



# Annual Report to the Senate Energy, Utilities & Communications Committee



March 15, 2016

# ORA – Office of Ratepayer Advocates

---

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



# Who We Are

---

- ORA 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 was made a separate entity with respect to policy, advocacy, and budget in 1996.
- In 2013, ORA became an independent organization, within the CPUC.
- 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 and Protections

---

In 2015, ORA successfully represented utility customers:

- Advocated in **192** CPUC proceedings.
- Filed **605** pleadings in CPUC proceedings.
- Met with CPUC Commissioners' offices **114** times.
- Appeared before Commissioners in Oral Arguments, All Party Meetings, and En Bancs.
- Participated in numerous CPUC informal meetings and workshops.
- Represented customers in other forums related to CPUC proceedings, including CARB, CEC, and CAISO.
- Served as an informational resource to the Legislature.



# 2015 Ratepayer Savings

---

**Saved Customers \$191 for Each Dollar Allocated to ORA**

**ORA's efforts saved residential and small business customers approximately \$5.3 billion in reduced rates and avoided rate increases:**

- ▶ **Energy Customer Savings:** \$5.3 billion
- ▶ **Water Customer Savings:** \$9 million
- ▶ **Communications Customer Savings:** Achieved by advocating for increased customer benefits & protections through avoided costs.



# ORA's Structure

---

ORA is organized into 7 Branches

**Energy Cost of Service and Natural Gas Branch – Examines utilities' proposals for funding capital projects, operations and maintenance activities.**

1. Advocates in General Rate Cases for Electricity and Natural Gas.
2. Examines ratepayer benefits and costs associated with natural gas programs.

**Electricity Pricing and Customer Programs Branch - Focuses on programs and policies that have a direct impact on customers.**

1. Designs electricity rates that are affordable.
2. Identifies cost-effective ways to implement the state's goals for Energy Efficiency, Demand Response, and Distributed Generation.
3. Advocates for protecting vulnerable customers through improvements to Low-Income programs (CARE and Energy Efficiency) and development of fair service disconnection rules.

*continued*



# ORA's Structure

---

## **Electricity Planning and Policy Branch - Focuses on electricity procurement and climate change initiatives.**

1. Advocates for cost-effective Renewable policies, Resource Adequacy, and Long-Term Procurement Planning.
2. Contributes to the development of GHG mitigation policy, including Cap & Trade and Renewables.

## **Energy Safety and Infrastructure Branch – Examines utilities' proposals for cost recovery related to safety, reliability, and infrastructure development (e.g., transmission).**

1. Examines utility requests for safety-related expenditures.
2. Emphasizes cost-effective Transmission planning at both the CPUC and CAISO.
3. Evaluates Distributed Energy Resources such as the Distribution Resources Plan, Electric Vehicles, and interconnection of preferred resources.

*continued*



# ORA's Structure

---

**Communications and Water Policy Branch** - Represents customers in shaping policies and services related to Telephone, Broadband, and Water to achieve the state's goals.

1. High quality, reliable, and affordable services.
2. Strong customer protections and access to emergency communications.
3. Subsidized services for low-income individuals and families.
4. Ubiquitous deployment and adoption of Broadband.
5. Cost-effective Conservation, Water Recycling, Water-Energy Nexus.

**Water Branch** - Examines the cost of service for the 9 large, Class A investor-owned water companies (54 separate ratemaking districts) with emphasis on the following areas:

1. Affordable monthly water bills.
2. Reasonable return on investments.
3. Low-cost solutions to address water supply problems.

**Administrative Branch** - Oversees operational and workload functions of ORA, including setting policies and priorities, the development and maintenance of ORA's budget, handling personnel matters, contracting, etc.





# 2015 Advocacy & Achievements: Energy

---

## ORA saved energy customers nearly \$5.3 billion

### **Edison General Rate Case:** Savings = \$2.3 billion

Found that Edison's \$1.65 billion cumulative request to increase its revenues for 2015-2017 was significantly over-estimated. The CPUC agreed and reduced by \$2.3 billion.

### **PG&E San Bruno Explosion Penalty:** Savings = \$1.6 billion

Penalty for PG&E as a result of the 2010 San Bruno disaster, a majority of which will be used to pay for pipeline safety upgrades.

### **Edison Coolwater-Lugo Transmission Project:** Savings = \$1 billion

The project was denied by the CPUC as not needed.

### **SDG&E Carlsbad Power Plant:** Savings = Hundreds of millions

The CPUC reduced the Carlsbad contract by 100 MW as not needed.



# 2015 Advocacy & Achievements: Energy

---

## Customer Rates:

**Edison General Rate Case (2015-2017)** - Found that Edison's initial \$1.65 billion cumulative request to increase its rates for was unreasonable, and the CPUC should decrease revenues by \$663 million.

**PG&E General Rate Case (2017-2019)** – ORA is currently conducting in-depth review of PG&E's request to cumulatively increase its rates by \$2.74 billion, and will issue its full analysis via testimony in April 2016.

**SDG&E General Rate Case (2016-2018)** – ORA worked with SDG&E and other parties to negotiate a settlement that would allow the utility to increase its revenues by \$256 million, compared with its initial \$688 million request. The settlement is pending a CPUC decision.

**SoCalGas General Rate Case (2016-2018)** – ORA worked with SoCalGas and other parties to negotiate a settlement that would allow the utility to increase its revenues by \$602 million, compared with its initial \$1.1 billion request. The settlement is pending a CPUC decision.



# 2015 Advocacy & Achievements: Energy

## Rate Design:

**Residential Rate Re-Design:** ORA provided analysis and advocated for policies and protections related to New Fixed Charges, Reducing Tier Differentials, and Time-of-Use pricing.

- ORA advocated for Minimum Bills over Fixed Charges to prevent customer rate shock as lower-tier rates necessarily increase. The CPUC agreed and rejected Fixed Charges.
- ORA successfully advocated for default Time-of-Use pricing, which will incent customers to efficiently use energy to mitigate use at the most expensive and polluting hours of the day. TOU will be effective no earlier than 2019. Customers can opt-out of TOU pricing in favor of tiered rates.



# 2015 Advocacy & Achievements: Energy

---

## Natural Gas:

**PG&E – Transmission & Storage (2015 – 2017):** ORA performed analysis which shows that PG&E only needs half of its \$2 billion request, which includes pipeline upgrades, due to over-estimation of pipeline pressure testing, replacement, system expansion, and corrosion management. A CPUC Proposed Decision is pending.

**Sempra – North-South Project:** ORA determined that the CPUC should deny SoCalGas and SDG&E's \$2.78 billion pipeline, for which it cannot show need, and should instead first seek non-physical alternatives. A CPUC Proposed Decision is pending.



# 2015 Advocacy & Achievements: Safety

---

**Pipeline Safety Standards (CPUC General Order 112):** ORA advocated for the CPUC to update its standards to reflect changes to pressure testing requirements to ensure requirements for compliance and enforcement are clear. ORA's Motion is pending CPUC action.

**Sempra Pipeline Pressure Testing Costs:** The CPUC adopted ORA's recommendation that shareholders, not ratepayers, should pay the costs of pressure testing pipelines installed between 1956 – 1961 because customers have already paid for this work. This will result in savings of \$50-200 million.

**ORA Motion for PG&E Violating CPUC Rule 1.1:** Based on ORA's analysis, PG&E should be sanctioned for intentionally misleading the CPUC regarding its stated compliance with federal regulations. Complying with state and federal regulations is essential to keeping citizens safe.



# 2015 Advocacy & Achievements: Energy

---

## Procurement:

**Local Capacity – Western L.A. Basin (Edison):** ORA successfully advocated for the CPUC to reject 6 Demand Response contracts because they rely upon gas-fired generation and do not use preferred resources to achieve load reduction and mitigate greenhouse gas emissions.

**Local Capacity – Moorpark (Edison):** ORA supports procurement in the Moorpark area, but asserts that approval of the Ellwood peaker plant would not address reliability concerns, and would result in above-market prices.

**Resource Adequacy:** ORA advocated for CPUC policies that promote resources that are both non-polluting and contribute to system reliability, which fully consider Energy Storage, Demand Response, and Renewables.

**Renewable Portfolio Standard (RPS):** ORA supports SB 350's mandate to achieve more aggressive GHG reduction goals cost-effectively. ORA worked with stakeholders to develop an RPS calculator that will feed into the CPUC's Long Term Procurement Plan.



# 2015 Advocacy & Achievements: Energy

## Distributed Energy Resources (DER):

**Distributed Resources Plan:** The CPUC adopted ORA's recommended planning guidelines to promote consistency of valuation. The utilities should have a transparent interconnection process and integration tools which will maximize investments in grid modernization, and achieve GHG reduction goals.

**Electric Vehicles (EV):** ORA successfully influenced statewide EV Charging Station Infrastructure pilots that will provide real service to customers, while it tests various strategies in a focused, cost-effective manner. This will promote a sustainable infrastructure that supports the state's goal to achieve 1.5 million EVs by 2025.

**Energy Storage:** ORA advocated for policies that will improve programs based on lessons-learned, account for GHG emission reductions, and address locational system needs that will increase cost-effectiveness.

**Net Energy Metering (NEM):** ORA supported a sustainable program that will support the growth of rooftop solar, and that is fair to both participating and non-participating customers.



# 2015 Advocacy & Achievements: Energy

---

## Integrated Demand-side Energy Resources:

**Energy Efficiency:** The CPUC endorsed ORA's "business plan" approach to its new rolling portfolio cycles, which would define and measure program goals for the \$1 billion annual program. ORA supports an Energy Efficiency program implemented by third-party competitive bidding, which will promote innovation and cost-effectiveness.

**Demand Response (DR):** ORA's analysis showed that DR is under-utilized, resulting in CPUC rules to improve program effectiveness. ORA advocated for DR programs that reduce fossil generation, and so ratepayers do not pay twice for the same capacity.





# 2015 Advocacy & Achievements: Energy

---

## Transmission:

**Energy Imbalance Market:** ORA participated in the CAISO's process to consider a western regionalization to balance supply and demand electricity every 15 minutes, dispatching least-cost resources every 5 minutes.

**South Orange County Reliability Enhancement Project (SDG&E):** ORA's analysis shows that the ~\$600 million project is not needed. ORA proposed a more efficient alternative that would save ratepayers upwards of \$500 million.

**Coolwater-Lugo Project (Edison):** ORA opposed the project because Edison had not demonstrated need or consideration of alternatives. The CPUC rejected the proposal, which will save customers about \$1 billion.

**West of Devers Upgrade Project (Edison):** ORA finds that the current transmission line has sufficient capacity and is not needed, which would save customers about \$950 million.



# 2015 Advocacy & Achievements: Water

## ORA Aggressively Examined Water Utility Request in 2015.

### General Rate Cases:

#### Final CPUC Decision

GRCs	Total Cumulative Requested Increase	Settlement	Savings
<b>Apple Valley Ranchos</b> (2015-2017)	\$7.3 million	\$5.7 million	\$1.8 million
<b>Park Water Company</b> (2016-2018)	\$7 million	\$6.1 million	\$0.9 million

#### Pending CPUC Decision

GRCs	Initial Utility Increase Request	Partial Settlement	ORA Remaining Litigation	Status
<b>Golden State Water</b> (2016-2018)	(-\$1.6 million)*	\$15 million	(-\$172,700)	CPUC Proposed Decision Pending
<b>San Jose Water</b> (2016-2018)	\$62.4 million	\$24 million	\$11.4 million	CPUC Proposed Decision Pending

\*Initial request prior to Governor's Executive Order on Drought Emergency which increased Golden State's proposed increase to \$15.5 million to reflect decreased water sales. The Water Resources Control Board sets target reductions for each Water utility.

**ORA's advocacy efforts successfully lowered water customers monthly water bills**



*The Voice of Consumers, Making a Difference!*



# 2015 Advocacy & Achievements: Water

## Advocated for Affordability, Conservation, and Prudent Investment

- ▶ **Affordability:** Recommended increases in Low-Income Rate Assistance program benefits, participation, and outreach.
- ▶ **Water Conservation:** Evaluated water savings, monitored compliance with state goal of 20% water reduction by 2020 and the Governor's Executive Order on Drought Actions, and recommended continuing cost-effective conservation program funding.
- ▶ **Investment:** Reviewed over \$200 million in capital investment projects to ensure prudent investment for the provisioning of safe and reliable water service.

**Cal Am Water – Monterey Rate Design:** Due to severe water constraints in the region ORA urged rate redesign strategies such as changes to residential water allotments to align appropriate price signals with the state conservation goals. ORA advocated for an understandable outreach program to customers to explain how changes will impact their water bills.

**Affordability in Water Rates:** ORA urged cost-effective strategies to improve water conservation and efficiency. ORA advocated for a revenue adjustment mechanism that will better align water companies' risk with protecting customers from utilities recovering unjustified revenue.



# 2015 Advocacy & Achievements: Communications

---

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

## Mergers & Acquisitions:

**Comcast-Time Warner:** ORA's extensive analysis and findings helped identify the potential harm to California consumers from this transaction. After Comcast withdrew its request, ORA successfully persuaded the CPUC to preserve the litigation record as an important foundation to understanding the state of the communications industry in California.

**Frontier-Verizon:** ORA worked with stakeholders to reach a partial settlement on the transfer of Verizon's wireline assets and operations, which will expand improved broadband service to 827,000 households, offer LifeLine broadband at \$13.99/month, and meet certain service quality standards.

**Charter-Time Warner Cable:** ORA opposes this transaction because it would likely reduce competition and customer choice in both voice and broadband services. ORA advocated for public hearings throughout the affected service area.



# 2015 Advocacy & Achievements: Communications

---

## Customer Rates - Small Telephone Companies:

**Rate Case Plan:** ORA helped to shape a framework and schedule that will process rate cases in a timely, effective manner that will promote telecommunication services that are affordable and ubiquitously available.

**Cost of Capital:** ORA persuaded the CPUC to have a single proceeding, which will promote efficiency in processing multiple rate cases each year. ORA issued its recommendation via Testimony in February 2016.

**Kerman General Rate Case:** ORA recommends that Kerman should receive a \$1.9 million High Cost Fund-A subsidy with a 5.44% cost of capital, compared with Kerman's request for a \$6 million subsidy and a 13.63% cost of capital. This will allow Kerman to provide safe and reliable service, yet keep rates affordable for all Californians.



# 2015 Advocacy & Achievements: Communications

---

## Communications Policies:

**Service Quality:** ORA supports the completion of the CPUC's service quality evaluation that will promote customer protections by measuring the extent of service outages, reporting outage statistics accurately, and complying with CPUC minimum standards (General Order 133).

**Broadband:** ORA supports the goals of the California Teleconnect Fund (CTF) to make broadband more accessible to underserved communities. The CPUC adopted ORA's recommendation to include non-profits, government-run critical access hospitals, and pre-kindergarten programs as part of the CTF.



# ORA History: Legislation

---

## Public Utilities Code 309.5

- **SB 960** (Chapter 856, Statutes of 1996) established ORA's statutory mandate to represent investor-owned utility customers in CPUC proceedings and made the director of ORA a gubernatorial appointment subject to Senate confirmation.
- **SB 201** (Chapter 440, Statutes of 2001) expanded ORA's mandate to represent investor-owned utility customers within the jurisdiction of the CPUC.
- **SB 608** (Chapter 440, Statutes of 2005) provided ORA better control over its budget and staffing resources, including the ability for the ORA director to appoint a chief counsel to represent ORA and oversee its legal activities.
- **SB 96** (Chapter 356, Statutes of 2013) made ORA an independent program at the CPUC.



# Executive Management Team

---

## **Director, Elizabeth Echols**

Ms. Echols was appointed by Governor Brown on February 10, 2016. She will begin in her new position on March 28, 2016.

## **Deputy Director, Linda Serizawa**

Ms. Serizawa oversees the activities of ORA's 4 Energy branches: **Energy Cost of Service**, which works on ratemaking activities including Natural Gas; **Electricity Planning and Policy**, which works on electric procurement, transmission, and climate change activities including renewables; **Electricity Pricing and Customer Programs**, which works on rate design, demand-side management, and low-income programs; and, the **Energy Safety and Infrastructure Branch**, which analyzes costs associated with utility safety and infrastructure proposals.

## **Interim Deputy Director, Matthew Marcus**

Mr. Marcus oversees the activities of ORA's **Water Branch** and **Communications & Water Policy Branch**. The Water Branch works on general rate cases and water programs. The Communications & Water Policy Branch works to ensure customers have access to high-quality, reliable, and affordable services as well as to ensure that programs strive to achieve the state's policy goals. He also oversees ORA's legislative and educational efforts before the Governor's office, Legislature, Department of Finance, Legislative Analyst's Office, and other entities.

## **Policy & Communications Advisor, Cheryl Cox**

Ms. Cox is responsible for leading ORA's internal education and external communications efforts for ORA's policies. She manages ORA's efforts to educate and persuade CPUC decision makers on ratepayer issues for energy, water, and communications. She also oversees ORA's efforts to educate the public through the press, the internet, social media, and working collaboratively with community stakeholders.

## **Interim Chief Counsels, Mary McKenzie / Phil Weismehl**

Ms. McKenzie and Mr. Weismehl share the responsibilities for all of ORA's legal activities (on an interim basis), including review of ORA's legal filings and providing legal advice and strategy for ORA's advocacy efforts. They also manage the attorneys assigned by the CPUC, pursuant to SB 608.







# Contact Information

---

Linda Serizawa

Interim Director

[LSS@cpuc.ca.gov](mailto:LSS@cpuc.ca.gov)

(415) 703-5259

Matthew Marcus

Interim Deputy Director

[MNM@cpuc.ca.gov](mailto:MNM@cpuc.ca.gov)

(916) 327-3455





# Online Annual Report

<http://www.ora.ca.gov/ar2015.aspx>

