

DRA Advocacy in 2011
Annual Presentation to Senate Energy,
Utilities, and Communications Committee

Joe Como, Acting Director
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DRA – Division of Ratepayer Advocates

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

DRA's statutory mission is to obtain the lowest possible rates for utility services consistent with safe and reliable service levels. In fulfilling this goal, DRA also advocates for consumer and environmental protections.



DRA STAFF

- ❑ **Joe Como**, Acting Director
- ❑ **Linda Serizawa**, Deputy Director for Energy
- ❑ **Matthew Marcus**, Deputy Director for Water,
Communications & Governmental Affairs
- ❑ **Cheryl Cox**, Policy Advisor
- ❑ **Karen Paull**, Interim Chief Counsel

*Authorized staff of 137 program managers, engineers,
scientists, policy advisors, and financial analysts*



Who We Are

- ❑ DRA represents residential and small business customers of electricity, natural gas, water, and communications utilities.
- ❑ *DRA is the only state government entity charged with this mission.*
- ❑ DRA was created by the CPUC in 1984, and the legislature made DRA an independent entity with respect to policy, advocacy, and budget in 1996.
- ❑ DRA 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.



DRA's Structure

DRA is Composed of 5 Branches

Electricity Pricing and Customer Programs Branch (EPCP) - Focuses on 3 key areas that have a direct impact on customers:

1. Designing rates that can achieve the state's goals with the least cost impact to customers.
2. Endeavoring to find cost-effective ways to integrate programs such as Energy Efficiency, Demand Response, Distributed Generation, and Advanced Metering Infrastructure.
3. Providing for the needs of low-income residential customers through CARE, the Low-Income Energy Efficiency program, and disconnection policy development.

Electricity Pricing and Policy Branch (EPP) - Endeavors to shape the policies and contain the costs of electricity Procurement, Transmission, and Climate Change programs:

1. Implementing the RPS and Long-Term Procurement Planning process at the CPUC.
2. Effecting cost conscious Transmission planning at both the CPUC and CAISO.
3. Contributing to GHG Cap and Trade policy.

Energy Cost of Service and Natural Gas Branch (ECOS) – Examines the major cost, operational reliability, and safety issues within the following areas:

1. General Rate Cases and Natural Gas applications and investigations.
2. Nuclear Decommissioning.



DRA's Structure

Continued...

Communications Policy Branch - Represents customers in their purchase and use of telephone services and emphasizes the following areas:

1. Strong customer protections, reliable service, and access to emergency communications.
2. Special telephone equipment and services for the deaf and disabled.
3. Subsidized basic services for low-income individuals and families.
4. Continued examination of the state of competition.
5. Broadband deployment and adoption policies.

Water Branch - Examines the costs of service and return on invested capital for the 9 large investor-owned water companies (63 separate ratemaking districts) with emphasis on the following areas:

1. Keeping rates affordable and helping water districts find low cost solutions to supply problems.
2. Maximizing water value through conservation and water recycling.



How Ratepayer Savings and Protections Were Achieved

DRA successfully represented utility customers:

- ❑ Advocated in 211 CPUC proceedings.
- ❑ Filed 612 pleadings in CPUC proceedings.
- ❑ Met with CPUC commissioners and their advisors over 200 times.
- ❑ Participated in numerous CPUC informal meetings and workshops.
- ❑ Represented customers in other forums related to CPUC proceedings.
- ❑ Advocated before the Legislature.



DRA Before the Legislature

DRA was active on the following issues before the Legislature in 2011:

- ❑ Renewable Portfolio Standard
- ❑ Electricity Rates
- ❑ Smart Meters and Privacy Rules
- ❑ Energy Efficiency
- ❑ Community Choice Aggregation
- ❑ Broadband Deployment and Adoption
- ❑ Cramming Protections



2011 Ratepayer Savings

Saved Customers Nearly \$157 for Each Dollar Allocated to DRA

- DRA saved residential and small business customers more than **\$4 billion**.
 - ▶ Energy Customer Savings: **\$4.1 billion**
 - ▶ Water Customer Savings: **\$23.3 million**
 - ▶ Communications Customer Savings: **\$1.2 million**

DRA's 2012 budget is unchanged from 2011.



2011 Ratepayer Protections

DRA's main policy focus areas in 2011:

- ❑ **Natural Gas Pipeline Safety:** Examined gas safety requirements and began to develop a cost responsibility assessment.
- ❑ **Power Purchase Agreements:** Continued to advocate and provide evidence to the CPUC to make cost the paramount driver when approving renewable or fossil fuel contracts.
- ❑ **Time-of-Use Pricing:** Worked with small business advocates to urge the CPUC to adopt understandable programs for small business electricity customers that would achieve the state's energy goals without an unnecessary cost burden during these fragile economic times.
- ❑ **Low-Income Energy Assistance Programs:** Worked to achieve program improvements to obtain more energy savings.
- ❑ **Energy Service Disconnections:** Worked to extend Sempra best practices to other utilities and to make improvements for consumer protection.



2011 Ratepayer Protections

Continued...

- ❑ **Smart Grid Privacy Rules:** Pushed for protections for customer energy usage data.
- ❑ **Cost of Capital:** Persuaded large water utilities to cumulatively reduce customer annual water rates by over \$11 million.
- ❑ **AT&T Merger Proposal:** Successfully urged CPUC to conduct a thorough investigation of merger effects on wireless customer prices, service, and choices.
- ❑ **Broadband Subsidies:** Improved program rules to foster cost-effective projects with detailed adoption plans.
- ❑ **Universal Telephone Service:** Maintained current standards so that basic telephone service remains affordable and reliable.



2011 Energy Accomplishments

DRA Saved Energy Customers More than \$4 billion in 2011

- ❑ **PG&E 2011 GRC: \$2.5 billion savings.** Settled with PG&E and other parties to lower PG&E's request for a \$4.2 billion revenue increase to \$1.7 billion.
- ❑ **PG&E Natural Gas Storage and Transmission: \$207 million savings.** Settled with PG&E to lower PG&E's request for \$982.1 million revenue increase to \$775.8 million.
- ❑ **PG&E Manzanita Wind Project: \$911 million savings.** Persuaded CPUC to reject project because of lack of need and risks of viability associated with underperformance, violations of endangered species laws, and costly delays.
- ❑ **SDG&E Rim Rock Wind Power Facility: \$350 million savings.** Settled with SDG&E and other parties to reduce tax equity investment by more than half, and purchase power agreement by more than a third.
- ❑ **PG&E Pumped Storage Project: \$31.9 million savings.** DRA protested that project was unnecessary and that CPUC should first establish procurement targets for viable and cost-effective storage systems per AB 2514. CPUC dismissed application.



2011 Energy Accomplishments

Continued...

- ❑ **PG&E Customer Energy Statement Redesign: \$15.7 million savings.**
PG&E proposed to redesign its customer bills effective in 2013. DRA led negotiations and settled with PG&E to lower PG&E's request for \$34.7 million to \$19 million.

- ❑ **Edison Electricity Procurement Costs: \$2.4 million savings.**
Successfully argued that costs stemming from two power plant outages should be borne by shareholders due to Edison's mismanagement.

- ❑ **Edison 2007 Wind and Firestorms Recovery: \$2.3 million savings.**
Settled with Edison to reduce its \$10.4 million revenue request to \$ 8.1 million for the recovery of costs associated with repairing its systems and restoring service.

- ❑ **Released Reports: Status of Energy Utility Service Disconnections in California**, March 2011; **Time Variant Pricing for California's Small Electric Consumers**, May 2011.



Energy Priorities for 2012

General Rate Cases:

Utilities	Current Authorized Revenue	Utility Proposed Increase	DRA Recommended Increase	Status
Edison (2012-2014)	\$5.35 billion	\$4.62 billion	\$833 million	Pending CPUC Decision
SDG&E (2012-2015)	\$1.51 billion	\$1.67 billion	<\$2.4> million	
SoCalGas (2011-2015)	\$1.72 billion	\$1.56 billion	<\$53.2> million	

- Residential Rates:** As the CPUC considers time-varied rates, DRA advocates for a simple rate structure, which would not be unduly burdensome. DRA is also pushing for careful implementation, including well-planned customer awareness and outreach efforts.
- Return on Equity:** In April 2012, utilities filed proposals for capital structure (how assets are financed) and return on equity (shareholder profits). DRA will focus on proposing ROEs that are a reasonable reflection of the utilities' risk exposure.
- Low-Income Programs:** Utilities proposed \$4.8 billion for 2012-2014. Energy efficiency retrofit program should focus on increasing bill savings per household. Categorical Eligibility should continue for CARE program because it lessens administrative burden for customers and program costs to ratepayers.



Energy Priorities for 2012

Continued...

- ❑ **Distributed Generation:** In support of DG and Renewable Energy goals, DRA is focusing on such challenges as interconnection issues and accounting for DG in long-term procurement and transmission planning processes.
- ❑ **Cap and Trade:** DRA estimates \$1 billion in revenue in 2013 to be allocated to PG&E, Edison, and SDG&E for a cumulative total of \$15 billion by 2020. DRA advocates for the majority of revenues to be returned to residential and small business customers.
- ❑ **Energy Efficiency:** DRA supports financing programs to broaden customers' opportunity to invest in energy efficiency measures. DRA advocates for programs that are low risk to customers and result in maximum and real energy savings.
- ❑ **2012 Reports:** *The Renewable Jungle: A Guide to California's Renewable Policies and Programs*, January 2012; *Smart Meter System Deployment Case Study: Recommendations for Ensuring Ratepayer Benefits*, March 2012.
- ❑ **Gas Pipeline Safety**
 - ▶ **No Compromise on Safety:** Utility safety programs must meet federal and state safety standards.
 - ▶ **Represent Ratepayers' Interests for Both Safety and Cost:** Safest and most reliable service for lowest cost.
 - ▶ **No Gold-plating:** Utilities should not profit from unnecessary programs, or programs not needed to improve safety.
 - ▶ **No Duplication:** Customers should not pay twice for safety measures they've already paid for.



2012 Energy Priorities: Gas Pipeline Safety

Pacific Gas & Electric

- ❑ **DRA Recommendations on PG&E's Proposed Pipeline Safety Enhancement Plan (PSEP)**
 - ▶ Rates should not increase again prior to next Gas Transmission and Storage Proceeding, to be filed in 2014.
 - ▶ Shareholders should be responsible for all hydrostatic testing (to the extent additional revenue is needed).
 - ▶ Shareholders should bear cost of replacing transmission pipelines installed in 1955 and beyond for which there are no records.
 - ▶ The CPUC should require PG&E to improve its PSEP to correct deficiencies.
 - ▶ PG&E should revise its PSEP quickly to allow testing and replacement work to continue.
 - ▶ PG&E should develop long-term PSEP, which incorporates 2012 findings.



2012 Energy Priorities: Gas Pipeline Safety

San Diego Gas & Electric and Southern California Gas Company

- ❑ **DRA Recommendations on SDG&E's and SoCalGas' Proposed Pipeline Safety Enhancement Plan (PSEP)**
 - ▶ The CPUC should reject the IOUs' request to recover \$1.7 billion in costs incurred between 2012-2015.
 - ▶ Customers should not be responsible for the vast majority of IOUs' estimated cost incurred to ensure pipeline systems are safe.
 - ▶ Ratepayers should only pay for testing of pipelines installed before 1935.
 - ▶ Shareholders should pay all expenses for testing installed 1935 onwards and for the replacement of pipelines installed since 1955 for which a reliable record of testing cannot be found.
 - ▶ The CPUC should reduce rates of return on equity on the replacement pipelines installed between 1935 and 1955, for which a reliable record of a pressure test cannot be located.
 - ▶ The CPUC should reject SDG&E/SoCalGas' request to replace pipelines in lieu of testing – did not justify need.



2011 Water Accomplishments

DRA Recommended Rate Reductions of More than \$23 Million in Water Utility GRCs

GRCs	Total Requested Increase	DRA Recommendation	Status
California American Water Statewide	\$33.1 million	\$25.1 million	Final Decision
Suburban Water	\$19.2 million	\$10.1 million	Final Decision
San Gabriel Valley Water / L.A. District	\$10.2 million	\$ 6.7 million	Final Decision
Apple Valley Ranchos Water	\$3.9 million	\$1.1 million	Pending Final Decision

DRA's advocacy efforts would save water customers a monthly average of \$7 per customer.

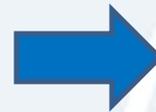
- ❑ **Cost of Capital:** CPUC adopted settlement with large water utilities to lower return on equity to 9.99%, which resulted in over *\$11 million* in annual customer savings.
- ❑ **Water Recycling OIR:** Encouraged the CPUC to open this investigation to increase the amount of recycled water delivered in the most cost-effective ways.
- ❑ **Water Conservation OIR:** Persuaded the CPUC to develop more cost-effective programs, rate designs, and data reporting for both conservation and low-income programs. These requirements are now addressed in water utility GRCs.
- ❑ **Postage Stamp OIR:** Developed the record regarding regionalization of water rates among multi-district water utilities, advocating for an approach that is equitable and prevents cross-subsidization.



Water Priorities in 2012

❑ GRCs:

- ▶ Operations and Maintenance
- ▶ Water Supply
- ▶ Conservation Plans
- ▶ Administrative / General Office Costs
- ▶ Taxes and Payroll
- ▶ Return on Capital Investments



Revenue Increase Request:
\$228+ million

Total Revenue Requirement:
\$1.3+ billion

- ❑ **Affordable Monthly Bills:** Scrutinize water utility operations, infrastructure, and rate requests to ensure service is provided at the lowest rates while remaining safe and reliable.
- ❑ **Achieve Conservation Goals:** Promote cost-effective conservation programs to achieve 20% target by 2020.
- ❑ **Energy/Water Nexus:** Develop state policies to achieve energy savings through cost-effective water conservation and identify ways to reduce energy demand in the pumping, treatment, and delivery of water.



Water Priorities in 2012

Continued...

- ❑ **Water Supply Solutions:** Identify the best solutions to address long-term water supply needs such as water recycling and rain re-capture technologies.
- ❑ **Water Action Plan:** Develop effective objectives for regulating water utilities.
- ❑ **Low-Income Programs:** Advance strategies to assist those customers most in need by providing them with a monthly subsidy to reduce their water bills.
- ❑ **Rate Impacts:** Evaluate rate impacts of new water quality regulations and the impacts of compliance on water utilities.



2011 Communications Accomplishments

DRA Achieved Cost Savings, Balancing Customer Benefits with Strong Protections

- ❑ **GRCs:** Saved customers from significant rate increases by rigorously reviewing small telephone company requests.

GRCs	Total Requested Increase	Adopted Settlement	Ratepayer Savings
Foresthill Telephone Company	\$2.1 million	\$0.9 million	\$1.2 million

- ❑ **Universal Service:**
 - ▶ Maintained Basic Telephone Service
 - ▶ Improved Enrollment & Prevented Drop-offs for Eligible LifeLine Subscribers
 - ▶ Improved Customer Service and Application Process by Program Administrator
- ❑ **Customer Protections:**
 - ▶ **AT&T / T-Mobile Merger** – Opposed merger that would reduce consumer choices, raise prices, and stifle technological innovation.
 - ▶ **Performance Bonds** – Improved standards for carriers seeking licenses as stand-alone providers to protect consumers from fraud, default, and bankruptcies by companies.
 - ▶ **Cramming** – Sponsored bill to prohibit unauthorized charges on telephone bills.
- ❑ **Broadband:** Enhanced CASF rules to ensure more cost-effective distribution of program funds and improve upon program transparency and accountability.
- ❑ **Limited English Proficiency:** Improved access to information and assistance for non-English speakers and proposed that program rules apply to all carriers with sufficient monitoring and enforcement.



Communications Priorities in 2012

- ❑ **Protecting Universal Service:**
 - ▶ Protect and advocate for affordable basic service throughout rural and metropolitan areas through LifeLine, basic service rate regulation, and the CHCF-A Fund OIR.
- ❑ **Preserve Affordability of Basic Service:**
 - ▶ Continue to protect, modernize, and enhance basic telephone service standards via the CHCF-B Fund OIR to ensure customers even in high-cost service areas are provided essential services at affordable prices.
- ❑ **Achieve Reliable Standards of Service Quality:**
 - ▶ Pursue the enhancement of current service quality standards in the CPUC's Service Quality OIR and urge the establishment and enforcement of standards for wireless providers, penalties for non-compliance, and regular audits.
- ❑ **Advocate Language Support for Limited English Speakers:**
 - ▶ Protect limited-English speakers from consumer fraud in advertising and ensure that service representatives and written contracts are provided in appropriate languages; require that program rules for information and assistance are enforced and audited.
- ❑ **Advance Broadband Adoption:**
 - ▶ Continue to advocate for cost-effective broadband projects with equal focus on detailed adoption plans, sufficient transparency, accountability, and outreach efforts.
- ❑ **Improve Customer Protections:**
 - ▶ Review utility proposals for reasonableness and customer benefit.
 - ▶ Review customer complaints to identify trends and appropriate solutions.



DRA Facts

- ❑ **History:** CPUC created DRA (formerly known as the Public Staff Division) in 1984 - Legislature then codified DRA in 1996 (SB 960, Statutes of 1996).
- ❑ **Budget:** DRA develops its own budget which is funded by its own line item in the state budget.
- ❑ **Staff Size:** DRA has 137 authorized positions, including economists, engineers, policy analysts, auditors, and accountants.
- ❑ **Legal Resources:** CPUC's Legal Division assigns lawyers to represent DRA in individual proceedings - SB 608 (Escutia, Statutes of 2005) authorized the DRA Director to appoint a Chief Counsel to represent DRA and to oversee the lawyers assigned to it by the CPUC.



Executive Management Team

Acting Director, Joe Como: Joe has been the acting director of DRA since August 2010, managing the advocacy activities of three energy branches and the water and communications policy branches, consisting of 137 staff.

Deputy Director/Energy, Linda Serizawa: Linda oversees the activities of DRA's three Energy branches: Energy Cost of Service Branch, which works on ratemaking activities including Natural Gas; Electricity Policy and Planning Branch, which works on electric procurement, transmission, and climate change activities including renewables; and the Electricity Pricing and Customer Programs Branch, which works on rate design, demand-side management, and low-income programs.

Deputy Director/Water, Communications & Governmental Affairs, Matthew Marcus: Matthew oversees the activities of DRA's Water and Communications branches. The Water Branch works on general rate cases and water policy. The Communications Policy Branch works on issues related to the consumer protection, service quality, communications infrastructure, and small carrier rate cases. Matthew also oversees DRA's legislative lobbying and educational efforts before the Governor's office, Legislature, Department of Finance, Legislative Analyst's Office, and other entities.

Policy Advisor, Cheryl Cox: Cheryl is responsible for leading DRA's lobbying and public outreach efforts. She coordinates DRA's efforts to educate and persuade policymakers on ratepayer issues for energy, water, and communications. Cheryl works to educate the public through the media and working collaboratively with community stakeholders.

Chief Counsel, Karen Paull: Karen is responsible for all of DRA's legal activities, including review of DRA's legal filings and providing legal advice and strategy for DRA's advocacy efforts. Karen also manages the attorneys assigned by the CPUC, pursuant to SB 608.





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