



# OAL Contributions to the Work of the Commission

Item No: A-4  
March 19, 2015

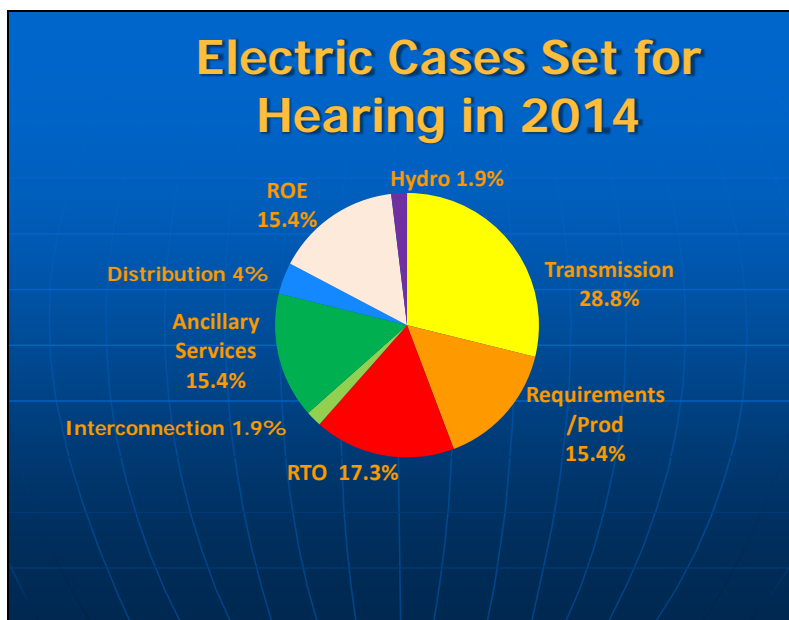
## I. Introduction

Good morning, Madam Chairman and Commissioners. The Office of Administrative Litigation, or OAL, appreciates this opportunity to address the Commission about our work in support of the Commission's statutory obligation to assure just and reasonable rates and terms and conditions of service. Virtually all of OAL's work is performed under the separation of functions rule, so today's presentation necessarily is general in nature and does not discuss substantive matters or individual cases.

OAL settles and litigates disputes that have been set for hearing by the Commission. These are usually tariff filings by utilities or pipelines, or complaints by customers, that raise complex issues about the rates utilities or pipelines charge, or the terms and conditions of service provided to their customers. We pursue outcomes that

- produce just and reasonable rates;
- are consistent with Commission policy; and
- fairly reflect the interests of all stakeholders.

We thank you for this opportunity to share with you and the public some information about our work, and look forward to any questions you may have.



## II. OAL BY THE NUMBERS

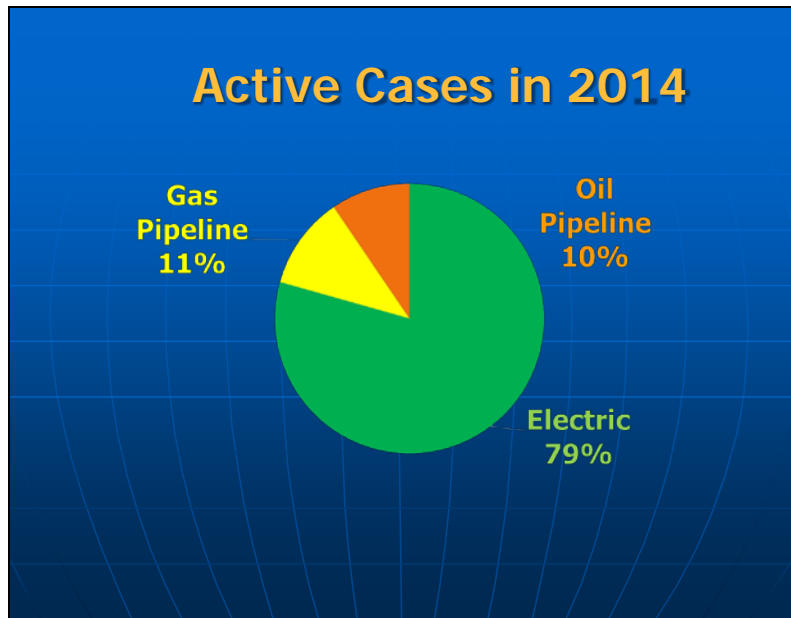
In 2014, the Commission set for hearing and/or settlement procedures 52 electric cases, 6 natural gas pipeline cases, and 5 oil pipeline cases - 63 cases in all. This slide focuses on the electric cases.

### A. Electric

Of the 52 new electric cases, 15 were related to transmission service and rates, 9 to RTOs, 8 to requirements service or production, 8 to ancillary services, 8 to complaints about the rate of return on equity, and 4 to various other matters.

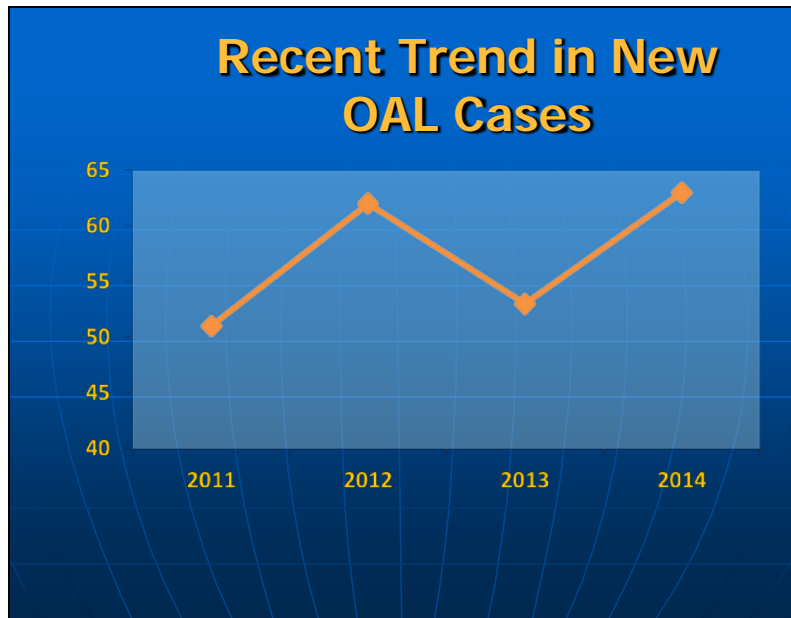
### B. Natural Gas and Oil Pipelines

The gas pipeline cases primarily were Natural Gas Act section 4 rate filings. Three of the five oil pipeline cases were complaint cases and the other two were rate filing investigations.



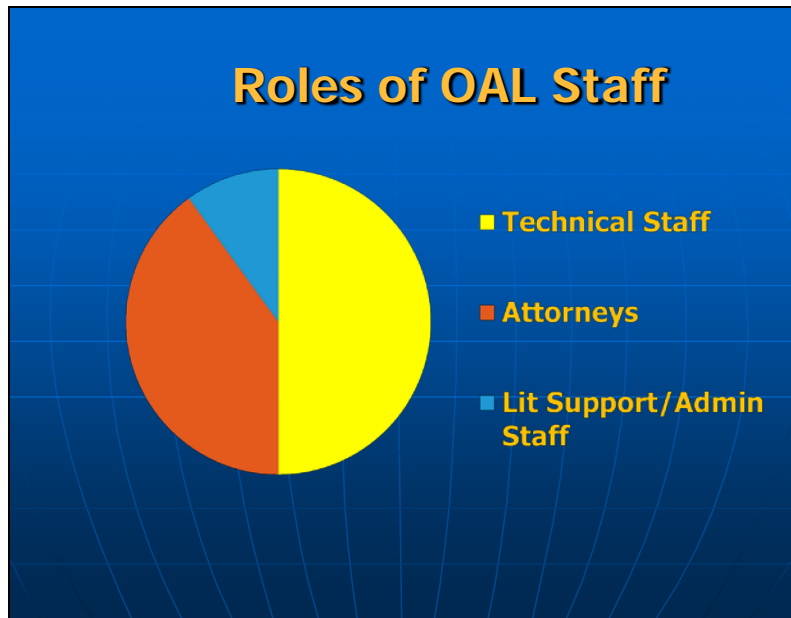
- **On-Going Cases**

In addition to the 63 new cases assigned in 2014, OAL continued work on another 63 cases that began in prior years. As this slide shows, electric matters comprise the majority of our cases. Of the 126 active cases last year, 100 were electric cases, 14 were natural gas pipeline cases, and 12 were oil pipeline cases.



#### D. Workload Trends

This slide shows the trend of new cases in recent years. Following issuance of the *Martha Coakley* decision last year, we have experienced an increase in rate of return cases, largely from complaints that have been set for hearing.



- **Staffing**

OAL Staff consists of (1) technical experts who conduct analyses and present evidence at hearings; (2) trial attorneys skilled in administrative litigation; and (3) litigation support and administrative staff. When the Commission issues a hearing order, OAL assigns Staff members to the case who have expertise in the specific topics indicated by the order.

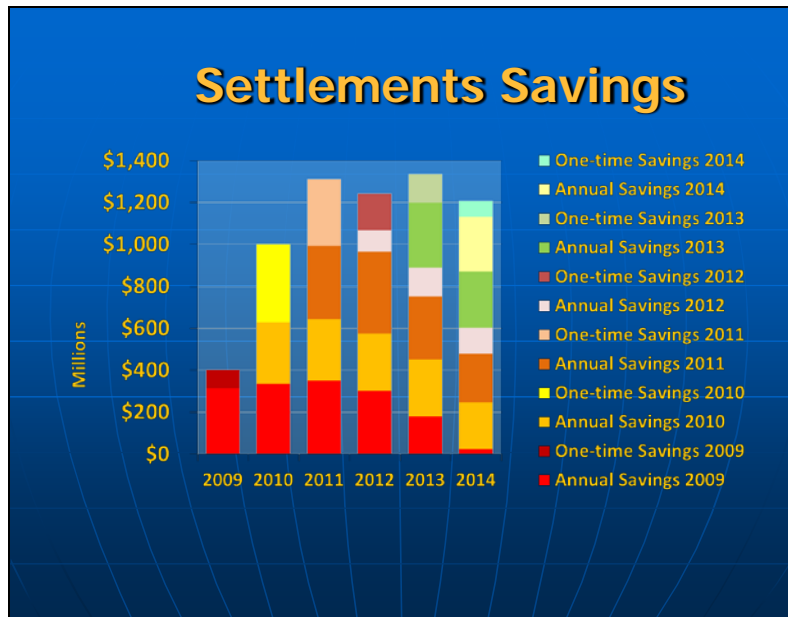


The next slide illustrates the areas of expertise of our technical Staff. These areas include finance, depreciation, accounting, engineering, economics, cost of service, and cost allocation and rate design. Many Staff members are cross-trained in more than one discipline, and the slide also indicates the variety of subjects we address in our cases. I'd now like to turn the presentation over to Chris Skorski to discuss how we go about our work.

### III. HOW OAL WORKS

#### A. Settlements

Thank you, Diane. One of OAL's main functions is to promote settlement of complicated disputes in ways consistent with Commission policy. Settlements resolve cases more quickly than litigation, allow each party to gain from the process, and conserve the resources of the parties and the Commission. We analyze relevant data and Commission precedent and apply our knowledge and negotiation skills to present Staff recommendations and to help the parties, who often are working with a settlement judge, reach agreement. For parties with limited resources, OAL is a crucial source of information and expertise; for sophisticated parties, OAL's independent analyses and advice provide valuable aid to achieving settlements. Typically, we help parties settle more than three-quarters of the cases that the Commission sets for hearing and/or settlement.



- **Savings to Customers from Settlements**

The Commission is responsible for ensuring that rates, terms, and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential. Consistent with that responsibility, OAL’s role is not to pursue the lowest rate in each case, but rather a rate that fairly reflects the needs of both the company and its customers.

Commission-approved settlements last year resulted in 338 million dollars in savings for customers in 2014 alone. These savings were comprised of 76 million dollars of refunds, or one-time savings, and 262 million dollars of forward-looking rate reductions, or annual savings, which will continue in 2015 and beyond. Cumulatively, for the six years from 2009 through 2014, Commission-approved settlements have resulted in a total of 6.5 billion dollars of savings to wholesale customers.

This bar chart is a bit busy, but by following its color key, one can see the benefits occurring in each year, including:

- One-time savings in each year; and
- Continuing annual savings from the previous years’ settlements that remain in effect during the subsequent year or years.

To put the 6.5 billion dollar figure into context, rate reductions in settlements, on average, reduce filed rates by approximately 10 percent. The settlement rates thus balance the

companies' needs for adequate revenue to provide service to their customers with the customers' interest in avoiding excessive rates.





### **C. Litigation**

Not all cases settle. In such cases, our role changes from making proposals and being a facilitator and resource for the parties to being a litigator advocating specific outcomes—outcomes that are guided by Commission policy and that fairly balance the companies’ and the customers’ interests. In this role, we engage in pre-trial discovery, file prepared direct testimony, and conduct cross-examination at the hearing. We strive to apply Commission policy to the facts and circumstances of the case, build a complete hearing record, and then file thorough briefs to assist the presiding judge and, on exceptions, the Commission. The colored boxes in this slide highlight the stages of litigation in which OAL is active. Ultimately, the Commission’s decisions provide OAL Staff with further guidance to apply in future cases.

### **IV. HOW OAL WORKS WITH OTHER COMMISSION STAFF**

For the most part, we work separately from the Commission’s advisory Staff, and the separation of functions requirements are carefully observed by all Commission Staff members. OAL’s expertise is at times called on in other contexts. Where appropriate under the rules, OAL Staff expertise is available to assist the Commission.

This concludes OAL’s presentation. We would be glad to answer any question you may have.



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