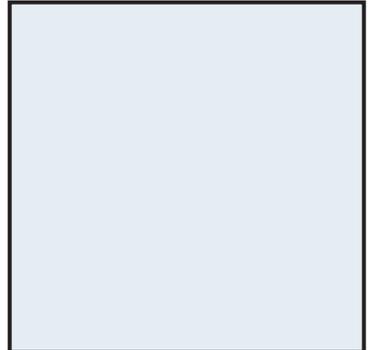
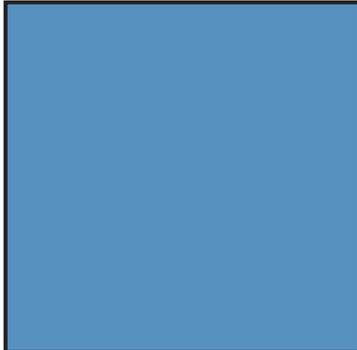
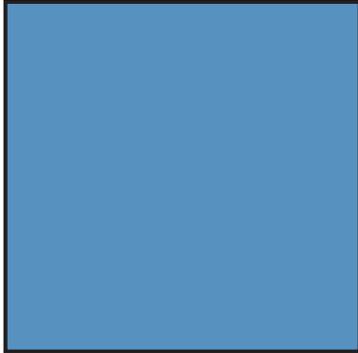




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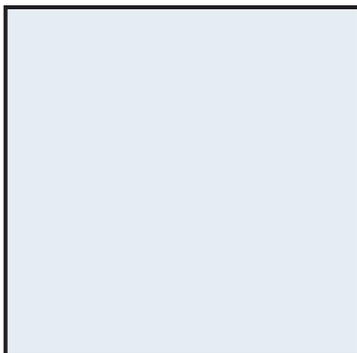
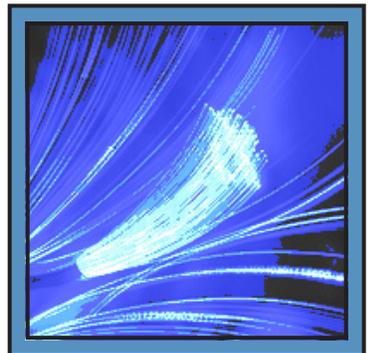
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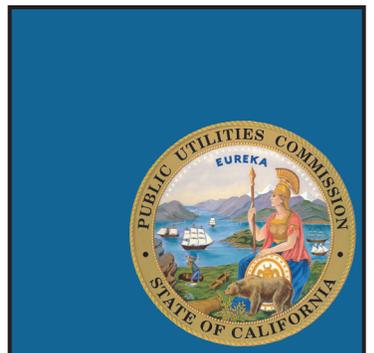
... \$240.17 public purpose program charge(s)
 Franchise fees represent \$71.06 of your total charges
 Your Generation charges include \$3.09 for the Comp
 Transition Charge
 DWR provided 21.961% of the energy you used this m

Electric Charges
 \$351.47 Baseline Quantity 340 20000 Kwh
 Baseline Usage 340 20000 Kwh @ \$0.11430
 101-130% of Baseline 102.06000 Kwh @ \$0.12989
 131-200% of Baseline 236.14000 Kwh @ \$0.22609
 201-300% of Baseline 340 20000 Kwh @ \$0.31509
 Over 300% of Baseline 382.52903 Kwh @ \$0.36166
 Net Charges \$351.47

DWR
 Energy - Summer
 On peak 1,993 kWh x \$0.07981 \$159.06
 Mid peak 2,616 kWh x \$0.07981 \$209.78
 Off peak 2,710 kWh x \$0.07981 \$216.29
 Energy - Winter
 Mid peak 1,235 kWh x \$0.07981 \$98.57



issued
 january 10
 2015



ORA's Statutory Mission

To obtain the lowest possible rates for service consistent with reliable and safe service levels. In fulfilling this goal, ORA also advocates for customer and environmental protections.



Edited by Cheryl Cox

with contributions by Charmian Desales and Dan Hartmann



2014 Annual Report

Submitted to the Legislature January 10, 2015



ORA

*Office of Ratepayer Advocates
California Public Utilities Commission*

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Honorable Jerry Brown, Governor of the State of California, and distinguished members of the California State Legislature:

I am pleased to present the Annual Report of the Office of Ratepayer Advocates (ORA). This Annual Report highlights ORA's major accomplishments and activities in 2014 and offers some insights, from a consumer advocate's perspective, into the current challenges and issues facing California's utility customers.

This Annual Report also fulfills ORA's legislative requirement to provide the following information as required by statute:¹

1. The number of personnel years assigned to ORA and a comparison of the staffing levels for a five-year period.
2. The total dollars expended by ORA in the prior year, estimated total dollars expended in the current year, and the total dollars proposed for appropriation in the following budget year.
3. Workload standards and measures for ORA.

ORA's statutory mandate is to represent and advocate on behalf of the interests of investor-owned utility customers to obtain the "lowest possible rate for service consistent with reliable and safe service levels."² However, that simple statement of purpose as it relates to rates for electric, natural gas, communications, and water services does not begin to define the numerous customer protection and environmental issues ORA's analysts respond to on a routine basis.

Since its inception in 1984 as an entity created by the California Public Utilities Commission (CPUC) to represent ratepayers, ORA has evolved to examine, assess, and provide recommendations, from the customer perspective, on many complex issues of utility service in the 21st century. These include, but are not limited to, safety of operations, environmental effects of energy production and use, communications availability and quality of service, and how to plan for water scarcity. For instance, ORA's energy policy analysis now covers a broad spectrum of areas from infrastructure development, including renewable energy and storage, to customer side programs like energy efficiency and demand response. In 1984 the rotary dial phone was the primary communication instrument and ORA's primary purpose then was to examine cost-of-service phone rates. Today's challenges include making sure that both wireline and wireless customers receive quality and affordable service and that there is universal access to affordable broadband.

But at its core, ORA's responsibility is to advocate for the lowest possible rates for service. Therefore,

¹ Public Utilities Code Section 309.5 (g).

² Public Utilities Code Section 309.5 (a).

ORA's greatest contribution to the state continues to be through its meticulous and thorough analysis of utility rate proposals to support its advocacy positions and to ensure, to the extent possible, that utility proposals adopted by the CPUC are cost-effective. To this end, ORA's recommendations to decision-makers are always driven by a solid fact-based foundation of information. In 2014, ORA's staff of 142 engineers, economists, scientists, and auditors examined hundreds of thousands of pages of data from utilities, ran complex computer programs to simulate utility operations, and audited hundreds of utility accounts to ensure that customer funds were properly spent. ORA analysts also wrote thousands of pages of testimony to create the record for the CPUC to make informed decisions in at least 175 proceedings. ORA also petitioned CPUC decision-makers on behalf of ratepayers over 180 times in 2014 to ensure that the consumer perspective was heard. ORA's \$25 million budget represents a small fraction of total benefits to ratepayers compared with the more than \$4 billion in savings ORA helped to achieve on behalf of ratepayers in 2014. This savings was realized in the form of lower utility revenues and avoided rate increases. For every one dollar customers spent on ORA in 2014 through user fee funding, they saved approximately \$160 across their utility bills.

In summary, major issues for ORA in 2014 included:

- Ensuring that utilities spent money wisely on safety programs,
- Helping the CPUC to retool its decision-making process to better include reviews of safety programs,
- Analyzing climate change proposals,
- Supporting economic development rates to stimulate job creation and business development,
- Planning for a future with more distributed energy resources and demand response,
- Encouraging the effective use of Plug-In Electric Vehicles and associated infrastructure,
- Negotiating a reasonable settlement for the closure of the San Onofre Nuclear Generating Station (SONGS) after failure of its steam generators,
- Litigating the adjudicatory cases to resolve penalties and fines against PG&E for harm caused in the 2010 San Bruno gas explosion,
- Reviewing and litigating several large energy rate cases,
- Helping to streamline renewable procurement rules,
- Formulating new electricity rate structures to encourage a lower carbon impact,
- Analyzing and promoting the state's policies to encourage energy adequacy,
- Encouraging water recycling,
- Formulating policies and programs to increase water efficiency and decrease embedded energy use,
- Developing a rate case plan for small rate regulated communications utilities,
- Promoting open internet policies,
- Advocating for decisions to promote competition in communications,
- Promoting rules to protect communications service quality, affordability and reliability,
- Encouraging the deployment and adoption of affordable and effective broadband services.

More in-depth information on ORA is available at www.ora.ca.gov as well as Annual Reports from previous years. ORA's dedicated and talented staff of professionals will endeavor to continue its role as both an important resource for decision-makers and a key voice for residential and small business utility customers in proceedings before the Commission.

Sincerely,

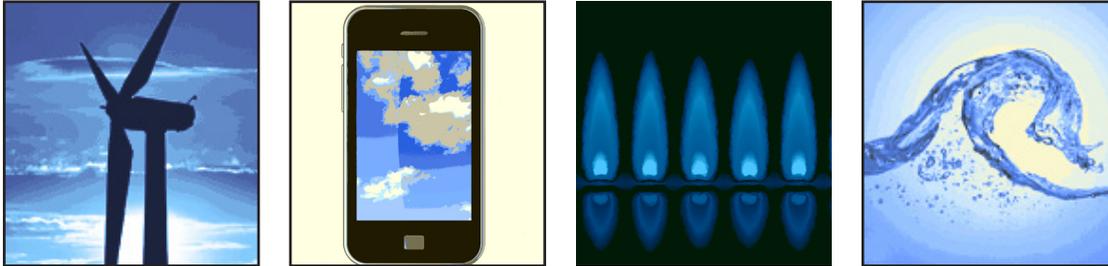
A handwritten signature in black ink, appearing to read "Joseph P. ...".



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Executive Summary



ORA The Office of Ratepayer Advocates is the independent consumer advocate within the California Public Utilities Commission (CPUC) that advocates solely on behalf of investor owned utility ratepayers. As the only state entity charged with this responsibility, ORA plays a critical role in ensuring that the customers of California’s energy, water, and telecommunications utilities are represented at the CPUC and in other forums that affect customers’ utility bills, environmental benefits, and reliability and safety of those services.

ORA has a staff of 142 professionals consisting of engineers, economists, scientists, and auditors with expertise in regulatory issues related to the electricity, natural gas, water, and telecommunications industries in California. ORA’s staff performs in-depth review and analyses of regulatory policy issues and utility proposals, for funding that totals in the tens of billions of dollars, in order to determine whether utility requests are in the interest of the ratepayers who fund utility activities through their utility bills. ORA also supports environmental policies that benefit customers and seeks to ensure that utility actions comport with CPUC rules and California environmental laws and policy goals.

In 2014, ORA participated in 175 CPUC proceedings and filed approximately 535 pleadings to aid the CPUC in developing the record from which Commissioners formulated their final decisions. ORA met with decision-makers on behalf of ratepayers 184 times in 2014 to ensure that the consumer perspective was heard. ORA’s \$25,180,000 budget represents a small fraction of ratepayers’ investment compared with the more than \$4 billion in savings ORA helped to achieve on behalf of ratepayers in 2014. This savings was realized in the form of lower utility revenues and avoided rate increases. For every dollar customers spent on ORA in 2014, they saved approximately \$160 across their utility bills. Additionally, ORA influenced the outcome of numerous CPUC policies, decisions, and California legislation that will positively impact ratepayers.

About O R A

In 1984, the CPUC created ORA, formerly known as the “Public Staff Division,” in a reorganization plan to more efficiently use staff resources. In 1996, SB 960 (Chapter 856, Statutes of 1996) made ORA independent with respect to policy, advocacy, and budget. SB 960 made the ORA Director a gubernatorial appointee subject to Senate confirmation. In 1997, the CPUC implemented its reorganization plan, “Vision 2000,” which significantly diminished the size of ORA staff, but the ratepayer advocacy responsibilities and workload remained the same. In 2005, SB 608 (Chapter 440, Statutes of 2005) strengthened the organization by providing it with autonomy over its budget and staffing resources, and authorizing the appointment of a full-time Chief Counsel. In 2013, SB 96 provided ORA more autonomy by making it an independent program within the CPUC.

Energy

ORA represents the residential and small business customers of California’s investor owned energy utilities. ORA represents approximately 80 percent of California’s energy customers with an emphasis on residential and small business customers. ORA evaluates utility and other stakeholder proposals for both electricity and natural gas in the areas of Customer Rates, Procurement, Renewables, Climate Initiatives, Distributed Energy Resources, Electric and Gas Transmission and Distribution, and Consumer Protection. ORA’s major areas of focus included reviewing these utility proposals for accountability and keeping rates affordable, while supporting California’s energy goals and promoting the safety of the state’s energy infrastructure. ORA scrutinized the requests of California’s investor owned utilities seeking to significantly increase customer rates. In 2014, ORA reviewed utility requests for energy revenue increases and programs that totaled more than \$24 billion statewide. ORA’s advocacy efforts on energy issues aided in saving ratepayers over \$4 billion.

Pacific Gas and Electric Company (PG&E)

ORA’s analysis of PG&E’s request to cumulatively increase its customers’ rates by \$5 billion for 2014 - 2016 found that PG&E significantly overestimated its need for additional revenues to ensure a safe and reliable system. Based on ORA’s advocacy efforts, the CPUC significantly reduced PG&E’s request by \$2.4 billion. In

2014, ORA also reviewed PG&E’s request to recover from ratepayers through its Energy Resources Recovery Account about \$185 million in under-collected costs for 2013 purchased power and utility-generated power.

In July 2014, ORA entered into an agreement with PG&E and other stakeholders that reduced PG&E’s pipeline safety upgrade budget by an additional \$23 million, beyond its proposed \$53 million reduction due to PG&E’s discovery of additional records and other reductions in scope. The budget reduction accomplished by the agreement will not impact PG&E’s scope of work needed to ensure the safety of its natural gas system.

ORA also reviewed PG&E’s request to increase revenues by \$2 billion dollars in its 2015 Gas Transmission and Storage rate case, which includes plans for further pipeline upgrades between 2015 - 2017. ORA’s analysis shows that PG&E only needs half of its requested revenue requirement increase to safely and reliably operate its natural gas system. ORA’s examination found that PG&E over-estimated costs of hydrotesting and the vintage pipeline replacement program, system expansions (primarily in the San Joaquin Valley), and corrosion control and corrosion mitigation efforts.

ORA participated in the CPUC’s San Bruno investigations in 2014 to address what penalties should be determined for PG&E’s role in the 2010 San Bruno explosion. ORA advocated for a combination of pre-tax fines and penalties totaling \$2.5 billion to ensure that PG&E shareholders are held accountable for mismanage-

ment, that PG&E customers don't overpay for pipeline upgrades that should have already been implemented, and that significant fines are imposed to aid in deterring future mismanagement. In September 2014, the CPUC Presiding Officer's Decision proposed penalties and fines for PG&E for state and federal violations related to the San Bruno explosion, as well as for its poor recordkeeping and violations of pipe placement in population dense areas. The proposed decision takes steps to strongly sanction PG&E for mismanagement of its natural gas system. However, ORA has proposed that the CPUC adjust the proposed fine of \$950 million to \$473 million, and apply the \$477 million difference toward reducing costs incurred to improve and enhance the safety of its gas pipeline system in California. ORA's recommendation balances the need for the CPUC to provide a strong deterrent to PG&E lapsing in its obligation to safely operate its system while also protecting ratepayers from paying again for pipeline safety measures they have already funded in the past. ORA also recommends that the CPUC should clarify that ratepayers should not be required to reimburse PG&E for its legal expenses or for intervenors' litigation costs.

Southern California Edison Company (Edison)

Edison has requested to increase its revenue requirement for 2015 - 2017 by \$841 million – or a 12.4% increase over present revenues. ORA recommends that the CPUC should decrease that amount by nearly \$600 million, largely on the basis that Edison over-estimated capital costs for transmission and distribution, and information technology. The CPUC's final decision on Edison's authorized revenue requirement is expected in early 2015.

Additionally, ORA negotiated with Edison and other parties to design an electric bill discount for qualifying business customers in Edison's service territory (similar to the discount established in 2013 for PG&E business customers), which includes an enhanced discount for regions with high unemployment rates. The discount is designed to aid businesses in getting through the economic downturn and provide support to allow businesses to remain in California. ORA's participation in designing the program aided in saving customers upwards of \$13 million.

After Edison's closure of the San Onofre Nuclear Generating Station (SONGS) due to the failure of the plant's steam generators, ORA participated in discussions with Edison, SDG&E, The Utility Reform Network, and other stakeholders to develop a significant settlement that will save Edison customers \$1.4 billion. The settlement requires the utilities to refund customers for the defective replacement of the steam generators retroactive to the date of failure in February 2012. The agreement also requires the utilities to refund customers for capital and operations and maintenance revenue retroactive to when SONGS ceased operations, and requires the utilities to receive a reduced rate of return for the power plant. Customers will also receive a portion of funds recovered from litigation and the selling of SONGS equipment.

Sempra Companies: San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas)

In November 2014, SDG&E and SoCalGas requested CPUC approval to increase their revenue requirements for 2016 – 2018. SDG&E has requested to increase its revenues by \$688 million. SoCalGas has requested a total of \$1.1 billion. ORA has protested both requests because Sempra did not adequately justify the need for new programs and initiatives or proposed capital investment, staffing increases, anticipated maintenance workload, and forecasted increases in insurance, pension, and benefits expenses. ORA expects to issue its full analysis in early 2015.

Statewide Rate Reform and Programs

ORA collaborated with CPUC advisory staff, energy utilities, and other stakeholders to improve the CPUC's general rate case plan process and to incorporate safety as a key consideration in the review of rate cases. ORA supported the CPUC's efforts to streamline the process and advocated for improvements to safety scrutiny and accountability. ORA recommended that the CPUC should require an internal CPUC audit that would use metrics to verify utility activities and expenditures, cost caps, and easily accessible methods by which the public can participate and make its views known to the CPUC, such as attending public hearings via webcast and al-

lowing public comment via the CPUC's website.

In 2014, ORA also represented ratepayers in a collaborative stakeholder effort to develop an updated rate design framework that can better achieve the state's objectives to both decrease the gap between rate tiers and encourage conservation. ORA supports balancing these objectives with carefully designing rates to avoid customer rate shock. ORA supports moving to Time of Use pricing for residential customers in order to efficiently target the most expensive and polluting hours and give customers greater flexibility to adjust consumption to reduce bills. ORA continues to oppose the imposition of fixed charges on customers, which would reduce a customer's incentive to manage their energy use and would disproportionately harm customers that use the least amount of energy per month.

The CPUC adopted most of ORA's recommendations for the Smart Meter Opt-out program which allows customers to elect not to have a smart meter installed at their residences. ORA's advocacy resulted in a savings of \$20.6 million (26% reduction) for the intervening years before the electric utilities' general rate cases.

Procurement

In the wake of the SONGS closure, ORA successfully advocated that the utilities be required to replace the power previously generated by SONGS, at least partially, with preferred resources, such as energy efficiency, renewables, and energy storage. ORA additionally advocated for the CPUC to allow all resources to participate in a Resource Adequacy market so that non-polluting resources can support reliability while meeting California's goals to reduce greenhouse gas (GHG) emissions. ORA's analysis shows that significant unplanned power plant retirement in California in the near future is unlikely and that the CPUC's current Resource Adequacy mechanism to plan one year ahead to ensure reliability is sufficient.

ORA supported the CPUC's adoption of the 2014 Renewables Portfolio Standard decision, which set procurement plan rules and standards of review for the utilities that will promote achieving California's climate policy goals in a streamlined, cost-effective manner. The CPUC's decision adopted ORA's recommendations to improve transparency and monitoring and will require

all Renewables projects submitted to the CPUC to contain clear and complete information. The CPUC also adopted ORA's recommendation to allow the utilities to use the Renewable Auction Mechanism as an optional procurement tool, which will enhance streamlined procurement. Additionally, ORA supported reforms to the CPUC's interconnection rules to ensure that transmission and distribution access needed for Renewable energy has customer protections through cost containment criteria and demonstrations of cost-effectiveness.

Distributed Energy Resources

ORA supports AB 327, which requires integration of planning, operations, and investment of Distributed Energy Resources in order to optimize ratepayers' funding of smart grid technologies and achieve maximum climate benefits. ORA urged the CPUC to establish criteria, benchmarks, and accountability mechanisms to ensure California is achieving its objectives. ORA supports the advancement of emerging technologies such as Energy Storage, and was successful in realizing customer protections in the utilities' 2014 Energy Storage Procurement Plans that require rules and transparency that will protect ratepayers' investment.

ORA supports the need for appropriately scoped, scaled, and targeted utility pilot programs to test deployment of Electric Vehicle charging infrastructure that will be needed to achieve the Governor's goal of 1.5 million electric vehicles by 2025. Studies and iterative infrastructure deployment are necessary to inform location and technology needs to prevent stranded customer costs, as well as to ensure market competition which is necessary for customer choice and keeping costs low.

ORA has been at the forefront to ensure that ratepayers receive benefits from their Demand Response investments. These benefits include reliability of the electric grid and enabling integration of Renewable resources. In 2014, the CPUC adopted many of ORA's recommendations to improve the performance of third-party Demand Response aggregators and to terminate contracts that have demonstrated to perform poorly. ORA urged the CPUC to promote competition among Demand Response providers as a means of improving performance and lowering the cost of the programs. The CPUC also adopted ORA's recommendation to integrate

Demand Response as a resource into the California Independent System Operator's (CAISO) grid operations, like conventional generation resources, which will serve to reduce energy load on the grid during critical times and increase reliability. ORA reviewed Demand Response strategies and collaborated with energy utilities, the CAISO, and other stakeholders to ensure that the CPUC's objectives are met. ORA participated in working groups to identify uses and value streams of Demand Response that will help to optimize its implementation as a preferred resource to reduce GHG emissions. ORA evaluates and monitors energy utilities' proposals for compliance and to ensure that Demand Response can be a cost-effective and sustainable resource for the electric grid.

Cap & Trade

ORA was successful in advocating that the CPUC should require transparent carbon prices so that electricity customers understand the cost of carbon associated with their energy consumption. ORA also collaborated with stakeholders to reach an agreement that the natural gas utilities will be able to procure GHG allowances and offsets, which are the metrics by which California sets decreasing levels of allowable carbon emissions throughout the state's economy. This will result in an annual credit for customers on their gas bills that is similar to what electric utility customers receive.

Transmission

ORA represented ratepayers at the CAISO, opposing the increase of Transmission access charges and recommended improving Transmission planning standards and methodology in order to better identify Transmission needs. ORA has urged CAISO to acknowledge the contribution of Distributed Energy Resources in mitigating the need for new Transmission upgrades. ORA also analyzed utility requests for Transmission projects throughout California, totaling approximately \$3.6 billion, to determine reasonableness of the project and whether more viable economic alternatives should be considered.

ORA opposed the CPUC's adoption of PG&E's \$200 million Embarcadero-Potrero project because PG&E did not demonstrate need or provide viable alternatives.

ORA is also assessing whether Edison transmission projects are needed, including the \$1 billion Coolwater-Lugo and the \$1 billion West of Devers upgrade lines. Likewise, ORA is reviewing the need for SDG&E's proposed \$600 million South Orange County Reliability Enhancement Project and its \$150 million Sycamore-Peñasquitos project.

Consumer Protection

ORA collaborated with the energy utilities and other stakeholders to reach an agreement to continue utility service disconnection protections for residential customers through 2015. These protections include prerequisite premise visits for vulnerable customers before shut-off, improved payment plan options and various payment plan pilots, and flexible credit deposit policies in order to reinstate service following a disconnection. The CPUC approved the agreement in June 2014.

Water

ORA advocates for affordable, safe, and reliable investor owned water utility services, as well as strong low-income water programs, cost-effective conservation programs, and long-term water supply solutions. ORA represents 1.3 million customers of investor owned Class A water utilities (more than 10,000 service connections) and Class B water utilities (less than 10,000, but more than 5,000 service connections), serving over 6 million people in the state of California. The CPUC has regulatory jurisdiction over approximately 20 percent of all of California's urban water usage customers. ORA reviews water utility requests for additional revenues to help ensure service is high-quality, prudent, and affordable. ORA represents customers before the CPUC and in other forums, and participates in other statewide planning processes such as the Department of Water Resources, the Water-Energy Team of the California Action Team, and the State Water Resources Control Board.

In 2014, ORA reviewed nearly \$200 million in water utility requests to increase revenues. ORA's efforts saved water ratepayers nearly \$50 million – or approximately \$7.76 per month on customer water bills. Additionally, ORA negotiated settlements with water utilities that would result in an additional \$15 million in savings,

which are pending before the CPUC.

ORA negotiated an agreement with California Water Service regarding increased revenues for its 23 water districts for the period of 2014 – 2016. The agreement resulted in a reduced revenue request of \$36 million, which will result in average monthly water bill savings of \$6.68.

ORA demonstrated that Suburban Water Systems over-estimated its revenue needs and negotiated a reduction of 24% in Suburban's original \$15 million request for 2015 - 2017. This reduction will save customers over \$2 million. ORA opposed the CPUC's adoption of Suburban's request to recover its regulatory expenses. This catch-up provision will have the impact of increasing customers' monthly bills by an average of \$0.11 for three years.

Apple Valley Ranchos Water Company has requested to increase its revenues by over \$7 million for 2015 - 2017, which would result in customer bill increases of \$18 every two months. ORA's analysis found that Apple Valley had over-estimated its water sales forecast, operating and administrative budgets, and other expenses and determined that its request should be cut in half. A CPUC proposed decision is expected in early 2015.

In 2014, ORA reviewed California American Water Company's (Cal Am) proposals for more than \$70 million in capital projects and over \$123 million in operating expenses which would increase its revenues for 2015 - 2017 by over \$33 million. ORA found that due to Cal Am's over-estimates in the areas of water consumption, expenses, and capital costs that its revenue increase should be considerably lower. ORA negotiated an agreement that reduces Cal Am's application request to increase revenues in 2015 by nearly \$19 million or 9.6%. If approved by the CPUC, the agreement will also result in clear policies and targets for water conservation efforts.

ORA is currently reviewing Golden State Water Company's request to increase its revenues by about \$19 million from 2016 - 2018. ORA has participated in public hearings throughout the utility's service area and will issue its full analysis of Golden State's request in March 2015.

ORA also worked to develop key water policies in

2014 to provide guidance for developing programs that will shape issues of safety, conservation, and affordable rates in the water industry. As the CPUC explored the policy of allowing water utilities to consolidate rates across their districts, ORA was successful in proposing a solution that will ensure that all proposals to consolidate will address benefits for the public interest and consider district proximity, rate comparability, water supply, and operation.

ORA supports the state's initiatives to address the Drought in California. At the end of 2013, in response to ORA's petition, the CPUC opened a new Water-Energy Nexus proceeding that will consider new policies and joint funding for implementing innovative approaches to conserve both water and energy, which are often intertwined. In 2014, ORA urged the CPUC to take immediate action to determine a costs-benefits methodology to inform the design of Water-Energy programs. This will be that fastest way for the CPUC to begin taking action to alleviate the drought in this proceeding.

ORA also advocates for cost-effective Recycled Water programs that will contribute to water supply reliability and reductions of imported water, which will also reduce energy use. ORA supports mandatory targets as part of the utilities' Recycled Water implementation plans. In its August 2014 decision, the CPUC adopted ORA's recommendation that cost-benefit analyses should demonstrate that Recycled Water projects clearly show benefits in the service territory of the customers who support these programs.

Communications

ORA advocates for the fair treatment of wireline and wireless telephone service customers, as well as to ensure universal access to affordable broadband services. ORA's Communications efforts in 2014 primarily focused on affordability, public safety, consumer protection, service quality, and reliability for voice and broadband Internet services. ORA supports programs that promote greater access to services across a variety of technology platforms, because communications is a basic societal necessity. In 2014, ORA reviewed utility requests associated with the CPUC's oversight of approximately \$1 billion in Universal Service program funds to help ensure that these programs were operated prudently and

consistent with the public benefit, including subsidies for broadband deployment and adoption, Lifeline, and the Deaf and Disabled Telephone Program. ORA also reviewed national policy and economic issues that will have significant impact on California broadband consumers.

Service Quality

ORA supports California's Service Quality and reliability standards that require communications carriers and providers to ensure public safety, health, comfort, and public convenience. Furthermore, the CPUC's General Order 133 requires specific minimum standards for network technical quality, customer service, installation, repairs, and billing. In 2014, ORA recommended further improvements by urging the CPUC to require carriers and providers to adhere to these rules regardless of technology, because communications can transit multiple networks. Service reliability should be seamless to the end user and should prioritize public safety. ORA urged the CPUC to require carriers and providers to utilize consistent metrics and reporting standards for clarity and transparency. To incent high service quality, the CPUC should require refunds during outages and impose penalties for not meeting the CPUC's standards. In 2014, ORA recommended that the CPUC undertake a diverse study that captures a reflective cross-section of California to determine the current condition of carrier infrastructure and facilities that are necessary to support Service Quality. The study should result in CPUC-approved best practices and sensible minimum standards.

Broadband

ORA supports the state's goals to reduce the "digital divide" in California and advocates that CPUC Broadband subsidy programs that target unserved and underserved regions should be accountable for achieving those goals through both deployment and adoption. Addressing barriers and achieving ubiquitous Broadband is essential to economic growth and social benefits for all Californians.

The California Advanced Services Fund (CASF), which is the primary funding source for providing new Broadband infrastructure in unserved and underserved areas across California, disseminates funding through four sources: infrastructure grants, loans, public housing, and rural and urban consortia. In 2014, ORA sup-

ported the CPUC's initiative to leverage federal funding for Broadband deployment by allocating CASF dollars as matching funds, which may make California more competitive in receiving federal funding. The CPUC adopted ORA's recommendation to make the program more transparent and accountable by requiring applicants to show proof of FCC project approval and payment in order to receive CASF matching funds. ORA also supported a streamlined application process to ensure that Public Housing residents can obtain access to affordable Broadband service at reasonable speeds.

ORA supports subsidies to aid small telephone companies in providing Broadband services to high cost communities. ORA seeks to ensure that these companies operate efficiently and that subsidies are not excessive, because they are collected from all California voice telephone service customers. As the small telephone companies are already close to full deployment of Broadband in these high cost areas, in 2014 ORA recommended they should be required to include their profits from Broadband into the calculation that determines the amount of their subsidies. Using this methodology will continue to target underserved areas that require assistance, while also protecting other California telephone customers who support the program. Because small telephone companies that receive this subsidy are required to obtain CPUC approval of revenues and rates, ORA has recommended that the CPUC develop a clear rate case plan that will streamline the process, create transparency and accountability, and ensure that rate cases are processed in a timely manner, beginning in 2015.

Comcast-Time Warner Cable Merger

ORA recommended that the CPUC deny approval of the Comcast-Time Warner Cable Merger. It is widely recognized that vibrant competition drives investment, innovation, and lower prices. ORA's analysis shows that the proposed Merger would instead create a near monopoly over the broadband Internet access market in California, creating a footprint of more than an estimated 84% of homes in the state. Without the presence of viable competition, Comcast's ability to raise prices will be unchecked. Comcast would also have considerable market power as the gatekeeper between content providers and broadband customers. This would constrain the ability of

other potential companies to provide competitive services at reasonable prices and offer comparable content to consumers. Additionally, ORA's analysis found that both Comcast and Time Warner Cable are ranked poorly by third-party rating agencies due to providing poor customer service, and ranking well below the average of broadband Internet and voice service providers.

Open Internet

ORA supports an Open Internet which will allow customers to receive unobstructed access to the entire Internet at consistent speeds necessary for communication, information, and education. The Internet has become a basic necessity on which the public relies and is essential for health and safety. ORA's legal analyses finds that the only way to achieve these goals is for the Federal Communications Commission (FCC) to reclassify broadband service as a telecommunications service under Title II of the 1996 Telecommunications Act, with restrained regulation to support policies related to public safety, service quality and reliability, universal service, privacy, and competition. In 2014, ORA urged the CPUC to support reclassification of broadband at the FCC.

ORA's 2014 Annual Report Online

<http://www.ora.ca.gov/AR2014.aspx>

Report to the Legislature



On or before January 10 of each year, the Office of Ratepayer Advocates (ORA) is required to provide to the Legislature:¹

- **ORA's Staff:** The number of personnel years assigned to ORA and a comparison of the staffing levels for a five-year period.
- **ORA's Budget:** The total dollars expended by ORA in the prior year, estimated total dollars expended in the current year, and the total dollars proposed for appropriation in the following budget year.
- **ORA's Workload Standards and Measures:** The number of CPUC proceedings, pleadings, and education and outreach in which ORA participates in the reporting year.

ORA's Staff

ORA currently has 142 authorized positions.² This is a reduction from its peak in the mid-1990s of over 200 employees. The table below provides a comparison of current staffing levels with those over the past five years.

ORA Staffing Levels for a 5-Year Period

Fiscal Year	Total ORA Staff	Explanation
2011 / 2012	142	2 positions were redirected to cover Natural Gas policy issues
2012 / 2013	137	Reduction by Executive Order
2013 / 2014	142	2 Financial Examiners for Water proceedings, 2 positions for Natural Gas Safety, 1 Financial Examiner for Electricity Resource Recovery Accounting
2014 / 2015	142	No new positions
2015 / 2016	142	No new positions

¹ This report is submitted in compliance with Section 309.5 (f) and (g) of the Public Utilities Code.

² Except for the Chief Counsel position which was authorized by Senate Bill 608, the CPUC Legal Division assigns attorneys to support ORA's staff in litigation matters. These attorneys are provided to ORA by the CPUC's legal division at a cost to ORA, but are not ORA staff. The cost for legal resources is included in ORA's budget.

ORA is led by an executive management team, which oversees ORA's five branches covering the issues of energy, water, and communications. ORA is served by an acting director pending a decision of the governor on a permanent appointment.

Acting Director, Joe Como: Joe Como has served as ORA's acting director since August 2010. The acting director manages the activities of three Energy branches, the Water branch, and the Communications & Water Policy branch.

Deputy Director / Energy, Linda Serizawa: Linda Serizawa oversees the activities of ORA's three Energy branches: the Energy Cost of Service branch, which works on ratemaking activities including Natural Gas; Electricity Planning and Policy branch, which focuses 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 programs, and low-income assistance programs.

Deputy Director / Water, Communications, and Governmental Affairs, Matthew Marcus: Matthew Marcus oversees the activities of ORA's Water and Communications & Water Policy branches. The Water branch primarily works on general rate cases to ensure monthly service bills are affordable and service is safe and reliable. The Communications & Water Policy branch works on telecommunications and broadband issues to ensure that customers have access to high-quality, reliable, and affordable services and on water policy issues to prudently achieve the state's laudable water policy goals such as conservation, recycling, and reducing energy intensive water use. Mr. Marcus is also responsible for ORA's activities in Sacramento and leads ORA's legislative coordination and educational efforts, as well as responding to inquiries from Assembly and Senate offices and the office of the Governor.

Policy Advisor, Cheryl Cox: Cheryl Cox is responsible for leading ORA's lobbying and external communications. She manages ORA's efforts to educate and persuade policy-makers on ratepayer issues for energy, water, and communications. Ms. Cox also oversees ORA's efforts to educate the public through the press, internet, social media, and working strategically to collaborate with community stakeholders.

Acting Chief Counsel, Karen Paull / Mary McKenzie: Karen Paull was responsible for most of 2014 for overseeing all of ORA's legal issues and managing attorneys as assigned by the CPUC, pursuant to SB 608. Mary McKenzie took over the role of Chief Counsel in December 2014.

ORA's 142 authorized staff positions, including management and administrative staff, are allocated across the six ORA branches in the areas of Energy, Water, Communications, and Administration (11).

ORA branches are managed by its program managers:

Energy Branches (82 Staff):

- **Energy Cost of Service (ECOS)** - R. Mark Pocta
- **Electricity Planning and Policy (EPP)** - Chloe Lukins
- **Electricity Pricing and Customer Programs (EPCP)** - Mike Campbell

Water Branch (29 Staff): Danilo Sanchez

Communications & Water Policy Branch (20 Staff): Chris Ungson

ORA's staff consists of technical, policy, and financial analysts with professional backgrounds as engineers, auditors, and economists with expertise in the regulatory issues of electricity, natural gas, water, and telecommunications. ORA's staff increased by 5 positions in FY 2013 / 2014 due to a need for greater financial auditing expertise in the areas of natural gas pipeline safety, water rate cases, and true-up of electricity procurement. ORA's staffing level remained the same in FY 2014 / 2015 as it did in FY 2013 / 2014, and no change is anticipated for FY 2015 / 2016.

ORA's Budget

Each year ORA reports to the Legislature the total dollars expended by ORA in previous budget cycles, estimated total dollars expended in the current year, and the total dollars proposed for appropriation in the upcoming budget year.

ORA's Budgets over Five Fiscal Years

Fiscal Year	Total Budget Including Reimbursable Contracts
2011 / 2012	\$27,283,000
2012 / 2013	\$27,535,000
2013 / 2014	\$27,375,000
2014 / 2015	\$28,180,000
2015 / 2016	\$29,400,000

ORA develops its budget internally and then works with the CPUC to ensure ORA has sufficient resources, including assignment of attorneys and other legal support for the effective representation of consumer interests.³ ORA's budget⁴ is statutorily designated as a separate account into which funds are annually transferred via the annual Budget Act to the CPUC Ratepayer Advocate Account, to be used exclusively by ORA in the performance of its duties. ORA's \$29.4 million proposed budget for fiscal year 2015 / 2016 is a small increase over the previous year due to adjustments applicable to all state agencies.⁵ The total budget includes staffing, legal services, and administrative overhead.

³ Public Utilities Code Section 309.5 (c): The director shall develop a budget for the office that shall be subject to final approval of the Department of Finance. As authorized in the approved budget, the office shall employ personnel and resources, including attorneys and other legal support staff, at a level sufficient to ensure that customer and subscriber interests are effectively represented in all significant proceedings. The office may employ experts necessary to carry out its functions. The director may appoint a lead attorney who shall represent the office, and shall report to and serve at the pleasure of the director. The lead attorney for the office shall obtain adequate legal personnel for the work to be conducted by the office from the commission's attorney appointed pursuant to Section 307. The commission's attorney shall timely and appropriately fulfill all requests for legal personnel made by the lead attorney for the office, provided the office has sufficient moneys and positions in its budget for the services requested.

⁴ The ORA annual budget includes an authorization for reimbursable contracts. ORA is reimbursed for these costs by the relevant utilities. For FY 2015 / 2016, the proposed amount is \$3,000,000. Actual expenditures for reimbursable contracts occur only if there are proceedings that allow for reimbursable contracts. Examples include audits, mergers, and major resource additions, such as the construction of a transmission facility for which ORA may need to contract for expert consultant services to assist ORA in analyzing the utility request or application. In addition, the Department of Finance is currently auditing the CPUC and may have adjustments to the costs ORA is actually incurring that could impact the total budget requirements of ORA.

⁵ ORA's proposed budget with an increase of approximately 4.3% as a result of control section adjustments that are applicable to all state agencies and an increase in the nominal amount allocated to ORA for the CPUC's shared services.

ORA's Workload Standards and Measures

ORA measures its workload in three ways:

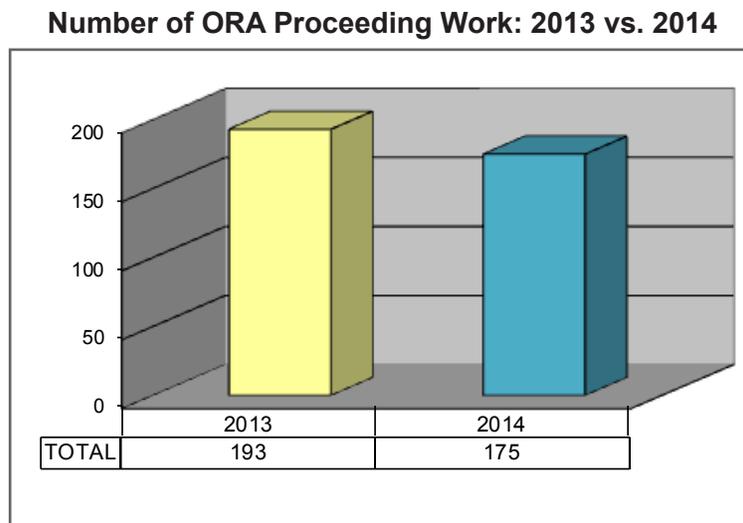
- The number of proceedings⁶ in which ORA participates.
- The number of pleadings⁷ filed by ORA with the CPUC.
- The number of outreach and education contacts.

ORA's Proceeding Work

In 2014, ORA participated in 175 formal CPUC proceedings. These numbers do not reflect the greater complexity of the issues being addressed by ORA in omnibus proceedings addressing greenhouse gas emissions, renewable resource development, procurement and transmission working groups, water conservation, and other major initiatives. ORA is often the only voice representing consumer interests in a number of these proceedings. Since the CPUC relies on a formal evidentiary record in rendering its decisions, ORA's participation is essential to ensure that the CPUC has a record that reflects the interests of California's customers.

The following charts represent the total number of formal CPUC proceedings in which ORA participated in 2014 in comparison to 2013, as well as broken out by industry group.

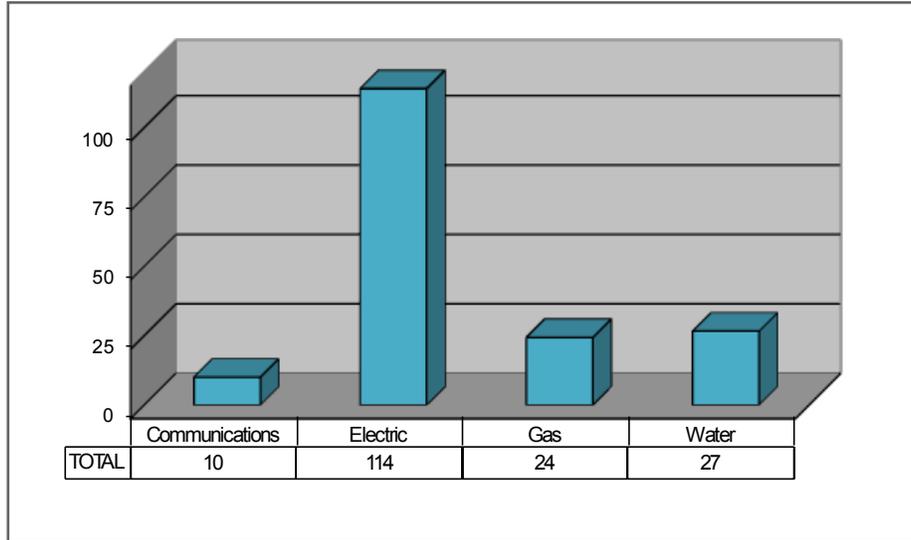
The number of Proceedings that ORA worked on in 2014 = 175



⁶ A Proceeding is a formal case before the CPUC in which a legal record is developed. It may include an evidentiary hearing with the opportunity to cross-examine witnesses.

⁷ A Pleading is a legal document filed in a formal proceeding before the CPUC. The CPUC conducts proceedings regarding a wide variety of matters such as applications to raise rates, CPUC investigations, CPUC rulemakings, or complaint cases. In a typical proceeding, pleadings filed by ORA might include a protest to a utility application, a motion for evidentiary hearings, opening and reply briefs, and opening and reply comments on a proposed decision, CPUC rulemaking, or CPUC investigation.

Number of 2014 ORA Proceeding Work by Industry

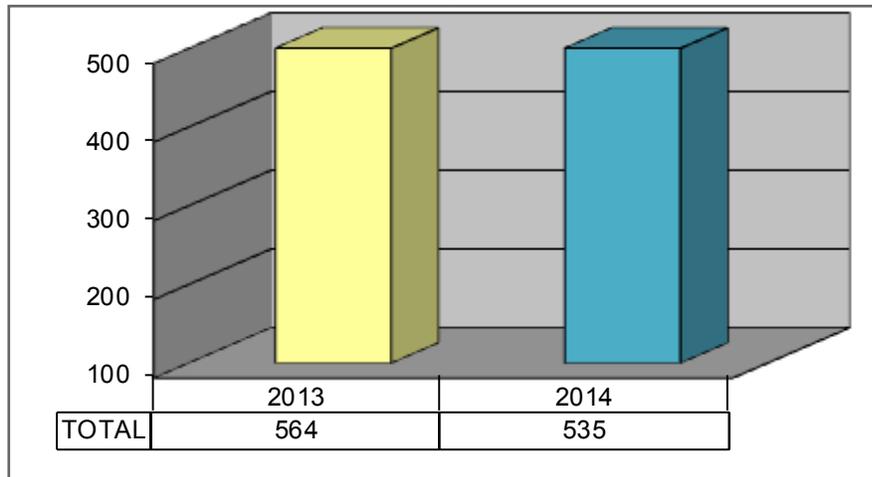


ORA’s Pleading Work

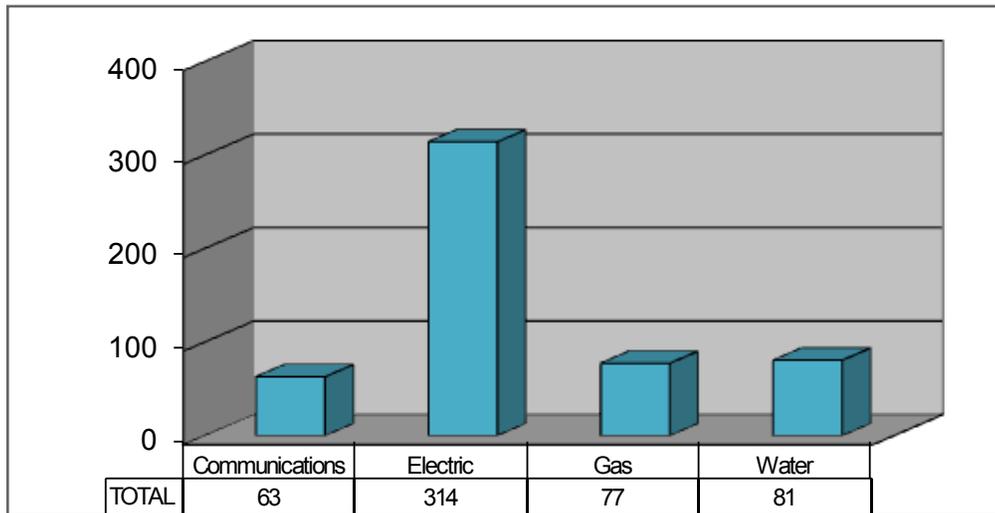
ORA staff and attorneys file hundreds of pleadings annually on behalf of customers covering issues related to electricity, natural gas, water, and communications. In 2014, ORA filed 535 pleadings in formal CPUC proceedings. The following charts represent the comparison of the number of pleadings ORA filed in 2014 in comparison to 2013, as well as broken out by industry group, respectively.

The number of Pleadings ORA filed in 2014 = 535

Number of ORA Pleadings Filed: 2013 vs. 2014



Number of ORA Pleadings Filed in 2014 by Industry



Additionally, ORA served numerous reports via testimony and filed many responses to utility advice letters in which the utilities often seek CPUC authority via a more informal process.⁸ Beyond its participation in formal and informal CPUC proceedings, ORA is an active participant in proceedings at the California Energy Commission, the California Independent System Operator (CAISO), and the California Air Resources Board (CARB), where policy-making will impact ratepayers. ORA also provides consumer representation in other forums related to the CPUC’s proceedings such as meetings to review utility procurement decisions, the Low-Income Oversight Board (LIOB), telecommunications public policy committees, industry committees of the National Association of State Utility Consumer Advocates (NASUCA), and the Pacific Forest and Watershed Stewardship Council.

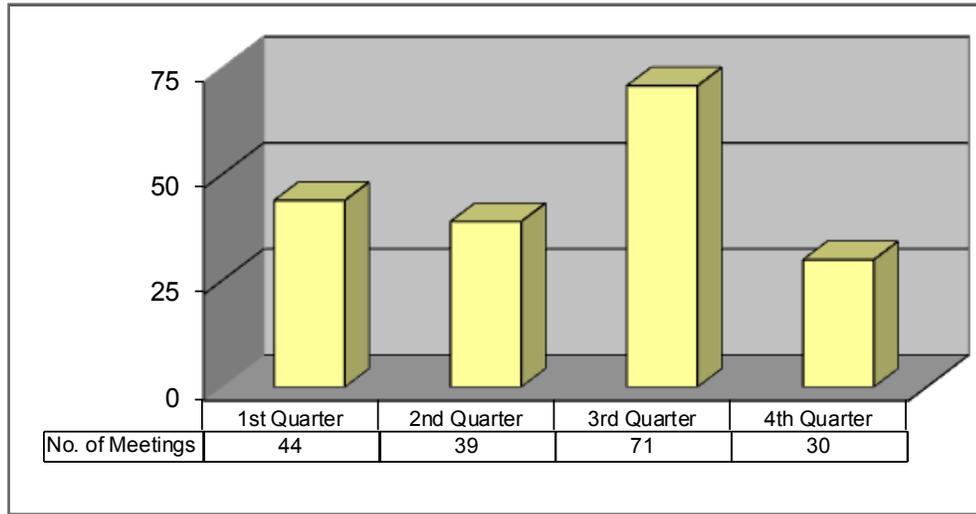
ORA Outreach and Education

ORA has also developed measures to improve the quality of its work product and increase the effectiveness of its advocacy efforts. In this regard, ORA also measures its efforts to raise CPUC awareness of ratepayers’ issues by tracking the number of contacts it has with commissioners and their advisors in connection with CPUC proceedings.

ORA conducted educational and informational meetings with Commissioners and/or their Advisors 184 times.

⁸ An Advice Letter is a filing by a utility seeking authority to spend ratepayer money or set / change policies which may have a significant impact on ratepayers. Utility requests via advice letters are typically authorized by a CPUC decision adopted in a formal proceeding, which sets certain parameters for determining whether the advice letter request is valid and should be granted.

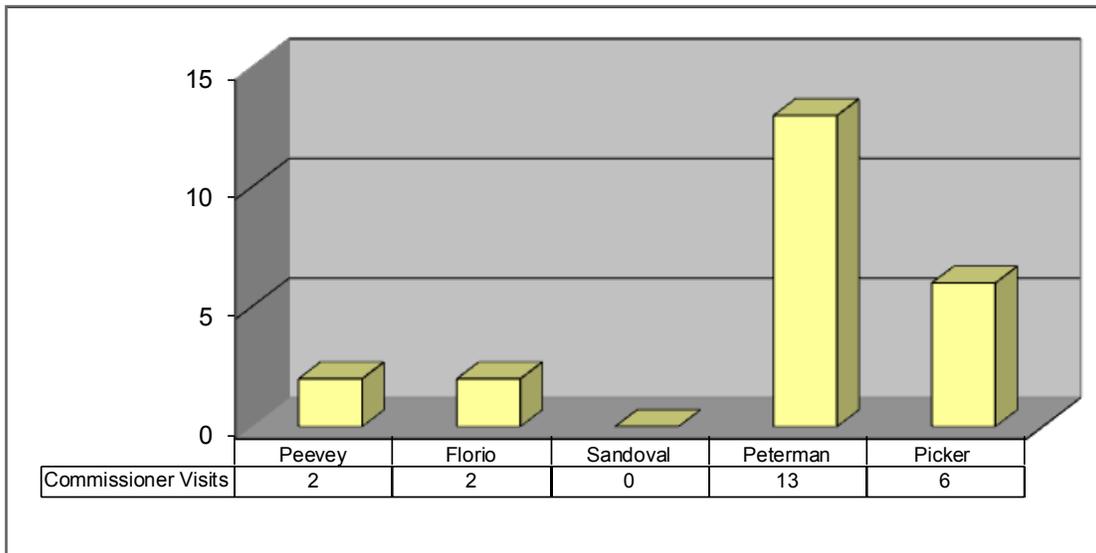
Number of ORA Visits with Commissioner Offices in 2014



ORA asks for meetings with CPUC commissioners to discuss important ratepayer issues. The following are the number of individual meeting requests that were granted by each commissioner.

ORA met directly with Commissioners 24 times.

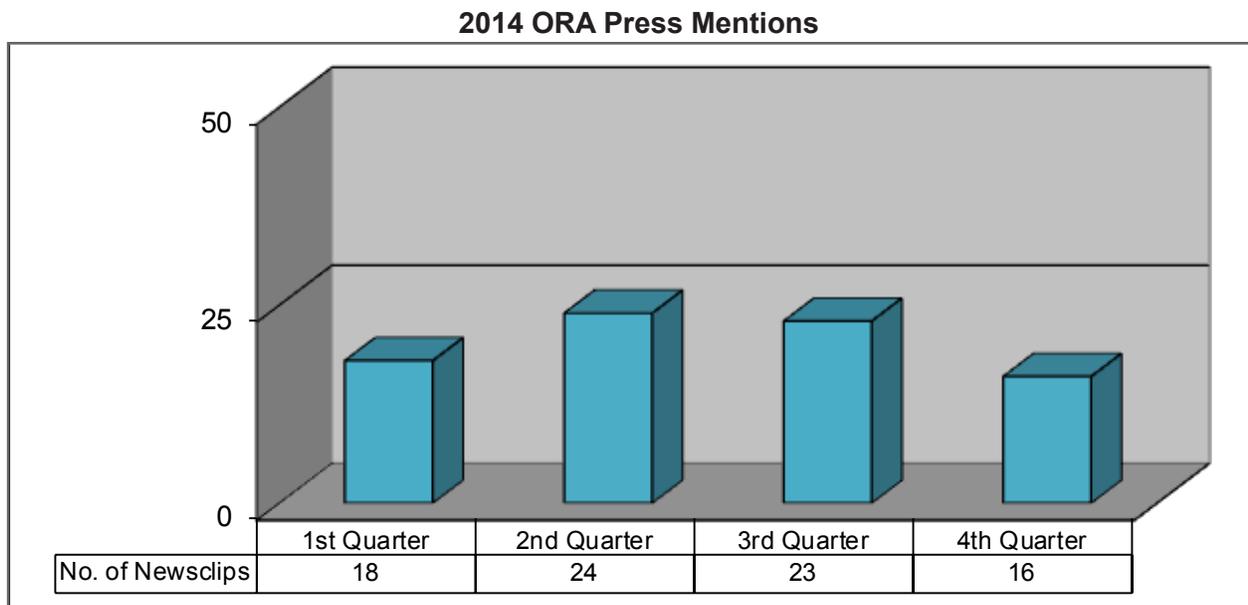
Number of ORA Individual Meetings with Commissioners in 2014



Additionally, ORA appeared before commissioners and their advisors in such forums as All Party meetings, hearings, and oral arguments.

In an effort to create greater transparency of ORA's advocacy work in the CPUC decision-making process and the outcomes which will affect the daily lives of Californians, ORA reaches out to the public via the press, internet, and social media. ORA's website is designed to take complicated regulatory and technical issues and make them understandable to the public, including providing easy access to CPUC pleadings, rulings, decisions, and other useful information. ORA's efforts resulted in at least 81 press mentions in large and small California print media outlets across the state. ORA also participated in interviews for a number of radio and television news stories. Additionally, ORA aided in providing background on the ratepayer perspective in numerous other news stories.

ORA reached the public through the media at least 81 times.



ORA also works with a wide variety of stakeholders including small business organizations, community and environmental groups, and other consumer oriented organizations to augment the voice of customers before the CPUC and in other forums.

ORA in Sacramento



ORA actively participates in the Legislative and Budget processes in Sacramento by working directly with the Governor’s office, the Legislature, Department of Finance, Legislative Analyst’s Office, and other related entities. ORA achieves its statutory mission to represent the customers of investor-owned utilities for energy, natural gas, water, and communications in Sacramento by:

- Taking positions on bills.
- Testifying in informational and bill hearings.
- Providing technical legislative and constituent assistance.
- Participating in working groups.
- Providing updates on CPUC and ORA actions.

ORA does this by maintaining a full-time presence in Sacramento. In 2014, ORA worked directly with Member of-fices and testified on many public utilities bills:

Energy

AB 365 (Mullin) -- would have modified the current method of assessing non-bypassable charges for customers with onsite combined heat and power generation equipment, and exempted such charges from being applied to-ward energy that is produced and consumed onsite.

AB 427 (Mullin) -- would have exempted large-scale energy customers using bottom-cycle cogeneration technolo-gies from being assessed non-bypassable charges for energy that is being generated and consumed onsite.

AB 1937 (Gordon) -- requires natural gas corporations to provide a three-day notice to schools and hospitals prior to conducting non-emergency gas pipeline excavation and construction work.

AB 2145 (Bradford) -- would have modified existing law regarding community choice aggregation to limit cus-tomer enrollment by a community choice aggregator to the geographical boundaries of three contiguous counties.

AB 2229 (Bradford) -- would have required the CPUC to approve financial incentives for energy efficiency mea-sures for military facilities and premises.

AB 2334 (Gray) -- would have required the CPUC to develop and implement an “economic development rate” to promote business development at former military bases.

SB 900 (Hill) -- requires the CPUC to develop formal procedures to consider safety in electric and gas utilities’ rate case applications.

SB 1090 (Fuller) -- requires the CPUC to consider rate impacts on residential customers located in hot, inland climate zones prior to implementing default residential time-of-use pricing.

SB 1139 (Hueso) -- would have required electrical corporations to cumulatively procure 500 megawatts of power from new geothermal energy facilities by 2024.

SB 1277 (Steinberg) -- would have required the California Independent System Operator (CAISO) to collaborate with, and seek approval from, the CPUC prior to proposing a new statewide multi-year wholesale capacity procure-ment mechanism.

SB 1389 (Hill) -- would have prohibited gas corporations from determining gas pipeline maximum allowable operating pressure by using the highest actual operating pressure of the pipeline segment during the five-year period preceding July 1, 1970.

SB 1414 (Wolk) -- requires the CPUC to establish new, or maintain existing, demand response products and tariffs that facilitate the economic dispatch and use of demand response to meet or reduce electric utilities' resource adequacy requirements.

Water

AB 1434 (Yamada) -- would have created a statewide low-income water rate assistance program.

SB 936 (Monning) -- provides the CPUC with authority to review and approve the issuance of tax-exempt bonds to provide potentially lower-cost financing to expand water supplies on the Monterey Peninsula.

SB 1036 (Pavley) -- requires the Department of Water Resources to develop a methodology for the voluntary reporting of energy intensity of water systems in urban water management plans, prepared by urban water suppliers.

SB 1049 (Pavley) -- would have required regional water management plans to account for climate change, energy use, and other factors relevant to regional water demand and supply projections.

SB 1420 (Wolk) -- requires urban water suppliers, in preparing an urban water management plan, to quantify and report on distribution system water loss.

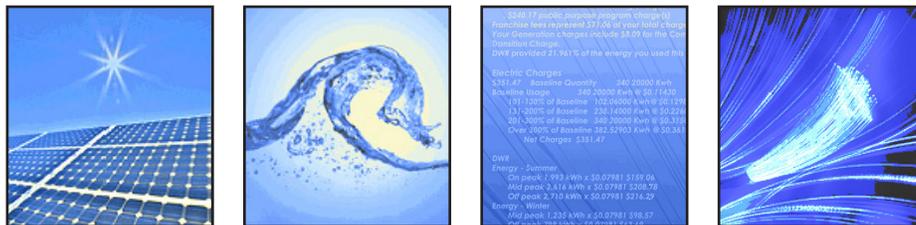
Communications

AB 1693 (Perea) -- would have required the CPUC to complete rate case review for small independent telecommunication carriers' general rate cases within 540 days.

AB 1717 (Perea) -- creates a new prepaid wireless surcharge collection and remittance system at the Board of Equalization (BOE), and requires retailers of prepaid wireless services to remit such surcharges directly to the BOE.

SB 1211 (Padilla) -- requires the Office of Emergency Services (OES) to plan and develop a timeline for the testing and implementation of next-generation 911 services, and to determine the surcharge rate necessary for implementing next-generation 911 services.

SB 1364 (Fuller) -- extends the sunset date for California High Cost Fund A and B programs from January 1, 2015 to January 1, 2019.



<http://www.ora.ca.gov/AR2014.aspx>