas-related advice letters in 2000-2001. In April 2000 the Commission reduced rates for SoCalGas and SDG&E customers by \$200 million, equalizing gas rates to encourage investment and improve efficiency in the southern California market.
- In September 2000, the CPUC approved a settlement between its Consumer Services Division and SoCalGas related to the accuracy of information provided by the Company to the CPUC. The CPUC required SoCalGas to make a payment of \$3.5 million to the State's General Fund
- In January 2001, the Commission issued a report that evaluated the SoCalGas Company Gas Cost Incentive Mechanism, which provides SoCalGas with an incentive to purchase gas at low cost. A decision is pending on whether to continue the mechanism.
- In May 2001, the CPUC found that SDG&E had overcharged small gas customers by \$1.7 million, and ordered that this money be returned to those customers.

**Adequate Natural Gas Supply and Infrastructure**

- In July 2000, the Commission completed its approval of Lodi Gas Storage, a new gas storage field in California. Operation is expected to begin in late 2001.
- In November 2000, the CPUC began an investigation into the adequacy of SoCalGas' and SDG&E's gas transmission systems to serve customers. A CPUC decision in this proceeding is expected in 2002.
- In January 2001, to ensure PG&E's ability to purchase gas for delivery to its small gas customers, the Commission authorized the utility to provide additional financial security to its own gas suppliers.
- The CPUC worked with SoCalGas to add 70 million cubic feet per day (MMcfd) of transmission capacity to the SDG&E system in early 2001, and to begin work on 375 MMcfd of additional SoCalGas transmission capacity, which was completed in early 2002.
- In April 2001, the CPUC held a major workshop on the adequacy of natural gas infrastructure in California. The Commission is in the process of preparing a report to the Power Authority and Legislature, the California's gas infrastructure needs which will assess demand over the next five years.
- In June 2001, the CPUC approved the closure of the SoCalGas Montebello Gas Storage Field. This storage field was not needed and closing it added 50 Mmcf gas supply to the SoCal Gas supply system and resulted in a \$44 million rate reduction for SoCalGas customers.
- In June 2001, the Commission approved capacity upgrades to SoCalGas' Aliso Canyon and La Goleta Storage Fields, which will allow withdrawal of inexpensive cushion gas and produce significant cost savings.
- The CPUC approved an energy efficiency program with \$62 million devoted to enhancing natural gas efficiency.

## *Regulatory Achievements*

### **Prevent Market Abuse**

At the FERC, the CPUC is litigating a complaint against El Paso Natural Gas and its affiliates, alleging manipulation of natural gas prices in California from March 1, 2000 through May 31, 2001. This price manipulation cost Californian's at least \$3.6 billion in higher gas cost prices, which in turn contributed to unreasonable wholesale electricity prices. The FERC is expected to issue its final decision in this proceeding in 2002.

### **Improve the Natural Gas Industry Market Structure**

- In the summer and fall of 2000, the CPUC completed its investigation into proposed options for improving the gas market structure in southern California. The CPUC is expected to issue its final decision on the revised market structure in late 2001.
- In March 2001, the CPUC initiated a proceeding to determine if the gas curtailment rules for PG&E and SoCalGas were appropriate. The CPUC later found that at that time no changes to those rules were needed. In February and May 2000, as part of its comprehensive investigation into improving the natural gas industry structure and rules in California, the Commission approved measures to make PG&E's gas transmission system more reliable and easier to use by its customers, and to allow for more competitive opportunities in gas billing and metering.
- In June 2001, the CPUC adopted revised gas curtailment rules for SDG&E, to assure that SDG&E's largest customers would be the first affected by any supply shortage.
- For 2001, the Commission adopted a "peaking rate" for SoCalGas, eliminating the residual load service (RLS) tariff. The RLS tariff was viewed as being anti-competitive towards new interstate pipelines.

## Regulatory Achievements

### Telecommunications

During 2000 and 2001, the Commission focused on consumer protections in a competitive telecommunications industry as it continues to examine policies that promote the development of competition beneficial to consumers in California in order to promote lower prices, innovation and improved service quality.

The number of carriers in the local markets continued to expand during the 2000/2001 period although the economic downturn of mid-2001 saw many carriers merging or going out of business. The wireless industry accounted for the largest growth area in the telecommunications markets. Customer demand for wireless services, new market entrants and numerous calling plans and options have resulted in a 50% increase in wireless subscribership for the fiscal year.



### Telecommunications

#### └ Priorities

- Consumer Rights
- Universal Service
- Reasonable Rates
- Area Codes Management
- Approve New Services and Facilitate Competition

#### └ Industry Overview

- 35,932,275 Access Lines
- 58,454,217 Numbers Assigned
- \$14,447,394,931 in Revenue
- 1,821 Certified Carriers

## Regulatory Achievements

### Accomplishments 2000-2001

#### Consumer Rights

In early 2000, the Commission issued a rulemaking proceeding to establish consumer rights and consumer protection rules applicable to all telecommunications utilities. Consumer rights were identified as the right to:

- Clear and complete disclosure of the terms and conditions of service,
- Choice of service vendor,
- Privacy of personal information and intrusive communications technology,
- Public participation in public policy proceedings,
- Oversight and enforcement of consumer rights by state and federal regulators, and
- Accurate bills and the opportunity of redress.

After numerous public participation hearings and industry and party input the Commission is expected to adopt interim rules in July 2001. A final decision is expected in 2002.

The Commission is nearing completion of a telecommunications Consumer's Bill of Rights, designed to address the issues raised above.

The Commission helped ensure that consumers are able to make informed decisions when purchasing telecommunications products and services by establishing new rules for notifying customers when carriers increase rates or withdraw service. The Commission also requires carriers with revenues greater than \$10 million per year to make their tariffs available on the Internet.

#### Universal Service

The Public Programs listed below assure low rates and telecommunications services for all Californians (PU Code Sections 270-281). Public Programs have served more than 30 million Californians, funded 3.8 million access lines, assisted 4,200 community-based organizations, provided 400,000 pieces of equipment, and regulated 255,000 public payphones. This year \$820 million in funds support:

- **California Teleconnect Fund (CTF)** - The CTF program funds discounts for information-age technologies to qualifying public schools, libraries, municipal and county-owned hospitals and community-based organizations providing job search services. The fund is capped at \$55 million per year.
- **Deaf and Disabled Telecommunications Program (DDTP)** - The DDTP provides telecommunication devices for the deaf, at no cost, to certified deaf and hearing-impaired telephone subscribers, to any school or organizations representing the deaf or hearing-impaired and to state agencies having significant contact with the public. It also funds third-party intervention, providing deaf and hearing-impaired residents 24-hour access to the public switched telephone network. The DDTP program also provides specialized telecommunications equipment to consumers with hearing, vision, mobility, speech and cognitive disabilities.

## *Regulatory Achievements*

- ***Payphone Service Providers Enforcement (PSPE)*** - The PSPE provides enforcement of payphone rules through inspections of payphones throughout the state.
- ***The California High Cost Funds-A & B (CHCF-A & B)*** - The high cost funds subsidize telecommunications carriers for providing service in high cost areas of the state where the rates for the service do not cover the costs. The CHCF-A provides supplemental revenue to the small local exchange carriers and also helps reduce the disparity between their rates and those of the larger carriers. The CHCF-B provides supplemental revenue to the larger telecommunication carriers such as SBC, Verizon and other designated carriers of last resort.

### **Reasonable Rates**

The Commission began its first comprehensive regulatory audit of Pacific Bell since implementation of the New Regulatory Framework in 1990. The audit scope included a review and evaluation of Pacific Bell and its affiliate procedures, policies, and practices for 1997, 1998 and 1999 regulatory periods. At stake are potentially hundreds of millions of dollars. The findings and recommendations of this audit, which is expected to be completed in early 2002, will be submitted to the Commission in a future rulemaking.

### **Managing Area Codes**

The CPUC continues to protect consumers from the cost and confusion of unnecessary implementation of new area codes by assuring efficient use of numbers by carriers (Public Utilities Code sections 7930-7943). With the implementation of number pooling where carriers meet their number resource needs with thousands blocks instead of whole prefixes composed of 10,000 number blocks, wire line carriers have largely meet their numbering needs through donated thousands blocks. The FCC will require wireless carriers to number pool next year.

Pooling has saved 4,520,000 numbers and 11 area codes, encouraged carriers to return 444 unused prefixes in 2000 and 559 prefixes in 2001, and extended the life of 13 area codes previously designated for split. From 1997-1999 13 new area codes were established. Commission policies have resulted in no new area codes since 1999.

The Commission completed 8 area code number utilization studies and 1 area code utilization audit during this fiscal year.



## *Regulatory Achievements*

### **New Services and Competition**

The CPUC manages entry and exit by competitive telecommunications companies into the market to protect consumers, and assure the benefits of emerging technologies and services. This year the Commission approved 100 new service and feature offerings, and 900 interconnection agreements between local exchange carriers and competitors to permit competitors access to the network so that they can provide new services. Even with these successes, there are other challenges which the Commission is addressing:

- ***Unbundled Network Elements*** - In response to applications filed in February 2001 by competitive local exchange carriers (CLECs) to lower the rates of telephone network facilities that CLECs lease from Pacific Bell for use to offer their own competitive services, the CPUC initiated a proceeding to investigate the CLECs' requests. The Unbundled Network Elements (UNEs), as these leased network facilities are commonly called, were established in 1999 by the Commission. In their applications, the CLECs contend that the underlying costs for these UNEs have undergone significant reductions in recent years. As a result, the prices for these UNEs should correspondingly be lowered. The CPUC announced the consolidation of these applications into a single proceeding for the purpose of reexamining the costs of the loop and switching UNEs
- ***Pacific Bell's Long Distance Application*** - In July 1999, Pacific Bell filed a "Notice of Intent" with the CPUC that it would seek approval under the Section 271 of the 1996 Federal Telecommunications Act (Act) to offer long distance services. The Act provides that the FCC may grant such authority to an ILEC when it has opened its monopoly local market such that its competitors have a fair opportunity to compete in the market. Because a competitive local market will ensure that consumers will enjoy more choices of service providers, features and prices, the CPUC is investigating Pacific Bell's 271 compliance and when concluded will advise the FCC of its findings. In parallel and concurrently, the CPUC is assessing Pacific Bell's compliance with California PU Code 709.2, which set out four similar conditions that ensure California consumers will benefit from fair competition in both the local and long distance telecommunications markets. In determining whether Pacific Bell's request to provide long distance service is in the public interest, the CPUC has:
  - Adopted a comprehensive set of performance measurements, standards and business procedures to monitor Pacific's non-discriminatory provision of services to CLECs.
  - Adopted UNE rates.
  - Concluded a "third-party" test of whether Pacific gives CLECs the same access to its customer and operating databases and network systems that it provides to itself and its affiliates.

## Regulatory Achievements

### Water

Regulated water utilities in California consist of two types: large, corporate run utilities and small, family-owned systems, many of which have problems with service quality, water quality or both. Large water systems are those which have 10,000 service connections or more. Small systems are less than this with many under 1,000 service connections.

In 2000-2001, the Commission enhanced its commitment to water and service quality by increasing its outreach to small companies that have not come in for rate increases recently. This program provides staff to assist the small utilities in determining if they need an increase in rates to maintain or improve quality and how much that increase should be. A key part of this effort is the Commission working more closely with the California Department of Health Services and county health agencies to identify and rectify water quality problems before they happen. The Commission is also partnering with the National Regulatory Research Institute to use sophisticated analytical techniques to identify troubled systems early and step in to provide solutions.



### Water

#### Priorities

**Reliable, Reasonably-priced Water Service**  
**Safe Water Quality**  
**Adequate Water Supply**

#### Industry Overview

- 6.8 million Customers
- 149 Water and 9 Sewer utilities
- 20% of California drinking water
- \$800,000,000 in Revenue

***Regulatory Achievements*****Accomplishments 2000-2001****Reliable, Reasonably-priced Water Service**

- Protecting the Town of Keene. When the Union Pacific threatened to cut water off to the town of Keene, a water stop on UP's route, the CPUC obtained an order from the Kern County Superior Court requiring the railroad continue water service to the residents of Keene, including the National Farm Workers Service Center, until some other entity can take over.
- The Commission sets rates following audits to assure they are reasonable (PU Code Section 314.5). In 2000-2001 the CPUC processed 295 water and sewer service advice letters, 79 of which resulted in rate increases.
- The CPUC assists utilities in obtaining loans from the state Safe Drinking Water Revolving Fund to upgrade their systems. In 2000-2001, 3 utilities received loans.
- The CPUC determined through audits that some utilities receiving loans had diverted to other purposes customer payments meant to repay State Drinking Water Act loans. The Commission issued three Orders to Show Cause why these systems should not be turned over to a court-appointed receiver to assure that customer rate payments are properly used to repay the loans.

**Safe Water Quality**

- ***Donner Lake*** - One of the most visible instances of water and service quality problems took place near the town of Truckee, at Donner Lake Water Company. The owner of this small system had been trying for years to build a water treatment plant to filter lake water to service his customers. Due to easement problems, the company had not been able to secure a location for the plant or easements for the pipelines it required. In the meantime the facilities of the system, which were old to begin with, began to fail with increasing frequency until, during the summer of 2000, parts of the system, at the highest elevations, actually had no water at all. The California Department of Health Services imposed a "boil-water" notice. The customers, irate at being told to boil their water, demanded an explanation.

During a series of public meetings the two state agencies and the water company had to answer to the citizens for known delays in finding problems and improving the system. Additionally, a nearby water district, which had refused to buy the system ten years earlier, now expressed an interest in taking over. This district had adequate groundwater to service the Donner Lake customers, without the filtration plant. Through coordination with the Commission and the company, the District filed to condemn the system, and took over operation in early 2001. Although the sale has not been consummated, the customers now have a safe, reliable supply of water.

## *Regulatory Achievements*

- ***Water Quality Investigation*** - In March of 1998, in response to numerous civil lawsuits filed in Los Angeles and Sacramento alleging the drinking water delivered by water utilities caused death and personal injury to customers, the Commission opened an investigation. In November of 2000 the investigation terminated with the determination that, after reviewing 25 years of water quality data, all but one of the large regulated utilities were in compliance with Federal and State drinking water standards

A major outcome was the determination by the CPUC, after hearing, that, pursuant to the provisions of the Constitution and the Public Utilities Code, it has jurisdiction to regulate the service of water utilities with respect to the health and safety of that service.

- ***Terrorism*** - The CPUC has a program to determine vulnerabilities of water utilities to terrorist attack. In conjunction with the American Water Works Association and the National Association of Water Companies, it is developing guidelines for regulated utilities, and monitor utility implementation of the guidelines.

## **Water Supply**

- California suffers droughts about every 10 years and is overdue for one. The CPUC has developed a set of conservation guidelines for water utilities, with rules that can be invoked, at the request of a utility and with Commission approval, to institute mandatory rationing. In response to the droughts of 1976 and 1988, the Commission has instituted policies that have produced 17.5 - 26% conservation by water utilities.
- The CPUC is reviewing pump efficiencies, revising efficiency standards in light of the energy crisis to incorporate national best practices, and encouraging pumping during off-peak hours - the associated anticipated annual savings are 48,000,000 kWh and \$6.8 million.

## *Regulatory Achievements*

### **Transportation**

The Commission's regulatory role in the transportation sector is to promote public safety by ensuring that railroads and rail transit systems safely, legally, and in the public interest. The Commission is the state's lead agency with respect to railroad and transit safety. In addition, the Commission is responsible for licensing and registering motor carriers of passengers and household goods and acts to prevent the unlawful business practices of these entities.

### **Railroad Safety**

In September 2000, the Commission published its "Annual Report of Railroad Accidents Occurring in California, Calendar Year 1999". This report, a compilation of railroad and rail transit accidents/incidents and casualty data in California reported by the railroads to the Federal Railroad Administration (FRA), transit agencies and the Commission, was distributed to state legislators, railroads, cities, counties, libraries and other safety interested parties.

## **Accomplishments 2000-2001**

### **Rail Inspections**

By law the Commission is required to establish minimum standards to ensure the inspection of railroad locomotives, equipment and facilities in major railroad yards not less frequently than every 180 days, and of all branch and main line track at least once every 12 months. In the fiscal year, staff fulfilled the plan requirements and also conducted significant inspections of other railroad items such as, 31,114 units of equipment and 9,790 miles of track. In addition, staff conducted 228 inspections of facilities that handle hazardous materials, 1,192 inspections related to railroad operating rules, and 3,446 inspections of signal and train control systems. The Commission also handled 143 complaints from railroad employees and the general public.

### **Rail Accident Investigations**

During this period, California freight railroads operated 32.19 million train miles, an increase of 2.2% over the previous period. A total of 494 train accidents involving passenger and freight trains were reported, resulting in 100 fatalities. This compares to 507 accidents and 111 fatalities reported in the previous period.

## *Regulatory Achievements*

Significant accidents investigated by the Commission during the fiscal year included:

- On August 11, 2000, at 11:50 p.m. at an intermodal container transfer facility at the Port of Los Angeles Terminal Island. A Pacific Harbor Line train was shoving cars westward when its lead rail car struck and killed a Burlington Northern Santa Fe Railroad (BNSF) brakeman, assigned to a local road switcher. At the completion of the accident investigation and analysis, the Commission effected changes to improve safety and prevent future accidents. These included having all switch crews operate on one radio frequency, establishing job briefings, and establishing rules to protect employees when making shoves.
- On November 4, 2000, a westbound Amtrak Surfliner train traveling at 60 mph derailed three cars at a Moorpark private crossing. The train hit and demolished a northbound flatbed truck pulling a loaded chipper trailer. The truck driver was killed, the truck passenger sustained serious head injuries, and 28 Amtrak passengers sustained minor injuries. Following the accident, in conjunction with Operation Lifesaver Inc., the Commission initiated a series of bilingual presentations to farm laborers on safety procedures at such crossings. The Commission also analyzed visibility to motorists at the location and had dialogue with the railroad to ensure safety improvements at the crossing.
- On December 7, 2000, at 1:45 a.m., Amtrak Coast Starlight operating from Seattle to Los Angeles collided with a tank car near Black Butte. The Central Oregon and Pacific Railroad (COPR) had failed to secure the tank car on a passing track. As a consequence, the tank car had rolled onto other standing cars causing one to roll off its trucks onto the main line. Amtrak derailed two locomotives and three cars. There were six injuries to passengers and two injuries to the crew. UPRR and COPR made a commitment to the Commission to increase efficiency testing in the area.
- On March 25, 2001, near Layton, south of Fresno, a BNSF freight train derailed 26 cars, causing more than \$400,000 in damages to railroad equipment and structures. The accident was caused by a systemic equipment defect, and BNSF ordered system-wide speed restrictions on such cars pending a repair recall for its entire fleet of such equipment.
- On May 5, 2001, an eastbound UPRR freight train derailed 17 cars while pulling into the siding at Rowen (14 miles east of Bakersfield). The train's rear helper locomotive had shut down while inside a prior tunnel (No. 8). Because of the track curvature and train car make-up, the weight of the stalled locomotive caused the cars to derail and roll down an embankment. Damage was \$550,000. The carrier determined that a computer software failure was responsible for shutting down the helper power and immediately corrected it.

## Regulatory Achievements

### Railroad Safety Assessments

In addition to accident investigations and routine inspection activity, the Commission safety assessments constitute an important element of its overall safety program. The Commission uses a “system safety” approach when conducting safety assessments, analyzing the underlying systemic causes of accidents and regulatory non-compliance. Assessment teams often include staff from the FRA in a cooperative approach to railroad safety. Assessments involved the UPRR, the BNSF, and other railroads and shippers, including the following:

- ***Mechanical Assessment, UPRR, Roseville Yard*** - In January 2001 Commission and FRA inspectors conducted rail car inspections at UPRR’s Roseville Yard as a follow-up to a 12-month audit that began in January 2000. The team inspected a total of 1,068 cars and found 105 of those cars to be defective (9.83% defect ratio), down from 1,841 inspected with 265 defective (14.9% defect ratio) in February of 2000. This was a significant improvement in rail-car maintenance achieved by the railroad over the period of the yearlong audit.
- ***Track Assessment, BNSF, Southern California*** - Commission and FRA Track inspectors conducted an inspection on BNSF between San Bernardino and Los Angeles during the week of March 19th, 2001. The purpose of this assessment was to evaluate the railroads compliance with their track inspection program as well as federal regulations dealing with the Track Safety Standards. Inspectors identified 452 defective conditions on 323 miles of mainline and yard tracks. The assessment team submitted four violations of federal regulations relating to record keeping and compelled BNSF to issue 27 slow orders on portions of track where inspectors identified defective conditions.
- ***Mechanical Assessment, BNSF, Barstow Yard*** - Commission and FRA Motive Power and Equipment inspectors gathered at Barstow during the first week in April 2001 for a comprehensive mechanical audit of BNSF. A total of 1,430 locomotives and cars were inspected, with 295 found defective (20.63% defect ratio). BNSF was advised to develop an action plan to address the high defect ratio, and the commission will follow-up with an assessment to evaluate progress and, if necessary, consider additional enforcement action.
- ***Cajon Pass Train Ride Assessment, BNSF*** - Commission and FRA Operating Practices inspectors conducted a train ride safety assessment over Cajon Pass on BNSF track on April 23-27, 2001. After traveling over 980 miles, inspectors found general regulatory compliance, but 22 exceptions were noted concerning railroad employees deviating from railroad rules or federal regulations. The Commission instructed BNSF to take immediate corrective action to train their crews on correct operating, radio and inspection procedures.
- ***Comprehensive Hazard Materials Safety Assessments*** - The Commission worked with the FRA and other agencies in three comprehensive Hazardous Materials Safety assessments, as follows: (1) April 23-27, shipments of trailers-on-flat-car (TOFC) and containers-on-flat car (COFC) were examined at Ports of San Francisco, Oakland, and Richmond; (2) May 21-25, over 1,000 cars were inspected at BNSF, Barstow; (3) June 25-29, TOFC/COFC shipments were inspected at the Intermodal Container Transfer Facility in Carson. Inspectors identified exceptions during all three of these assessments relating to improper paperwork, placarding requirements, packaging problems and improper train placement. As a result of the inspections, the Commission trained 11 new shippers on state and federal regulatory requirements following a Hazardous Materials Shippers Training Needs Assessment.

## Regulatory Achievements

- **Locomotive Inspections, UPRR, Taylor Yard** - On June 4-7, Commission and FRA Motive Power and Equipment inspectors conducted inspections to assess compliance with locomotive safety standards at UPRR's Taylor Yard in Los Angeles. The inspections disclosed 26 defective locomotives out of 33 inspected (71% defect ratio). Since the initial team inspection, Commission and FRA staff conducted training sessions and UPRR has developed a corrective action plan. Subsequent routine field inspections have not developed satisfactory improvement and Commission and FRA inspectors are planning a follow-up assessment to evaluate progress and, possible additional enforcement action.

### Railroad Local Safety Hazard Sites

In 1997, in Decision 97-09-45, the Commission adopted local safety hazard site rules pursuant to Sections 765.5, 7711, and 7712 of the Public Utilities Code. These rules include requirements for track-train dynamics (the cause of the Dunsmuir derailment), track standards, trackside defect detectors, site-specific training, train securement, whistleblower protection, and end-of-train braking devices.

BNSF and UPRR challenged the Commission's decision in United States District Court, alleging that federal statutes and regulations preempt the Commission's jurisdiction.

On July 20, 2000, the Court issued a ruling affirming that at least one of the sites identified in Commission Decision 97-09-045 qualified as a local safety hazard site. Several of the Commission's rules could also apply to other sites to prevent accidents and were not otherwise preempted under federal law. A few of the Commission's key rules upheld by the court include:

- **Rules Compliance:** The Commission may require railroads to comply with their own train make-up rules at certain identified sites.
- **Track Train Dynamic (TTD) Performance Standards:** The Commission's statistical and multi-faceted methodology used to identify local safety hazard sites is sufficient. States need not prove that sites are "unique," but they may identify sites even though it would be possible to address the hazard with a national uniform standard.

The railroads have appealed the district court's decision and have requested that portions of the local safety hazard site regulations affirmed by the district court be overturned. The matter is pending.

### Federal Proceedings

The Commission continued to represent the state in ongoing federal rail safety related proceedings and was actively involved in the FRA's Power Brake rulemaking in previous years. FRA issued its final rule in Spring 2001 that incorporated many of the Commission's recommendations, including devices to control emergency braking situations on steep grades.

The Commission also filed comments in Surface Transportation Board (Board) Ex Parte 582 (Sub-No.1) "Major Rail Consolidation Procedures." In this rulemaking proceeding, the Board is considering establishing new criteria to evaluate proposed mergers between large carriers. In its comments, the Commission recommended that the Board require merger applicants to adequately determine the full extent of any safety implications associated with the merger, including those that may arise if the merged carrier will operate in a foreign country and possibly outside the reach of federal and state safety authorities.



## *Regulatory Achievements*

### **Rail/Highway Crossings**

The Commission authorizes construction of new rail/highway crossings, closure of unnecessary crossings, and construction of underpasses or overheads at dangerous crossings. There are over 50 railroad corporations using over 10,000 public grade crossings located within 52 counties and 400 cities in California.

The Commission administers the grade crossing program by performing diagnostics reviews of all crossing-related proposals, inspecting the design features of existing crossings, and recommending improvements at existing and proposed crossings. To effectively monitor each crossing in California, the Commission maintains several computer databases describing the design and safety characteristics and accident-related data pertaining to each crossing. The accident data is evaluated on an annual basis to determine which crossings may be unsafe and are in need of improvement. To help prevent the number of crossing-related accidents in California, the Commission seeks the implementation of new technologies designed to enhance crossing safety.

The Commission reviewed over 120 applications during the fiscal year 2000-2001.

- ***Section 130 Program*** - This program provides federal money for improvements to existing at-grade crossings under Title 23 United States Code, Section 130 (23 U.S.C. 130). The program is a cooperative effort between the Federal Highway Administration, California Department of Transportation (Caltrans), and the Commission. Grade crossing improvements funded under the program include crossing gates, lights, bells, and other warning devices. During fiscal year 2000/2001, Caltrans funded \$10 million for local grade crossing improvements and \$5 million for state highway grade crossing projects.
- ***Grade Separation Program*** - Pursuant to federal Streets and Highways (S&H) Code Section 2452, the Commission furnished a priority list for grade separation projects eligible for funding to the California Transportation Commission (CTC) and Caltrans on July 1, 2001. The priority list is based on nominations submitted by cities, counties, the League of California Cities, the County Boards of Supervisors, Caltrans, or any railroad company operating within the state. Projects for (1) grade separation of existing or proposed crossings of city streets, county roads, or state highways, (2) grade crossings in need of elimination or removal or relocation of streets or railroad tracks, or (3) existing separations in need of alteration or reconstruction are eligible for funding. Funding for each project is limited to \$5 million. The total amount of funding available under the program is \$15 million.
- ***Four-Quadrant Gate Systems*** - The Commission granted authority to the Los Angeles County Metropolitan Transportation Authority (LACMTA) to implement an experimental four-quadrant gate system. Installed at 124<sup>th</sup> Street in Los Angeles County (Los Angeles-Long Beach Blue Line), the system has operated successfully for over two years. As a result, the Commission adopted the four-quadrant gates system as a form of grade crossing protection. LACMTA, the Pasadena Gold Line and the East Alameda Corridor plan to add four-quadrant gate systems at several grade crossings within their territories.
- ***Automated Horn System*** - Senate Bill 1491 authorized the Commission to implement, as a pilot program, the Automated Horn System (AHS). The AHS, or wayside horn, is designed to reduce the adverse effects of train horn noise along approaches to grade crossings. The Commission, in cooperation with several cities and railroads, is implementing the AHS at selected crossings and will report the test findings to the Legislature by March 31, 2003.

## *Regulatory Achievements*

- In Roadway Warning Lights. The Commission is the lead agency on the Highway Railroad Crossing Safety Experimental Project. As part of the project, the Commission will study the behavioral characteristics of motorists who are alerted by in roadway warning lights. The Commission will release its findings by March 2004.

### **Railroad Crossing Improvement Projects**

- Alameda Corridor. The Alameda Corridor, a high-speed grade separated railroad freight track, will link the Port of Los Angeles and Long Beach to railroad yards in Central Los Angeles. The Commission worked with the Alameda Corridor Transportation Authority (ACTA) and local agencies to grade separate several at-grade crossings to improve railroad access, motorist safety, traffic circulation and air quality.
- Alameda Corridor East Project. The Commission oversaw the \$912 million corridor-wide improvement project, which covers a 35-mile traffic corridor through the San Gabriel Valley of Los Angeles County between East Los Angeles and Pomona. The project, designed to relieve traffic congestions and safety issues associated with an anticipated two-third increase in rail traffic between 1999 and 2019, will expand global trade, increase commuter rail capacity, provide safety enhancement measures, and reduce motor vehicle traffic.
- Pasadena Blue Line Project. The Commission oversaw the two-phase Pasadena Blue Line (PBL) project that will provide rail transit service from Los Angeles to eastern Los Angeles County. When completed, the PBL will extend 37.7 miles from the Union Station in Downtown Los Angeles to Claremont in eastern Los Angeles County. The Los Angeles County Metropolitan Transportation Authority (LACMTA) will operate the trains and daily ridership is estimated at 30,000-38,000 opening day, increasing to 68,000 by 2015.

### **Rail Transit Safety**

The Commission is the designated oversight agency for the Federal Transit Administration's (FTA) safety regulation of rail transit systems in California. The Commission's Rail Transit Safety staff review and approve the system safety program plan of each rail transit agency, investigate accidents and hazardous conditions, approve corrective action plans, and perform on-site triennial reviews of each rail transit agency's safety program. The Commission carries out this program for the following rail transit agencies that come under FTA jurisdiction:

- Bay Area Rapid Transit District (BART)
- Los Angeles County Metropolitan Transportation Authority (LACMTA)
- Sacramento Regional Transit District (SRTD)
- San Diego Trolley, Inc. (SDTI)
- San Francisco Municipal Railway (SF MUNI)
- Santa Clara Valley Transportation Authority (SCVTA)

## *Regulatory Achievements*

The Commission also provides safety oversight for Angel's Flight Funicular and for new systems being built at the Port of Los Angeles (Red Car Line). In addition, the Commission will oversee safety for the San Francisco International Airport (AirTrain People-Mover System).

During the past year the Commission performed triennial safety reviews of BART and LACMTA transit systems. In addition, the Commission certified the safety of the SCVTA's Tasman East extension.

### **Passenger/Household Goods Carriers**

The Commission is responsible for licensing and registering various providers of for-hire and private transportation services within California.

#### **Industry Overview**

- 230 Passenger Stage Corporations
- 3,100 Charter-Party Carriers
- 2,300 Private Carriers of Passengers
- 20 Vessel Common Carriers
- 250 For-Hire Vessel Operators
- 225 Commercial Air Operators
- 1,100 Household Goods Carriers

The majority of the Commission's activities relate to the licensing of for-hire household goods and passenger carriers. To obtain an operating permit or certificate, these carriers must file evidence of liability and workers' compensation insurance, and meet safety, fitness and consumer protection standards. Permits and certificates are subject to suspension and revocation if the carrier fails to maintain continuous insurance in effect or comply with other statutory or Commission requirements:

#### **Carrier Registration FY 2000/2001**

	Passenger	Household Goods
Authorities issued (new)	1,017	122
Authorities issued (renewal)	766	--
Authority suspensions	3,659	914
Authority revocations	720	217

## *Consumer Protection and Enforcement*

The Commission facilitates consumer awareness in competitive markets by providing information and education consumers need to make informed choices regarding competing service providers, monitors consumer problems it needs to prevent or address, and investigates utility and transportation entities practices for compliance with applicable tariffs, rules, and statutes.

In the utility area, which includes telecommunications and energy utilities, electric service providers, mobile telephone service providers, and water utilities, the investigations focus primarily on violations that involve consumer fraud and abuse, such as “slamming” (switching a customer from one telephone service provider to another without the knowledge and consent of the customer) and “cramming” (placing charges on a customer’s phone bill for goods or services without the consent of the customer). In the transportation sector, enforcement usually involves investigations into alleged violations by transportation entities, including household goods movers, charter-party carriers of passengers and limousine operators.

Investigations may result in formal actions by the Commission, which issues Order Instituting Investigation (OII) and, where warranted, takes enforcement action such as suspension or revocation of operating authorities, and ordering fines and restitution. Cases are sometimes referred to state and local prosecutors for further civil or criminal prosecutions.

### Accomplishments 2000-2001

#### Utilities

- ***WorldCom, Inc., MCI WorldCom*** - On July 20, 2000, the California State Attorney General’s Office and the California Public Utilities Commission jointly filed a civil complaint (Case No. 313730) against WorldCom, Inc. and MCI WorldCom Communications, Inc in the Superior Court of the State Of California, for the County of San Francisco. This complaint alleges the following cause of actions: untrue or misleading statements, unlawful, unfair or deceptive business practices, unauthorized switching of long distance and local toll telephone service provider and the inclusion of unauthorized charges on a telephone subscribers’ bill. Other violations alleged in the complaint include the following: failure to adequately describe charges on the telephone bill; failure to resolve consumer complaints within 30 days; failure to adequately staff the toll free number for resolving disputes, and continuing to bill consumers for service after the service had been terminated by the subscriber. Investigation of these companies is ongoing.
- ***Pacific Bell*** - Consumers had complained to the CPUC that Pacific Bell representatives consistently misled them about least-cost service options. In October 2000, following its investigation, the CPUC levied a \$25 million fine against Pacific Bell for these abusive sales practices and ordered changes to Pacific Bell’s customer service practices.

## *Consumer Protection and Enforcement*

- ***Qwest Communications Corporation (Qwest) and LCI International Telecommunications Corporation (LCIT)*** - In November of 2000, the Commission issued an OII into the operations and practices of Qwest Communications in response to Pacific Bell having reported to the Commission that it had received 6,553 cramming complaints against Qwest for the years 1999 and 2000. The Commission's investigation found that this was the largest reported number of cramming complaints Pacific Bell reported for any company during these years. This investigation is currently pending a final Commission decision.
- ***Coleman Enterprises & QAI*** - In December 2000, the Commission in Decision 00-12-050 adopted settlement agreements wherein respondents Coleman Enterprises and QAI agreed to pay \$245,000 in restitution to 9,700 California customers and Coleman Enterprises agreed to surrender its certificate of public convenience and necessity authorizing it to provide telephone interexchange services to California consumers.
- ***Titan Communications*** - In March 2001, the Commission instituted an investigation into allegations made by staff that Titan Communications obtained its Certificate of Public Convenience and Necessity to provide interexchange long distance telephone service by making false statements on its application for operating authority, investigation ongoing.
- ***Coral Communications*** - On April 19, 2001, the Commission found that Coral Communications crammed consumers on a grand scale and fined the company \$5.1 million. The Commission also ordered Coral Communications and its billing aggregators to pay \$4.6 million in restitution to California consumers.
- ***USP&C*** - In April 2001, the Commission found that USP&C failed to comply with its billing requirements and ordered USP&C to pay a fine of \$1.75 million, and also ordered all California local exchange carriers to permanently cease providing billing and collections services to USP&C and its affiliates.
- ***Telmatch Telecommunications, Inc.*** - The Commission's investigation alleged that Telmatch Communications, a long distance telephone service provider, billed over 120,000 California consumers for calling cards that the consumers neither knowingly authorized nor received after the consumers filled out sweepstake entry forms. A decision is pending.
- ***Accutel Communications, Inc.*** - The Commission's investigation alleged that Accutel Communications, a long distance telephone service provider, billed 44,000 California consumers for services they had neither authorized nor received. A decision is pending.

## *Consumer Protection and Enforcement*

### **Transportation**

- ***Ace of Bace Moving Co.*** - Investigation disclosed that this household goods carrier did not provide the required consumer protection information on moving documents; failed to provide all customers the written Agreement for Service required as a consumer protection; did not respond to and resolve customers' claims within the time required; failed to provide competent, trained and adequately supervised moving crews; held hostage customers' belongings until customers paid amounts in excess of the original estimate; falsified an insurance document; and refused to give Commission staff access to records. The case was submitted in June 2001 and a decision is expected in late 2001.
- ***Hafa Adai*** - Investigation disclosed that the carrier operated while his passenger carrier permit was revoked; engaged a driver to drive a bus when that driver did not have a valid commercial driver's license; did not enroll drivers in the required drug testing program and DMV Pull Notice program to ensure valid drivers' licenses; failed to have workers' compensation insurance for employees; failed to report all bus equipment to the Commission for required California Highway Patrol inspection; hired unlicensed sub-carriers; failed to report all gross revenue and pay all fees to the Commission, and failed to register interstate authority with the Commission. Additional investigation disclosed that the company, after the Commission issued its formal investigation, continued its operations. The case was submitted in March 2001 and a decision is expected in late 2001.
- ***Happy Tours*** - Investigation disclosed that the passenger carrier engaged bus drivers who did not have the required commercial driver's license; failed to have workers' compensation insurance for employees; and did not enroll all drivers in a drug testing program and the DMV Pull Notice program to ensure valid drivers' licenses. Information from California Highway Patrol Motor Carrier Inspectors disclosed that the carrier represented an imminent safety risk to the public, including severe brake problems, leaking fuel tank, exhaust leaks into bus passenger compartments, and passenger seats not bolted to the floor of the bus. A decision is pending in this case.

## *Utilities Safety*

The Commission investigates gas and electric incidents that involve loss of life, serious injury, media attention, fire, and property damage exceeding specific limits. The purpose of its investigations is to determine whether violations of Commission orders contributed to the incident and whether to recommend changes in Commission orders to prevent future incidents. Under contract with the US Department of Transportation, the Commission inspects gas distribution facilities of utilities, master metered mobile home parks, and propane master tank operators for compliance with federal regulations.

### Accomplishments 2000-2001

#### **Electric**

The Commission inspects electric and communication utilities for compliance with its general orders for construction of overhead and underground lines. It investigates incidents meeting specified criteria such as those involving injuries or significant property damage. It also investigates safety-related complaints from the public. The Commission:

- investigated 287 electric incidents.
- performed 27 inspections of overhead electric lines and found 6,729 infractions.
- performed 7 inspections of underground electric lines and found 529 infractions.
- investigated 43 safety-related complaints from members of the public involving.

#### **Gas**

The Commission inspects gas utilities for compliance with federal pipeline safety regulations. It also investigates incidents meeting specified criteria such as release of gas and injury requiring overnight hospitalization and:

- investigated 73 gas incidents.
- performed 33 inspections of gas utilities and found 120 infractions.

## *Utilities Safety*

### **Mobile Home Parks**

The Commission inspects master-metered mobile home parks, and propane master tank installations for compliance with federal pipeline safety regulations. The Commission issues citations to master-metered mobile home parks for refusal to correct infractions. In the fiscal year it:

- inspected 292 master-metered mobile home parks and found infractions at 251.
- cited 4 mobile home parks in 2000 and assessed \$3,000 in fines.
- cited 19 mobile home parks in 2001 and assessed \$14,250 in fines.
- inspected 77 propane master-tank operators and found infractions at 73.

### **Investigation of Merchant Power Plants**

In mid-June 2000, California experienced its first rolling blackout, which resulted in shortage of electric supply to citizens. In December, California again experienced rolling blackouts that occurred several times during the month. Consequently, the Commission conducted over 900 field inspections of merchant power plants from December 2000 to June 30, 2001 to ensure that scheduled and unscheduled (forced) outages reported by the power plants were legitimate.

### **Playa del Rey Complaints**

In August 2000, the Commission investigated three complaints from residents of Playa del Rey, located in Southern California. The complainants allege that Southern California Gas Company's storage facilities and reservoir were leaking natural gas into the atmosphere. In addition, the complainants alleged that abandoned wells were leaking natural gas, creating a health and safety hazard to the residents and general public. The three complaints have been consolidated into one complaint case. Another separate case involves the sale of land containing abandoned wells by Southern California Gas Company and is being addressed by the Commission.

### **Overhead Electric Lines/Underground Construction**

On January 10, 2001, the Commission opened an OIR to revise Commission General Orders (GO) Numbers 95 and 128. GO 95, "Rules for Overhead Electric Line Construction" and GO 128, "Rules for Construction of Underground Electric Supply and Communication Systems" formulate uniform requirements for overhead and underground electric and communication line construction for the State of California.



## *Office of Ratepayer Advocates*

The Office of Ratepayer Advocates (ORA) was created by the Legislature in 1985 (PU Code section 309.5) to represent customers in CPUC proceedings with the goal of obtaining the lowest possible rates consistent with safe, reliable service. Every year, ORA investigates 150 formal and 1200 informal rate increase (and other) requests made by regulated companies.

The Director of ORA is the only CPUC division director appointed by the Governor, subject to confirmation, and appears annually before the Legislature to report on ORA activities, staffing, and budget allocations. ORA is part of the Commission for administrative purposes (budget, data processing, human resources) but develops its policy positions independent from the Commission. ORA's \$13 million budget is a separate line item in the CPUC budget.

The Office of Ratepayer Advocates monitors regulated companies marketing practices to prevent abuses of consumers, and to promote good service at fair rates. ORA provides analysis and advocacy to inform decision-makers about the impacts of regulated company actions on consumers, and is often the only party representing ratepayer interests in a number of proceedings. ORA recommendations have resulted in savings of over a billion dollars in rates annually.

### Accomplishments 2000-2001

#### **Telecommunications**

- ORA joined in charging Pacific Bell with using deceptive marketing practices and presented evidence of actual sales staff conversations with customers that was key to the Commission's ordering the utility to stop the unlawful activity and fining the company \$25.5 million.
- ORA charged Pacific Bell with violating state laws, Commission orders, and its own tariff in deploying prompted repeat dialing on residential customers' lines to interrupt the busy signal with an advertisement. The Commission ordered the utility to remove the service or get customers' permission to continue to play the prompt.
- Since the merger of SBC and Pacific Bell, Pacific Bell's residential customers have experienced longer periods without dial tone waiting for the utility to make repairs. ORA charged that this deterioration in service violated state laws and Commission orders. A pending Commission decision grants, in part, ORA's complaint.
- The Commission agreed with ORA and required Roseville Telephone Company to share more than \$4.2 million of 1998 and 1999 earnings with its customers.
- The Commission agreed with ORA to require Citizens Telephone to keep existing service guarantee rules for new customers, freeze rates and charges for up to 5 years and extend telephone service to the previously unserved Hoopa Valley Indian Tribe and the Yurok Indian Tribe reservations.

## *Office of Ratepayer Advocates*

- ORA convinced the Commission to dismiss Pacific Bell's request for substantial rate increases for parts of special services used by business and residential customers.
- ORA opposes Verizon's request to raise the monthly ceiling rate for residential and small business inside wire repair services, maintaining that Verizon's market power over inside wire repair services remains dominant, and that the company already recovers far more than its costs for these services.

### **Electricity**

- ORA provided evidence to the Commission and called for a revenue requirement for utility-retained generation \$3.6-\$7 billion lower than that PG&E proposed and \$1.3 billion lower than SCE proposed.
- ORA challenged SDG&E's claim that contracts signed after December 1995 should only benefit shareholders. This is a \$291 million issue now before the Commission.
- ORA was first to recommend that consumers who used less electricity should be exempted from recent rate increases.
- ORA reviewed SDG&E's electricity procurement, and found that SDG&E had failed to adequately manage risk. ORA and SDG&E have reached a settlement that would disallow \$100 million of SDG&E's procurement costs.
- ORA's analysis of PG&E's \$1.2 billion general rate case request provided the Commission with detailed justification for a reduction of \$800 million to that request.
- ORA recommended - and the Commission agreed - that PG&E should compensate customers for missed service appointments.

### **Natural Gas**

- ORA developed natural gas purchase incentive mechanisms to ensure that the utilities' procure gas supply at the lowest possible cost. Ratepayer savings (based on comparisons to market based benchmarks) over the last six to seven years have totaled: \$46.7 million for SoCalGas customers, \$10 million for SDG&E customers, and \$75 million for PG&E customers.
- ORA was one of the parties whose recommendation in the SoCalGas and SDG&E Biennial Cost Allocation Proceedings was ultimately adopted by the Commission. It resolved various cost allocation issues and resulted in a \$204.2 million and \$27.7 million reduction to gas rates on the SoCalGas and SDG&E systems, respectively.
- ORA initiated a proposal, which resulted in a settlement adopted by the Commission to sell SoCalGas' Montebello gas storage assets. This resulted in a one-time immediate annual rate reduction of \$44.1 million, with continuing annual savings of about \$14 million.

## *Office of Ratepayer Advocates*

- In winter 2000-2001, the Commission adopted ORA's proposal to protect SoCalGas residential and small commercial gas ratepayers from tens of millions of dollars of potential rate increases by closing core procurement to non-core customers.
- The Commission adopted ORA's proposed modifications to the methodology used to develop SDG&E's core and non-core rates – this will reduce core procurement rates by \$2 million annually.

### **Rate Relief and Program Assistance for Low-Income Customers**

- ORA advocated that qualifying low-income customers should be exempt from electric rate increases resulting from the energy crisis last winter, effectively increasing the standard 15% discount offered by the rate assistance program to 22 - 59% for low-income customers, depending on their energy use.
- ORA supported efforts to involve low-income ratepayers in the CARE program. ORA also recommended, and the Commission adopted, self-certification with random post-enrollment verification procedures to make it easier to participate in the programs, and protested utility efforts that would have made it harder for these customers to enroll in the programs.
- ORA advocated to ensure that low income energy efficiency (LIEE) programs were implemented in a fair and cost effective way to ensure that resulting customer bill savings reduced hardship and made energy more affordable. ORA worked closely with the Legislature to ensure passage of a bill that clarified that those community-based organizations and contractors implementing the LIEE program would be selected based on both cost-of-service and quality-of-service criteria.

*Annual Hearing/Decision Activity*

UTILITY MATTERS	HEARING DAYS	DECISIONS
<b>ELECTRICITY</b>		
Agreement Approvals	4	5
Certificates/Transfers	12	14
Commission Investigations	25	29
Complaints	19	25
Financial Reviews	24	8
Lease of Property	0	10
Rate Requests	81	35
Mortgage/Issue Notes	0	8
Programs	17	8
Rulemakings	26	26
Miscellaneous	74	31
Total	282	199
<b>NAUTRAL GAS</b>		
Certificates/Transfers	3	6
Commission Investigations	12	6
Complaints	26	6
Mortgage/Issue Notes	0	4
Programs	1	2
Rate Requests	5	16
Rulemakings	0	1
Miscellaneous	17	9
Total	64	50
<b>TELECOMMUNICATIONS</b>		
Agreement Approval	18	18
Certificates/Transfers	19	150
Commission Investigations	15	37
Complaints	31	46
Financial Reviews	0	2
NDI Registration	0	202
Rate Requests	1	2
Rulemakings	48	4
Miscellaneous	2	8
Total	134	389

*Annual Hearing/Decision Activity*

UTILITY MATTERS	HEARING DAYS	DECISIONS
<b>WATER</b>		
Agreement Approvals	2	1
Certificates/Transfers	55	11
Commission Investigations	14	5
Complaints	6	12
Mortgage/Issue Notes	8	6
Rate Requests	46	9
Rulemakings	0	2
Miscellaneous	11	7
Total	142	53
<b>TRANSPORTATION</b>		
Certificates/Transfers	2	17
Commission Investigations	11	6
Complaints	11	10
Discontinuance	5	1
Expansion of Service	0	6
Grade Crossings	5	46
Household Goods Carrier	1	1
Passenger Stage	6	53
Rate Requests	2	3
Rulemakings	0	1
Miscellaneous	3	11
Total	46	155
GRAND TOTAL	668	155