

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety Improvements and Revise the General Rate Case Plan for Energy Utilities.

R. \_\_\_\_\_

**ORDER INSTITUTING RULEMAKING TO DEVELOP A RISK-BASED  
DECISION-MAKING FRAMEWORK TO EVALUATE SAFETY AND  
RELIABILITY IMPROVEMENTS AND REVISE THE GENERAL RATE CASE  
PLAN FOR ENERGY UTILITIES**

**Summary**

The Commission initiates this Rulemaking to determine whether and how we should formalize rules to ensure the effective use of a risk-based decision-making framework to evaluate safety and reliability improvements presented in General Rate Case (GRC) applications, develop necessary performance metrics and evaluation tools, and modify the Rate Case Plan (RCP) documentation requirements, accordingly. Our goal is to prioritize safety issues in GRC applications of energy utilities, clarify the rate case review process, and more efficiently manage the complexity and duration of the GRC proceedings, while ensuring consistency and uniformity among GRC applications of energy utilities. In conjunction with this focused review on safety, security and reliability issues, we may also consider broader revisions in the RCP in more general terms to promote more efficient and effective management of the overall rate case process.

**1. Background**

The Rate Case Plan (RCP) is the guiding document which provides a timeline and minimum filing requirements (list of documentation supporting a Notice of Intent (NOI) and supporting staff and other parties' exhibits and testimony) that should accompany an NOI to file a General Rate Case (GRC), thereby ensuring coordination and consistency among GRCs.

We last comprehensively revised the General Rate Case Plan governing energy utilities in 1989 in Decision (D.) 89-01-040. Though we have made several piecemeal revisions in the intervening years, it has become apparent that a comprehensive reconsideration is needed to address the prioritization of safety issues in GRCs.

On February 24, 2011, the Commission initiated Rulemaking (R.) 11-02-019 to examine, on a statewide basis, whether new safety and reliability rules should be adopted for gas pipelines. On October 7, 2011, the Governor signed five gas safety bills into law, one of which, Senate Bill (SB) 705 required the Commission to adopt, modify or reject the gas safety plans developed by utilities by December 31, 2012. The law stated the following: "It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates."<sup>1</sup>

The Safety Plans required by this legislation were considered in R.11-02-019, among other very important safety-related issues. For example, the Rulemaking also established revisions to General Order (GO) 112-E and created a set of reporting metrics that convey consistent and comparable information regarding the gas system safety parameters. In addition, D.12-04-

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<sup>1</sup> Public Utilities (Pub. Util.) Code Section 963.

010 issued in R.11-02-019 ordered management audits of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas), as well as financial audits of the major “gas corporations’ implementation of revenue requirements authorized in their General Rate Cases.” The decision noted the following:

this Commission most directly exercises its oversight responsibilities through comprehensive review of investor-owned utilities’ budgets and operations in General Rate Cases. . . We are particularly interested in an audited delineation of the revenue requirements previously authorized by the Commission, compared with actual expenditures by each utility, as well as each utility’s earnings over the audited period.<sup>2</sup>

The decision further stated that:

[w]e will evaluate the overall utility revenues and expenses to the extent necessary to determine the categories of income that translate into earnings. We stress that our purpose with this review is to ensure that authorized safety projects have been implemented and, if not, whether procedural or accounting mechanisms need to be instituted.” The goal is to “review and, where necessary, improve existing systems for safe gas utility operations. Our purpose is not to invite or consider specific capital or expense projects, but rather to inspect the overall management system in place and the resulting management culture and the Commission’s oversight role in achieving the obligation of safe operations . . . At the same time, we cannot consider these safety plans in a cost vacuum. As we noted in the order initiating this proceeding, California’s families and businesses are confronting economic challenges and ‘we must be certain that each investment in safety that we order provides value to customers.’<sup>3</sup>

R.11-02-019 targeted only natural gas companies and did not make any changes to the current RCP. In the absence of new guidelines, in March 2012,

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<sup>2</sup> D.12-04-010 at 21 and 22.

<sup>3</sup> D.12-04-010 at 22.

the Executive Director ordered PG&E to base its 2014 Test Year GRC on an “explicit safety and security risk assessment.” Per the Executive Director’s order, Safety and Enforcement Division (SED) consultants evaluated PG&E’s Operating and Maintenance and capital expenditures and associated risk assessment for electric distribution, electric generation, gas distribution, and cyber security.

## **2. Concerns About the Current RCP**

In order to effectively consider the prioritization of safety matters in the Commission’s ratemaking proceedings, and the revenue requirements underlying any safety programs requested for approval in a GRC, it behooves us to consider the purpose of the General Rate Case Plan. GRCs are a traditional form of regulatory proceeding, in which, a utility files a revenue request based on its estimated operating costs and capital needs for a particular test year and the Commission determines the reasonable amount of revenue necessary to provide safe and reliable service. For energy utilities, GRCs now generally cover gas distribution and transmission, electric distribution, and/or electric generation.<sup>4</sup> These cases aim to strike a proper balance between risks the utilities take and reasonable opportunity for returns, taking into account changing economic, operational and policy conditions. The General Rate Case Plan (which includes provisions for the kinds and sequence of proceedings that we undertake between rate cases for a given utility) plays an important part in effective regulation of the energy industry. Among other things, the General Rate Case Plan promotes:

- Utility viability in changing economic conditions;
- An appropriate balance of risks and rewards for utilities;
- Utility management accountability through regular performance review;

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<sup>4</sup> PG&E is the one exception to this in that they file a separate application outside of GRCs for their gas transmission and Storage. This proceeding is also referred to as the Gas Accord. PG&E’s gas distribution costs are litigated as part of the GRC. The last Gas Accord application was Application (A.) 09-09-013.

- Timely implementation of legislative and regulatory policies by utilities;
- Participation by intervenors such as customers, public interest groups, and state and local government bodies in our regulatory process; and
- Predictability for investors, bond-holders, and others in the financial community.

In addition, the Commission, the utilities, and all other participants are better able to optimize the use of their resources by virtue of the scheduling and coordination provided by the General Rate Case Plan. Of course, the realization of these potential benefits depends in large part on how well the General Rate Case Plan is attuned to current needs and realities. We recognize that the assigned Commissioner and Administrative Law Judge (ALJ) have significant discretion and flexibility in each GRC to define the scope of relevant issues, as well as the nature and extent of supporting evidence required, including those issues relating to safety and reliability requirements. The Scoping Memo issued by the assigned Commissioner offers an important tool to define and guide development of the record on safety and reliability issues. Nonetheless, the Scoping Memo is only issued after the utility has filed its NOI and application. The assigned Commissioner and ALJ will be better equipped to guide the proceeding going forward by requiring the utility to provide an appropriate showing on safety and reliability issues from the inception of the NOI and application. To accomplish this goal, we need to revise the RCP.

An RCP, which is the guiding document, should be specific enough for all utilities and stakeholders to have a realistic expectation of what to submit and receive, but also be flexible enough so that the presiding officer has the discretion to scope the case based on the factual circumstances, economic conditions and relevant policy initiatives pertinent to each individual utility. It should allow parties to effectively examine relevant issues, to review utility

operations in a comprehensive manner, provide a realistic guideline for timely issuance of decisions, and not reduce the rate cases to an accounting exercise.

We are concerned that our current RCP is outdated; it is not adequately attuned to current needs and realities; does not serve satisfactorily demands of the current regulatory environment; and does not fully reflect the technical complexity of policy issues we are facing today.

In absence of the necessary guidance from the current RCP, we are concerned that applicant utilities may not explicitly or adequately address safety and reliability issues in their GRC filings. While the assigned Commissioner and ALJ have the discretion to require the utility to augment the utility's showing after the application is filed, if necessary, the most efficient solution is to place the utility on notice from the very beginning of the NOI process as to the appropriate filing requirements. We are interested in the scrutiny of safety and reliability programs in GRCs not only within the larger decision-making framework considering both quantitative and qualitative benefit trade-offs supporting the programs. Therefore, we expect an evolution in the way utilities identify safety and reliability risks and justify the value of investments and operations expenses in relation to how well those risks are mitigated. Towards that end, we need to require testimony in GRCs detailing the technical state of the utility system, giving a risk assessment of its physical system as well as an assessment of its risk tolerance, identifying areas of low risk and high risk, providing underlying reasons for its assessments, as well as explaining the metrics underlying its analysis. We need to have the utility's system evaluated in terms of implementation of best practices and the associated metrics of the security and safety of its electric grid and gas pipelines. We would like to have such an evaluation and decision-making framework institutionalized as the standard practice by incorporating it into the RCP. In sum, our end-goal is to revise the RCP to better facilitate utility revenue requirements showings based on a

risk-informed decision-making process that will lead to safe and reliable service levels that are rational, well-informed and comparable to best industry practices. Likewise, laying the proper procedural foundation through improvements to the RCP will better equip Commission decision makers with the necessary tools to ensure that we prioritize safety while continuing our long-standing mandate to ensure that adopted rates are just and reasonable.

### **3. Risk-Based Decision-Making**

As explained in the section above, GRCs are at the heart of our decision-making authority. As part of our deliberate efforts to change our culture and organization in order to elevate safety, we should determine how the General Rate Case Plan should be revised to explicitly include a showing and scrutiny of programs to ensure appropriate safety, reliability and security of the utility's physical and cyber systems, and not just a presentation of claimed costs.

Recognizing and managing risk and uncertainty is necessary to maintain safe and reliable utility services at reasonable levels of cost. However, a key challenge is that risk and safety are often not well or consistently defined. There are many distinct types of safety issues including but not limited to – worker safety, equipment safety, operational safety, public safety, environmental safety. There is also a broad scope to safety- from project-specific issues, to system-wide safety issues such as system susceptibility to attacks (e.g. cyber security), grid vulnerability (e.g. expected damage from wildfires, levy breaks), and grid recoverability (e.g. ability to recover from large outages). The Commission's role spans much of this scope and as such has the ability to extend our core principle of safety to utilities by assuring that safety programs and measures are appropriately funded. As part of that funding process the Commission also has the role of assuring that the overall "safety" of the utilities and the grid is cost-effectively achieved, i.e. the costs allocated to "safety," at any level, achieves the maximum safety benefit per dollar spent.

The problem of broadly achieving optimum safety, and reliability benefit comes down to assessing, accounting, and ranking the marginal system benefit due to individual safety projects or measures in comparison to the marginal costs to achieve those benefits. The risk assessment process does this at some level but in many cases is focused on a single program or measure risk. Evaluating system-wide risk comprising many interconnected components becomes more difficult for a variety of reasons.

One way to address these issues might be to develop a consistent framework for evaluating safety risk across an entire utility. We should be able to identify the most important types of risks, dependencies, options, and value tradeoffs across a utility. Appropriate tools should be developed to guide consistent and supportable decision-making.

There is a lot of crucial information that is not automatically included in the applicant's filing of current rate cases. The Commission does not have a way of knowing how utilities value information and new technology as part of their overall investment strategy, including defining the likelihood of a substantial impact event occurring and the consequence of it happening; how they may use advanced technologies, either already in the field or proposed to further reduce the risk of a substantial event on their grid or system; what kind of methodologies they use to assess and to prioritize risks and technology, and based on that methodology, explain how far along they are in implementing the prioritization.

Finding the balance between safe and reliable operations and reasonable costs requires managing risks associated with uncertainties and changing environment. The Commission needs to be better-informed about risk and utilities' decision-making frameworks in order to regulate more effectively.

#### **4. Preliminary Scoping Memo**

As required by Rule 7.1(d) of the Commission's Rules of Practice and Procedure (Rules), we provide a Preliminary Scoping Memo for this rulemaking.



Parties are requested to provide comments to complete the following set of issues and refine the relevant questions. We want to encourage creative ideas, including radical departures from our current way of doing business.

The overarching issue to be addressed in this proceeding is how to modify or update the current General Rate Case Plan for energy utilities to more purposefully and appropriately prioritize safety, reliability, and security considerations and related revenue requirements, with the goal of developing a risk-based decision-making framework and related evaluation tools. There are many reasons to believe that the General Rate Case Plan may not achieve the desired benefits outlined above, particularly in terms of prioritization of safety matters. We list several topics to consider.

#### **4.1. Process to Provide Appropriate Analysis and Testimony on Safety and Risk Management**

One successful and effective review process we can draw lessons from is the transmission siting and environmental review conducted at the Commission. Investor-owned utilities are required to obtain a permit from the Commission for construction of certain infrastructure listed under Pub. Util. Code § 1001. Permit applications are reviewed under two processes: (1) an environmental review pursuant to the California Environmental Quality Act (CEQA), and (2) the review of project need and costs pursuant to Pub. Util. Code §§ 1001 et seq. and GO 131-D (Certification of Public Necessity and Convenience (CPCN) or Permit to Construct (PTC)). The Transmission Siting and Environmental Permitting Section (Siting Section) conducts and manages environmental reviews for the Commission's consideration. The Siting Section also administers mitigation monitoring plans and participates in other agencies' review of investor-owned utility-related projects. The Siting Section is part of the Commission's Energy Division.

Would developing a review process similar to the current CEQA review process, where internal review by the Commission staff is supplemented by technical review conducted by consultants, be effective, adequate, and desirable?

**4.2. Comprehensive Review of Safety, Reliability, Security and Risk Management in the Utilities' GRC Applications**

The current RCP for energy utilities does not explicitly require the utilities to consider whether safety related expenditures and improvements are in proportion to the identified risks. One goal of this Order Instituting Rulemaking (OIR) is to expand the current RCP to include guidelines to evaluate safety proposals and assess risk within GRC. The first step in this expansion may involve a structured process for establishing and reporting a broader set of metrics.<sup>5</sup>

The Commission engaged two outside consultants to analyze PG&E's GRC filing, A.12-11-009, with respect to risk management. Even though the process that the consultants used helped establish a model and decision-making framework, we want to make sure that the model is comprehensive enough and implemented by all utilities in every rate case.

Towards that end, the Commission needs to better understand the nature of new requirements to be imposed on regulated utilities to support a consistent evaluation of risk and understanding of the resource tradeoffs explicitly made in the GRCs. Here, we must consider how qualitative safety and security issues can be connected to the quantitative decisions in the GRC, particularly with regard to risk management, comparison to industry best practices and target metrics, and linking the appropriate level of capital investment funding and Operation and Maintenance funding to ensure that safety receives the highest

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<sup>5</sup> R.11-02-019 scope includes establishing revisions to GO 112-E regarding reporting metrics for gas system operators, only.

priority. At the same time, the Commission must be cognizant of the need to keep rates affordable, in light of other important policy and regulatory mandates.

Specifically:

1. How should the Commission develop a new RCP for energy utilities in a way that will link strategy and goals to resource allocation? What kind of reporting requirements are needed in order to identify the framework, method, practices and activities used in assessing risk of safety, security, and/or reliability deficiencies and linking it to the requested funding in a GRC?
2. What criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing?
3. Is the development of a safety, reliability, and security assessment and review tool that could be used internally or externally desirable and sufficient for investment review purposes?
4. Who should bear the cost of developing safety assessment and review tools that the Commission might be using?

Given the utmost importance of the subject matter and our desire to act expeditiously, we will jump-start this OIR with a data request to all respondent utilities. Responses to these questions will be our starting point as we examine the way utilities identify risk and evaluate the value of investments and operations, so that we might more effectively determine what changes are necessary in our regulatory practices. The responses to the data request questions listed in Attachment A are to be filed with the Commission's Docket Office by December 20, 2013. Then, the Administrative Law Judge will work with Policy and Planning Division staff to summarize the responses in a background paper and present a straw proposal for a "business plan" detailing essentials of a risk-based decision-making framework, evaluation tools that need to be developed, and how we will ultimately incorporate it in our RCP. A workshop will be scheduled to discuss the straw proposal and next steps to be taken.

**4.3. Timing of the GRC Applications**

Pub. Util. Code § 455.2(c) requires utilities subject to rate case plan to file rate cases every three years. However, as a result of Commission order, some utilities have filled their rate case applications over a four year interval. This practice can and does result in years when the Commission and parties must deal with multiple, multi-billion dollar general rate cases, which can put added strain on the Commission and interested parties. Widely disparate solutions to this problem can be envisioned. The interval of the rate cases could be lengthened, say, to four years or longer and rigidly enforced, but such a change could increase the pressure to allow various kinds of proceedings between rate cases. A longer interval also increases the need for more Commission review and oversight of utility spending in the intervening years. As another alternative, the interval could be shortened to two years, but the increased number of general rate cases would be offset by sharply limiting the number and kinds of proceedings a utility would be permitted to file between rate cases.

1. What should be the interval between GRCs for energy utilities? Should all energy utilities be treated uniformly? What should the schedule look like in the coming years?
2. How can we determine the timing of the incoming NOIs as well as the attrition years in order to reduce pressure on workload and allow adequate time for careful analysis?
3. Under any of these scenarios, what consequence(s) should follow from utility's failure to meet its filing deadline under the plan?
4. Under any of these scenarios, what review of utility spending should occur in the intervening years?

**4.4. RCP Schedule**

The current General Rate Case Plan for energy utilities provides considerable detail regarding the timing of events over the course of a rate case. Actual practice seems often to depart from the schedule under the plan.

1. Aside from the interval between cases, how prescriptive should the General Rate Case Plan be regarding the schedule for the case itself?
2. In what ways can the Commission improve the schedule such that all parties are provided with adequate time for meaningful contributions to the case?
3. Are there any stress points where all parties need extra time or any interval which is not spent efficiently?
4. How much latitude should parties have to adjust the timing in particular rate cases, for example, to build in time for settlement efforts?
5. How may additional safety review by the Commission and by other parties affect the RCP schedule?

#### **4.5. Uniform Application of the Provisions of the RCP**

There are many differences between the energy utilities. For example, they differ in number of customers, revenues, climate zones in which they operate. Some are solely gas or electric, others combine gas and electric service.

1. Are these or other differences materials for purposes of the General Rate Case Plan? If there are material differences, should they be reflected in the plan itself or addressed case-by-case?
2. How much variation (if any) should be allowed between different utilities, between the gas and electric industries, or on any other basis?

#### **4.6. Reducing Complexity**

GRCs are complex and take a long time to process, which is a common source of frustration for all stakeholders. This complexity also creates the perception of lack of transparency and the view that only experts in the process can meaningfully participate in the proceeding.

In GRC applications the utility's preparation of a "Notice of Intent," is an opportunity for our staff to review a draft of the utility's application in order to

determine whether the application is complete and (if it is not) to secure supplementation from the utility as a condition to filing.

1. Should particular features of the current General Rate Case Plan for energy utilities be updated, or even discarded? How could the Commission reduce complexity of the filings?
2. What kind of process changes might be helpful for stakeholders to review the application in an expedited manner? For example, would a presentation by the utility filing the application right after the submittal be helpful to familiarize the stakeholders with the application early in the process?
3. Are there any process changes that be helpful for the general public to better understand the impact of rate case and participate in the proceeding?
4. How effective is the NOI? Would the Commission and the parties be better served by simply having the utility file its application earlier than it does now?
5. Whether or not the NOI is retained, should the “master data request” be reviewed and possibly updated? How can we modify the “master data request” in order to streamline the data requests and reduce the amount of unused data?
6. Even more fundamental, does the current division of GRCs between a “Phase 1” (results of operations/revenue requirement) and a “Phase 2” (rate design) need to be reconsidered and reformulated?

## **5. Preliminary Categorization**

Rule 7.1(d) requires that an OIR preliminarily determine the category of the proceeding and the need for hearing. As a preliminary matter, we determine that this proceeding is quasi-legislative as defined in Rule 1.3(d). We anticipate that the issues in this proceeding may be resolved through comments without the need for evidentiary hearings.

Anyone who objects to the preliminary categorization of this rulemaking as “quasi-legislative,” or to the preliminary hearing determination, must state the objections in opening comments to this rulemaking. If the person believes

hearings are necessary, the comments should state: (a) the specific disputed fact for which hearing is sought; (b) justification for the hearing (e.g., why the fact is material); (c) what the party would seek to demonstrate through a hearing; and (d) anything else necessary for the purpose of making an informed ruling on the request for hearing. After considering any comments on the preliminary scoping memo, the assigned Commissioner will issue a Scoping Memo making a final category determination; this final determination is subject to appeal as specified in Rule 7.6(a).

## **6. Initial Schedule**

Opening comments on the issues raised and questions posed in Sections 4.1 through 4.6 of this rulemaking are due January 15, 2014 and reply comments are due January 30, 2014. We anticipate that the assigned Administrative Law Judge will convene a prehearing conference or workshops to more fully flesh out the questions and proposals to consider in this Rulemaking. We anticipate that the assigned Commissioner will issue a Scoping Memo with a more detailed schedule upon receipt of the opening and reply comments, and after consideration of the insights gleaned at the prehearing conference and/or workshops.

Consistent with Pub. Util. Code § 1701.5, we anticipate this proceeding will be concluded within 18 months of the issuance of the Scoping Memo.

## **7. Becoming a Party; Joining and Using the Service List; Enrolling in Subscription Service**

Our adoption of a revised General Rate Case Plan for energy utilities would affect gas and electrical corporations serving in California, both those corporations covered by the current plan and potentially other investor-owned energy utilities that may be brought under a revised plan. Thus, all California gas corporations and California electrical corporations may be bound by the rules adopted in this proceeding, and we direct that this OIR be served on all these

corporations. However, receipt of the OIR does not in itself confer party status. Any person or entity seeking party status, other than the named respondents, must follow the instructions below.

Respondents. The utilities covered by the current General Rate Case Plan for energy utilities are made respondents to this rulemaking. These utilities are PacifiCorp, PG&E, SDG&E, Liberty Utilities (CalPeco Electric) LLC, SCE, SoCalGas, and Southwest Gas Company. Within 20 days of the mailing of this OIR, each respondent must provide to our Process Office the contact information of a single representative for purposes of the official service list; additional representatives and persons affiliated with the respondents may be placed on the Information Only list.

All Others Wanting to Participate or Monitor. If you want to participate in this rulemaking, or merely to monitor it, you may do so by following the appropriate instructions below. By acting within 20 days of the date of mailing of this OIR, you will ensure that you receive all documents filed in the proceeding. Our Process Office will publish the official service list at our website ([www.cpuc.ca.gov](http://www.cpuc.ca.gov)), and will update the list as necessary.

### **7.1. During the First 20 Days**

Within 20 days of the publication of this OIR, anyone may ask to be added to the official service list. Send your request to the Process Office. You may use e-mail ([process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov)) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102). Include the following information:

- Docket Number of this rulemaking;
- Name (and party represented, if applicable);
- Postal Address;
- Telephone Number;



- E-mail Address; and
- Desired Status (Party, State Service, or Information Only).<sup>6</sup>

If the OIR names you as respondent, you are already a party, but you or your representative must still ask to be added to the official service list.

### **7.2. After the First 20 Days**

If you want to become a party after the first 20 days, you may do so by filing and serving timely comments in the rulemaking (Rule 1.4(a)(2)), or by making an oral motion (Rule 1.4(a)(3)), or by filing a written motion (Rule 1.4(a)(4)). If you make an oral or written motion, you must also comply with Rule 1.4(b). These rules are in the Commission's Rules of Practice and Procedure, which you can read at the Commission's website.

If you want to be added to the official service list as a non-party (that is, as State Service or Information Only), follow the instructions in Section 8.1 above.

### **7.3. Updating Information**

Once you are on the official service list, you must ensure that the information you have provided is up-to-date. To change your postal address, telephone number, e-mail address, or the name of your representative, send the change to the Process Office by letter or e-mail, and send a copy to everyone on the official service list.

### **7.4. Serving and Filing Documents**

When you file and serve a document, use the official service list published at the Commission's website as of the date of service. The Commission encourages electronic filing and e-mail service in this rulemaking. You may find information about electronic filing at <http://www.cpuc.ca.gov/PUC/efiling>. E-mail

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<sup>6</sup> If you want to file comments or otherwise actively participate, choose "Party" status. If you do not want to actively participate but want to follow events and filings as they occur, choose "State Service" status if you are an employee of the State of California; otherwise, choose "Information Only" status.

service is governed by Rule 1.10. If you are a party to this rulemaking, you must serve by e-mail any person (whether Party, State Service, or Information only) on the official service list who has provided an e-mail address. If you use e-mail service, you must also provide a paper copy to the assigned Commissioner and Administrative Law Judge. The electronic copy should be in Microsoft Word or Excel formats to the extent possible. The paper copy should be double-sided. E-mail service of documents must occur no later than 5:00 p.m. on the date that service is scheduled to occur.

If you have questions about the Commission's filing and service procedures, contact the Docket Office ([docket\\_office@cpuc.ca.gov](mailto:docket_office@cpuc.ca.gov)).

#### **7.5. Subscription Service**

You can also monitor the rulemaking by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission's website. There is no need to be on the service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission's website at <http://subscribecpuc.cpuc.ca.gov/>.

#### **8. Public Advisor**

Anyone interested in participating in this rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390 or e-mail [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov); or in Los Angeles at (213) 576-7055 or (866) 849-8391, or e-mail [public.advisor.la@cpuc.ca.gov](mailto:public.advisor.la@cpuc.ca.gov). The TTY number is (866) 836-7825.

#### **9. Intervenor Compensation**

Any Party that expects to claim intervenor compensation for its participation in this rulemaking must file its notice of intent to claim intervenor

compensation in accordance with Rule 17.1 within 30 days of the filing of reply comments.

### **10. *Ex Parte* Communications**

Pursuant to Rule 8.2(a), *ex parte* communications in this rulemaking are allowed without restriction or reporting requirement.

## **O R D E R**

### **IT IS ORDERED** that:

1. A rulemaking is instituted on the Commission's own motion to determine whether and how the Commission should formalize rules to ensure the effective use of a risk-based decision-making framework to evaluate safety and reliability improvements presented in general rate case applications, develop necessary performance metrics and evaluation tools, and modify the Rate Case Plan documentation requirements, accordingly.

2. PacifiCorp, Pacific Gas and Electric Company, Liberty Utilities LLC, Southern California Edison Company, Southern California Gas Company, Southwest Gas Company, and San Diego Gas & Electric Company are made respondents to this proceeding.

3. The Executive Director will cause this Order Instituting Rulemaking to be served on all respondents named in Ordering Paragraph 2, on all regulated gas and electrical corporations operating in California, and on the service lists for current and prior general rate cases of the respondent utilities, namely the service lists for Application (A.) 10-12-005, A.10-12-006, A.10-11-015, A.12-11-009, A.12-12-024, A.09-09-013, A.12-02-014 and A.05-11-022.

4. Interested parties are invited to file comments responsive to the scope of issues and questions raised in Sections 4.1 through 4.6 of this rulemaking. Comments must conform to the requirements of the Commission's Rules of

Practice and Procedure and use the service list posted on the Commission's website for this proceeding. Opening comments must be filed no later than January 15, 2014, and reply comments no later than January 30, 2014.

5. Responses to the set of questions listed in Attachment A shall be filed by the respondent utilities no later than December 20, 2013. For the purposes of this filing, parties should use the service list on the Commission's website for this proceeding.

6. Within 20 days from the date of mailing of this Order Instituting Rulemaking, any person or representative of an entity interested in participating in this rulemaking may ask, by letter or e-mail to the Commission's Process Office (505 Van Ness Avenue, San Francisco, California 94102, or [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov)) to be placed on the official service list as Party to this rulemaking. Alternatively, the person or representative may request State Service or Information Only status. The letter or e-mail must include all information specified in Section 8.1 of this Order Instituting Rulemaking.

7. To be placed on the official service list after more than 20 days have elapsed from the date of mailing of this Order Instituting Rulemaking, or to update information previously provided for purposes of the official service list, the person or representative must follow the instructions set forth in Section of the Order Instituting Rulemaking.

8. The category of this rulemaking is preliminarily determined to be "quasi legislative," and it is preliminarily determined that no hearings are necessary. Anyone objecting to the preliminary categorization of this rulemaking as "quasi-legislative," or to the preliminary determination that evidentiary hearings are not necessary, must state the objections in opening comments.

9. The assigned Administrative Law Judge will conduct or schedule events so as to carry out the Commission's policy and direction as set forth in this Order Instituting Rulemaking. The assigned Administrative Law Judge, in consultation

with the assigned Commissioner, may make additions or adjustments to the schedule and official service list for this proceeding, as appropriate. The assigned Commissioner or assigned Administrative Law Judge may set a prehearing conference if it is determined that one should be held.

10. Any Party that expects to request intervenor compensation for its participation in this rulemaking must file its notice of intent to claim intervenor compensation, in accordance with Rule 17.1 of the Commission's Rules of Practice and Procedure, within 30 days of the filing of reply comments to this rulemaking.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

**ATTACHMENT A**

1. How do you currently identify and characterize risk?
2. What are your top ten safety risks?
3. How do you identify changes to address these risks? Are practices beyond compliance with current regulation considered?
4. Currently how do you decide on resource expenditures to address recognized risks? Who decides?
5. What is the role of executive management in making or accepting these decisions?
6. What are the major elements in your approach to managing safety risk?
7. Do you currently have practices designed to support management of compliance, safety risk and/or quality?
8. If yes, on what management directive, guidelines, standards or process design criteria have you based the design of these practices?
9. How do you monitor trends in performance for your own management purposes (including but beyond regulatory reporting requirements)?
10. How do you keep up with industry best practices? What do you do with what you learn? Please provide examples.
11. What do you include in your assembly of data or information to support continuous learning related to safety performance (e.g., incidents, close calls, precursors or leading indicators, root causes of events)?
12. How do you monitor the condition of the infrastructure to support decisions on accelerated inspection/testing, repair or replace? How do you make related decisions?
13. How do you track progress in meeting explicit or implied commitments, including those implied in rate case proceedings?
14. How, if at all, do you communicate the status of and need for modification of these commitments?
15. How do you solicit and manage employee input to safety issues?

16. How do you follow-up on this input (e.g., make decisions to address issue, decide on how to address the issue, communicate to the originator the decisions and timeframe on which to expect closure)?
17. Do you have an internal safety and/or compliance audit function? If so, how are the results from these audits translated into decisions and action? How are actions monitored? Please provide examples.
18. Have you ever commissioned independent (including outside) safety and/or compliance audits? How are results translated to action and the results monitored? Please provide examples.
19. What are you doing to promote and assure an appropriate safety culture? Have you documented what an appropriate safety culture should include?

**(END OF ATTACHMENT A)**