



Annual Report to the Senate Energy, Utilities & Communications Committee

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ORA is the independent consumer advocate within the California Public Utilities Commission (CPUC) that represents the interests of investor-owned utility (IOU) customers.

ORA's mission is to obtain the lowest possible rate for consumers consistent with safety, reliability, and the state's environmental goals.



Who We Are

- ORA has a dedicated staff of 147 engineers, analysts, economists and auditors.
- ORA primarily represents residential and small business customers of **Electricity, Natural Gas, Communications, and Water** utilities.
- ORA is the only state government entity charged with this mission.
- ORA was created by the CPUC in 1984, and then was codified as a separate independent entity with respect to policy, advocacy, and budget.
- ORA strives to ensure that utility customers are represented at the CPUC, the Legislature, and in other forums where decisions are made that affect the cost and quality of utility service.



Ratepayer Savings

In 2016, ORA Successfully Saved Customers \$227 for Each Dollar Invested in ORA

ORA's efforts saved residential and small business customers nearly **\$7 billion** in reduced rates, avoided rate increases, and benefits:

- ▶ **Energy Customer Savings:** \$6.1 billion
- ▶ **Water Customer Savings:** \$85.8 million
- ▶ **Communications Customer Benefits:** \$744.5 million



2016 Ratepayer Savings and Protections

ORA successfully achieved these savings by:

- Advocating in **155** CPUC proceedings.
- Filing **675** pleadings in CPUC proceedings.
- Meeting with Commissioner offices **140** times.
- Appearing before Commissioners in Oral Arguments, All Party Meetings, and En Bancs.
- Participating in numerous CPUC informal meetings and workshops.
- Representing customers in other forums related to CPUC proceedings, including CARB, CEC, and CAISO.
- Serving as an informational resource to the Legislature.



Anatomy of a General Rate Case

- In November 2014, SDG&E and SoCalGas filed their 2016 GRC applications with a 3-year cumulative total request of \$688 million and \$1.1 billion, respectively.
- ORA immediately started its examination of the proposals, which included reviewing thousands of pages of utility testimony and work papers, conducting research, developing hundreds of data requests for utility response and analyzing those responses, developing forecasts, and running ratemaking models.
- In April 2015, ORA submitted testimony from 25 witnesses based on their in-depth analysis.
- In May and June 2015, the Commission held public hearings throughout SDG&E's and SoCalGas's service territories.
- An administrative law judge conducted evidentiary hearings in July 2015.
- In September 2015, ORA, SDG&E, SoCalGas, and several other parties filed a Settlement Agreement with the CPUC.
- In June 2016, the CPUC issued its Final Decision adopting the settlement.

**SDG&E and SoCalGas GRC
Cumulative Revenue Requirement Requests for 2016 - 2018**

GRCs	Utility Requested Increase	Final CPUC Decision Increase	Total Savings for Customers
SDG&E	\$688 million	\$195 million	\$602 million
SoCalGas	\$1.1 billion	\$556 million	\$664 million



2016 Highlights: Energy

Customer Rates and Large Scale Projects

SDG&E and SoCalGas – North-South Project: CPUC adopted ORA’s recommendation to deny the utilities’ pipeline proposal because it is not needed. **Customer Savings = \$2.8 Billion**

PG&E – Transmission & Storage: The CPUC adopted ORA’s recommendations on costs and accountability related to pipeline upgrades and replacement, pressure testing, system expansion, and corrosion management. **Customers Savings = \$1.3 Billion**

SDG&E and SoCalGas General Rate Case: ORA found that the utilities’ approximately \$1.72 billion request to increase its revenues was significantly over-estimated. The CPUC adopted a multi-party settlement, which reduced the utilities’ request by a cumulative \$1.2 billion. **Customer Savings = \$1.26 Billion**

Liberty General Rate Case: The CPUC adopted a settlement between Liberty, ORA and another party that will save customers \$12.6 million, compared with Liberty’s initial request of \$13.6 million. **Customer Savings = \$12.6 Million**

Rate Reform: ORA is working with the CPUC, the utilities and other parties to achieve the state’s goals of collapsing rate tiers at a gradual pace to protect low usage customers and low income customers from sudden, steep electric bill increases.



2016 Highlights: Energy

Safety-related Activities

Risk Assessment: ORA supports the CPUC's Risk Assessment and Mitigation Phase (RAMP), which will precede all general rate cases to determine whether utility safety risk assertions justify proposed expenditures. ORA also recommended a detailed roadmap for the Safety Model Assessment Proceeding (S-MAP) to ensure clear guidance and better data.

SoCalGas / SDG&E Pipeline 3602: ORA is reviewing the utilities' proposal to construct Line 3602, a new 47-mile long, 36-inch natural gas pipeline, estimated to cost \$596 million.

2007 San Diego Wildfires: ORA recommends the CPUC deny SDG&E's request for recovery of \$379 million from its customers because SDG&E did not manage its facilities prudently.

CPUC General Order 58-A: The CPUC adopted ORA's recommendation for biomethane standards, which will help reduce degradation of pipeline integrity through minimizing chemicals and materials that can cause corrosion.



2016 Highlights: Energy

Clean Climate Program Activities

Distributed Resources Plan (DRP): ORA advocates for a DRP that will achieve SB 350's greenhouse gas reduction goals, and result in significant ratepayer benefits. The CPUC adopted ORA recommendations that will ensure the transparency and usefulness of the grid planning tools.

Integrated Distributed Energy Resources (IDER): ORA seeks to ensure the integration of the optimal mix, use and location of distributed energy resources on the distribution system.

Renewable Portfolio Standard (RPS): ORA supports SB 350 guidance to increase RPS program targets to 50% renewable energy procurement by 2030 via the most optimal and viable renewable energy projects. ORA advocates for RPS expenditure limitations, as required by SB 2 (1X) and SB 350 to protect customers from disproportionate rate impacts.

Integrated Resource Planning (IRP): ORA supports long-term procurement planning that addresses the objectives of SB 350 and optimizes a portfolio of supply- and demand-side resources using a least-cost / best-fit methodology.



2016 Highlights: Energy

Clean Climate Program Activities (continued)

Energy Efficiency: ORA successfully promoted strategies that will help to maximize energy savings. ORA advocated for program administration that will reduce duplication and create greater efficiencies. ORA supports outreach and education as key activities in influencing consumers to take action to reduce energy. ORA also supports a robust program to provide low-income households with weatherization services and conservation strategies that will save energy, as well as reduce their energy burden and promote their health, comfort, and safety.

Energy Storage: ORA advocates for a viable energy storage program that prioritizes the reduction of greenhouse gas emissions, and which provides the utilities with greater flexibility to shift storage resources between the three adopted grid domain targets (customer, distribution, and transmission).

Electric Vehicles (EV): ORA successfully influenced statewide EV Charging Station Infrastructure pilots that will promote a competitive market and test EV pilot assumptions in a cost-effective manner to promote a sustainable infrastructure that supports the state's goal to achieve 1.5 million EVs by 2025.



2016 Highlights: Water

General Rate Cases

Final CPUC Decisions Total **\$85.8 Million** in Customer Savings

GRCs	Utility Requested Increase	ORA Recommended Increase	Savings After ORA Settlement and CPUC Decision
Park Water Company (2016–2018)	\$2.9 million	\$0.6 million	\$0.8 million
Great Oaks Water (FY 2016 – FY 2018)	\$1.4 million	(\$2.2 million)	\$2.6 million
San Jose Water (2016-2018)	\$34.9 million	\$23.5 million	\$9.8 million
Golden State Water (2016-2018)	(\$1.6 million)	(\$30.9 million)	\$22.8 million*
California Water (2017- 2019)	\$94.8 million	\$20.3 million	\$49.8 million

* \$22.8M less than GSWC's original revenue requirement request

Pending CPUC Decision

GRC	Initial Utility Increase Request	ORA Recommended	Status
San Gabriel Water (FY 2017 – FY 2019)	\$35.1 million	\$14.1 million	Pending CPUC Decision

GRC in Process

GRC	Utility Requested Increase	Status
Cal Am Water (2018-2020)	\$34.6 million	ORA will Issue Testimony Feb 13, 2017

Note: all numbers presented on this slide are only for the first year of the three year GRC cycle

The Voice of Consumers, Making a Difference!



2016 Highlights: Water

Advocated for Affordability, Safety, Conservation, and Prudent Investment

- ▶ **Affordability:** Recommended increases in Low-Income Rate Assistance program benefits, participation, and outreach.
- ▶ **Safety:** Reviewed water quality compliance and analyzed utility operations and infrastructure requests to help achieve State's goal of ubiquitous access to safe and affordable drinking water.
- ▶ **Water Conservation:** Evaluated water savings, monitored compliance with the Governor's Executive Orders on the Drought, and recommended continuing cost-effective conservation program funding.
- ▶ **Prudent Investment:** Reviewed approximately \$168 million in water utility proposals to ensure prudent investment for the provisioning of safe and reliable water service.

Cal Am Water – Monterey Rate Design: CPUC adopted ORA's partial settlement with Cal Am, which will remove outdoor water allocations as part of the Monterey District's rate design, that had resulted in encouraging water usage rather than conservation.

Cal Am Water - Monterey Peninsula Water Supply Project: CPUC adopted ORA's recommendation to authorize Cal Am to enter into a contract to purchase recycled water which could initially meet up to 30% of the Peninsula's water demand and avoid the need for a ten million gallon-per-day desalination plant.

Affordability in Water Rates: ORA supports mechanisms to make water more affordable, as well as strategies to cost-effectively improve water conservation and efficiency. ORA recommends incorporating results from an ongoing pilot program in order to improve the certainty and accuracy of sales forecasts.



2016 Highlights: Communications

Small telephone companies are subject to CPUC review if they accept subsidies from the California High Cost Fund A (CHCF-A) to off-set the cost of telephone service in rural areas

Cost of Capital: The adoption of ORA's recommendations to reduce the small telephone companies' proposed Cost of Capital will save customers an estimated \$6-7 million per year.

Final CPUC Decisions Total \$8.5 Million in Customer Savings

GRCs	Requested CHCF-A Subsidy	ORA Proposed CHCF-A Subsidy	Savings *
Kerman Telephone	\$6 million	\$1.9 million	\$2.2 million
Siskiyou Telephone	\$8.5 million	\$7.6 million	\$4.3 million
Volcano Telephone	\$6.9 million	\$5.9 million	\$2.0 million

* The CPUC's decision on Cost of Capital is reflected in the Final Outcome amounts, which reduced the total return. ORA's original proposal was calculated at the carriers' higher proposed Cost of Capital methodology.

GRCs in Process

GRC	Initial Utility CHCF-A Subsidy Request *	Status
Ponderosa Telephone	\$5.5 million	ORA will Issue Testimony Feb 24, 2017
Sierra Telephone	\$18.5 million	ORA will Issue Testimony Mar 10, 2017
Calaveras Telephone	\$4.1 million	ORA will Issue Testimony Mar 10, 2017
California-Oregon Telephone	\$2.3 million	ORA will Issue Testimony Apr 5, 2017

* Amounts do not reflect adjustments from the CPUC's decision on Cost of Capital.



2016 Highlights: Communications

Mergers & Acquisitions

ORA performed in-depth analysis that would impact the voice and broadband services for millions of California customers

Charter-Time Warner: ORA's detailed analysis found that the merger would result in less competition and a more highly concentrated broadband market in California, and then provided the CPUC with a number of mitigation measures that Charter should be required to implement in order to ensure public benefit. In May 2016, the CPUC approved the merger with certain conditions to mitigate the impact. In December 2016, the CPUC responded to ORA's additional request by further ordering Charter to follow-through on its original commitments for consumer protection.

Frontier-Verizon: The settlement amongst ORA and other parties went into effect in early 2016, which implemented a number of significant ratepayer benefits to improve and expand broadband services to more than 827,000 households. These and other key benefits translate to a total ratepayer benefit of approximately \$736 million over the next 7 years.



2016 Highlights: Communications

Consumer Protection

Competition Investigation: The CPUC's December 2016 decision generally agrees with ORA's findings that the broadband market in California is highly concentrated. The CPUC intends to monitor the telecommunications market and plans to issue a report December 1, 2018.

Service Quality: ORA supports the CPUC's service quality and reliability standards for communications providers and advocated for ways to hold communications providers accountable to meet these standards and to require providers to report on network service outages.

Broadband: ORA supports the state's goal to bridge the "digital divide" and continues to work with the CPUC to ensure that subsidy programs that advance deployment and adoption of broadband services advance this goal cost-effectively. Broadband access is essential to economic growth and provides social benefits for all Californians.

LifeLine: ORA supports the LifeLine program to provide discounted telephone service to eligible low-income households in order to ensure universal access, and advocated for program changes that would ensure customers' voice service needs are cared for over the long-term.



2017 Priorities

- **Achieve the lowest possible rates for California's consumers consistent with safe, reliable service levels, and the state's environmental goals**
- **Ensure that no consumer is left behind and that all communities have access to safe and affordable utility services**

Priorities Include:

Energy – Help shape and advance California's climate goals by looking holistically at the benefits and costs of these initiatives to ensure that we achieve them in the most efficient and cost effective manner possible.

Water - Ensure Californians have access to safe and affordable drinking water by expanding ORA's efforts to more comprehensively examine utility costs and operations.

Low-income Programs - Improve access to essential utility services for California's low-income populations by helping ensure those most in need have access to essential utility services with more effective program administration, increased outreach and education, and by minimizing the barriers to participation.

Organizational Excellence – Make ORA more visible and nimble with work products that reflect innovative thinking and new approaches, build strong relationships inside and outside of the CPUC, and ensure ORA's everyday work is performed in the most transparent, accountable and accessible ways, consistent with the state's goals for the CPUC.





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