

From: Steingass, Joyce  
Sent: 4/18/2012 9:53:07 AM  
To: Yura, Jane (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=JKY1)  
Cc:  
Bcc:  
Subject: Article: PHMSA CostBenefit analysis methods  
<<PHMSA CostBenefit analysis methods.pdf>>

Dear Jane,

CPUC Risk Assessment Unit has also been exploring whether our Commission Staff ought to learn and use these forms of cost-benefit analyses in supporting the ALJ in R.11-02-019, or, in evaluating Utility Proposals in General Rate Cases.

It seems particularly relevant, in that, the State of California and its People do not have unlimited resources when it comes to authorizing rate increases. Yet, balancing the rate increases with the need to Protect Public Safety and Utility Employee Safety is a vital task, and a difficult one.

See attached, which provides an example of how PHMSA has piloted these methods (1999), here is a short blurb from the Executive Summary:

A New Framework for OPS Cost-Benefit Analysis  
Economic efficiency is an increasingly important criterion used by the public, industry, and government agencies to evaluate the effectiveness of regulatory alternatives. To this end, the Accountable Pipeline Safety and Partnership Act of 1996 requires that the Office of Pipeline Safety (OPS) identify and compare economic costs and benefits associated with proposed alternatives affecting the pipeline industries. In response to the Act's requirements, OPS formed a stakeholder Workgroup with the goal of evaluating OPS' approach to conducting cost-benefit analyses. In addition to developing guiding principles for costbenefit analyses, the Workgroup collaboratively delineated the key process components of a standard cost-benefit framework, and pilot-tested the cost-benefit framework using a current alternative.

Here is PHMSA's definition of cost-benefit analysis in the context of

this article:

2) Cost-benefit analysis is an analytical tool used to assess the change in social welfare (i.e., the economic well-being of society) that would result from regulatory alternatives. The change in social welfare is the difference in the well-being of society under current conditions and industry practices versus those required under proposed alternatives.

-- Joyce