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Subject: Workshop Notice - System Safety & Security

Workshop Notice - System Safety & Security in Ratemaking

The California Public Utilities Commission (CPUC) is working on multiple fronts to consider the recommendations of the Independent Review Panel and the National Transportation Safety Board following the PG&E gas pipeline rupture in San Bruno in 2010. We are bringing change to our way of thinking, our ratemaking processes, and our culture to ensure that we do not experience another devastating safety tragedy.

As part of this effort, CPUC Executive Director Paul Clanon assigned Administrative Law Judge Angela Minkin and Marzia Zafar to establish a stakeholder process to solicit ideas and proposals to reform the way safety is considered in the CPUC's ratemaking procedures. In particular, we seek to consider the barriers to the CPUC's handling safety effectively in its ratemaking processes, and intend to evaluate how these proposals eliminate the barriers.

In order to begin this process, this workshop notice provides a straw proposal (attached to this email) that proposes various approaches to improve the CPUC's ratemaking process to prioritize safety initiatives. Based on informal interviews with several stakeholders, we believe that an obstacle in the ratemaking process to-date is a lack of a qualitative review. Thus far, the CPUC, ratepayer advocates, and other intervenors have generally focused on the costs of various capital investments and operations and maintenance expenditures. While this type of quantitative review is necessary to consider the impact of rate increases, a qualitative review of safety

initiatives is also required. We note that there is no intervenor who currently advocates solely for safety, and CPUC safety staff has not traditionally participated in ratemaking processes.

The purpose of this workshop scheduled for January 11, 2012, is to identify potential solutions to such obstacles. The attached straw proposal is the product of informal interviews of Commissioners, ratepayer advocates (i.e. DRA, UCAN, TURN, etc.), and other outside stakeholders. We offer the straw proposal as a way to begin the discussion. We look forward to hearing your ideas and proposals. While this note is being sent to the Service Lists of R.11-02-019, A.10-12-005, and A.09-09-013, the workshop is being held outside of any particular proceeding.

Our objective is to keep this process as open and transparent as possible. Please forward this workshop notice to any party or individual who will be able to provide recommendations/opinions on how we can make the ratemaking process more inclusive of our safety objectives. **Please RSVP to me at zaf@cpuc.ca.gov by Jan. 4th if you are interested in participating in this workshop.**

Regards,

Marzia

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