

BEFORE THE

PUBLIC UTILITIES COMMISSION OF THE STATE OF

Order Instituting Rulemaking to
Based Decision Making Framework to
Safety and Reliability Programs and
the General Rate Case Plan

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Opening Comments of Utility Workers Union (UWUA)

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Comments

A. Introduction

In attempting to explicitly delineate the Commission's standard taken important next step in lowering water utility framework that reflects the importance and advancement of safety as a This vision of mature adults addressing one another from skill sets was out to make the operational margins infrastructure and safe operation of facilities essential that services the public in a dynamic physical and economic environment significant advance for implementing a type of effective safe It differs from other litigation models utility proposed in pleading, for cost and recovery of programs reactions from not stakeholders.

The Commission has been about its new proceeding this As part of our deliberate efforts to change our culture order to elevate safety, we ROP the technical review to explicitly include a showing of source of program appropriate safety, reliability and security of the utility's systems, and not just a presentation of claimed costs R.13-11-006, at page 7

The scrutiny of evaluation of how the utility's and manage across the entire utility enterprise. The risks identified and mitigated from the perspective of the denial of critical threats of equipment or facility failure due maintenance external event; threats of explosion, and for that employees, as described in the Commission's governing statute. The UWUA has been the and past years in proceedings the Commission to move in this direction. In Part B

1. *Report of the Independent Review Panel*, ¶¶ 2-19, on June 15, 2011, footnote 67 omitted and omitted, pages 10-12

and policy issues initiated by the outcome of the following on the importance of transparency value of the proposed Part C, follow of the Coalition of Utility Employees (UUE) revision of the of the Rate Case Plan (RCP) that achieves the Commission service quality and rates through a new Service Adequacy Plan in UUA responds to specific objectives of the Commission's Strategic Memo, Section 4.

B. Legal and Policy Issues

1. Public Utilities Section and Security Ad

The basic statute governing the Commission's responsibilities utilities expressly couples reasonable rates and adequate service.

451. All charges demanded by a public utility by more public utilities for any production or commodity be furnished or any service rendered to be reasonable. Every unjust or unreasonable charge demanded for such product or commodity or service is unlawful. Every utility shall furnish adequate, continuous, safe and reasonable service, instrumentalities, equipment, facilities, telephone facilities, defined in 54.1 of the Civil Code, necessary to promote, in the health, safety, comfort and convenience of patrons, employees, and the public. All rules made by public utility for affecting or service to the public shall be reasonable.

The Commission has struggled with the legal issues of a more relaxed regulation, relying variously on market discipline, performance based regulation (rate incentives), and more reinvigorated enforcement regimes (and threats of penalties) the objective of adequate service, while focusing almost exclusively on establishing revenues and reviving regulation in the public interest new approach that tightly and explicitly safety, reliability and responsiveness and

As the Commission has recognized in its order initiating the Commission's proceedings, the Commission's service adequacy requirements for the gas industry in SB 705, which places the public utility's obligations on section 963(b)), and has provided a process for the public utility to achieve its objectives including the possibility of injury and damage hazards. Pub. Util. Code section 961. While there is safety in the electric industry, the Commission's framework of existing legal provisions identify the hazards, preventive measures to minimize injury and damage, and the public utility's responsibility to improve its response and recovery assurance an adequate workforce to effectively implement the preventive measures; provide for robust and durable infrastructure and maintenance of employees in the development of these programs

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2. The Problematic Relationship between Service Quality and

Years Ago Kahn accurately described this public utility and that the Public Utility Commission in the wake of the Public Utility rate regulation process better suited to addressing the issues of

If, as far as is possible, the public utility's responsibility rests with the private monopolist, and the government supervisor only where objective standards can be set or, after the monopolist's performance has been determined, omitted do we have an adequate assurance... that his position of monopoly can be continuously good as possible? If poor service is equivalent of high price, why is there not just as monopoly power will involve the public utility's public safety, danger of sluggishness with respect to both efficiency and reduction, is there not the danger of sluggishness as quality and extending the scope of service?

These problems are all... they deserve more creative and effective attention than they now receive.

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Pub. Util. Code sections 761 and 768 authorize the practices for public utility if it finds existing rules or practices inadequate. Pub. Util. Code 701 authorizes the Commission necessary to carry out its regulatory responsibilities.

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Alfred Kahn, The Economics of Regulation, 2nd ed., page 22

The key concept here is the economic equivalence of the public gets the same quality of service as a rate increase if diminished. The false with the “efficiencies” that in practice reduce service levels do not protect the public, in was such a dramatic such as San Bruno, still safe and investment as the gas service in winter failure respond in a timely fashion to an emergency leak?

In the Reply to the San Bruno CCG Base, 2-005/006

the UWUA proposed this solution:

“UWUA has proposed a concrete mechanism for addressing: between service quality and costs. In the field of service order completion within 2 weeks up the phone at the call center within a minute a known gas leak or fire hazard. The mechanism is:

- *Set an aspirational standard*
- *Provide funding in rates to improve performance toward the standard*
- *Monitor performance continuously using employee- and management- initiated communication with Commission staff;*
- *Adjust revenues and – if necessary – procedures to enable continued progress as an element of ‘post test-year ratemaking.’*

Exhibit 580, Testimony of Carl Wood, UWUA Exhibit 1;

“This is a real response to Kahn’s “real problems: proposal utilizes resources provided by the public for public (1) the utility’s own resources (provided by ratepayers; through the CPD) and (2) resources provided by the knowledge and access of UWUA members to both customer well as the utility’s management resources provided by the ratepayers through the CPD rates.”

...

³ UWUA Reply Filed May 14, 2008, page 4

⁴ Public Util. Code section 431 ff.

However, the Commission has not proposed setting service standards beginning with processes designed to, in fact, respond to a higher (punishment for) “obviously bad” performance. The Commission has as a for working goals and activities intended to maintain of the public in the ability of the gas system to public’s needs safely and effectively.

This for working approach articulating goals and taking concrete steps to put in place transparent and to meet the Commission’s stated goals, culture change in the gas industry. In place of identified by the Independent Review Panel Report as industry, the UWUA is proposing a culture that places customer transparency and accountability at the forefront, and articulates goals and procedures to implement the 4 footnotes omitted.

This approach supports the Commission’s “Authorized Revenues” by providing an explicit basis for determining value of service from the Commission’s knowledge of what they are for. The Commission’s UWUA is paying for the Commission revised Rate Case Plan at the rate of the Commission’s safety and reliability (reliability) (reliability) (reliability) more detailed proposal outlines a process intended to close and explicit relationship between rates and service quality reliability.

3. The Importance of Transparency and Accountability

In R.11-02-019 the Commission calls for and requires an

...the technical state of the utility system, giving a operational system as well as an assessment of its risk? low risk and high risk, providing the Commission with explaining the metrics underlying the utility’s evaluated in terms of implementation in the associated metrics of the security and safety of the

5. See the Commission’s R.11-02-019 on July 15, 2011, page 13 and safety

facilities. We would like to have substantial information institutionalized as the standard practice by incorporating it R.13711-006, 2006, 6

□

The Commission has sufficient authority under existing state achieve this transparency objective. We intend to use Pub. Util. Code sections 792 and 794 to authorize the Commission accounting, record keeping and reporting procedures. Pub. Util. Code sections 1822 require publication and verification of comparative models, models, used to provide information in Commission is required by Pub. Util. Code section 961(e) employees in developing safety plans. The user fee statute that funds the Commission assess to the utilities any funds they need to carry legislative budget process.

The Commission should have the powers in a comprehensive coordinated way to create and maintain the transparency it breaking down the silos that isolate the Office of Ratepay by Pub. Util. Code sections 09.6, and the Safety Division (SED) that have the professional skill sets and disciplines necessary to effectively fight and evaluation of utility. It would also fully empower public interest representatives to participate in Commission activities, assess and evaluate utility availability and quality, including developing customer communication channels.

the Commission to develop an approach to the GRC that replicates, describes, or forecasts a public utility's limited to its accounting procedures, personnel assignments and procedures and control.

Pub. Util. Code sections 431 et seq..

This change in the Commission's approach to participant the context of safety and service quality oversight, in order intent: The provisions of this administrative code are the effective and efficient participation that have a public utility regulation process." Pub. Util. Code section 1801.3(b)

□

authorities to create a free flow of information (transparency) best value for providers revealed.

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4. The Problem of Regulatory Capture and Employee Participation

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The problem of achieving greater transparency is closely regulatory capture. UWUA defined being in a problem of asymmetry differential access to information on management provided information suggested solutions. April 18, 2012 in the Sempra Company 2005/006, heavily on the Com prior statement of the problem. 1999 PG&E Case, General D.00-02-46 (issued February 24, 2000):

□

“Regulatory capture” occurs when special interests or political bodies regulatory agencies, their own. In the regulatory context “regulatory capture is specifically through which regulators end up manipulating the state that are supposed to regulate. For example, “Regulatory Capture: A Review,” 22 Oxford Review 203 (2003).

In Pacific Gas and Electric D-00-46, the Commission discussed the problem in detail, quoting extensively from older sources:

“The relative advantage of utilities in ratemaking litigation recognized. Over the observed the following 73 years ago:

“Successful regulation of great public utility corporations and easy matter. The utility industry has at times to save the Commission from exerting itself. It has the quality of being which they themselves declare to be in the Commission, and to tell the Commission what its duties there is of this, the more the Commission needs experience do its own investigations to the bottom. Very few states have enough funds to enable the Commission to do their work. The only way for a Commission quickly is to find out what it has to do, and often as well as the utility industry of delay.

“If the Commission depends upon the consumers or the present public side of the controversy, the evidence will be heavily weighted in working from inside against the companies having all the experience

and spend taxed ... great utilities before Public Commission, 1941, pp. 13-14 (emphasis added.)

“The information - 1999 is better than our resources information painted the Commission by comparison.”

The legalistic evidence of litigated proceeding. The of type problem from public and accountability Commission, and suffered can Commission importance proposals independent proceeding formal asymmetry.”

UWUA Opening Brief, pages 5-13, footnotes attached emphasis added

켁 The 쁁 Commission 쁁 has 쁁 recognized 쁁 the 쁁 importance 쁁 of 쁁 the 쁁 input 쁁 on 쁁 by-case 쁁 is 쁁 The 쁁 Commission 쁁 now 쁁 should 쁁 provide 쁁 an 쁁 institu integrating 쁁 the 쁁 experience, 쁁 knowledge 쁁 and 쁁 expertise 쁁 into 쁁 the 쁁 achieve 쁁 operating 쁁 integrity, 쁁 accountability 쁁 and 쁁 transparency 쁁 to 쁁 the

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C. 쁁 Summary 쁁 of 쁁 Case 쁁 RFP 쁁 and 쁁 RIA 쁁 Proposal

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켁 The 쁁 structure 쁁 of 쁁 the 쁁 Revised 쁁 RFP 쁁 Case 쁁 Plan 쁁 reflects 쁁 support 쁁 for 쁁 the 쁁 framework 쁁 proposed 쁁 by 쁁 the 쁁 Coalition 쁁 of 쁁 elements 쁁 that

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(1) 쁁 the 쁁 of 쁁 (Safety 쁁 and 쁁 Reliability 쁁 Phase 쁁 1), 쁁 culminating 쁁 in 쁁 a 쁁 Phase 쁁 1 쁁 decision 쁁 that 쁁 objectives 쁁 the 쁁 service 쁁 standards, 쁁 ethics, 쁁 standards 쁁 for 쁁 progress

(2) 쁁 the 쁁 elimination 쁁 of 쁁 the 쁁

(3) 쁁 the 쁁 Commencement 쁁 of 쁁 Phase 쁁 (Phase 쁁 2) 쁁 upon 쁁 Phase 쁁 1, 쁁 with 쁁 preliminary 쁁 evaluation 쁁 of 쁁 revenue 쁁 requiremen pendency 쁁 of 쁁 Phase 쁁 1 쁁 based 쁁 on 쁁 most 쁁 recent 쁁 historic 쁁 known 쁁 and 쁁 measurab 쁁 changes

(4) 쁁 the 쁁 (Phase 쁁 3) 쁁 during 쁁 the 쁁 year 쁁 following

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- **Three 쁁 phases 쁁 in 쁁 the 쁁 Service 쁁 Adequacy; 쁁 Revenue 쁁 Requireme Rate 쁁 Determining**
- **Eliminate 쁁 the 쁁 application 쁁 NOI 쁁 as 쁁 phase 쁁 of 쁁 NOI 쁁 functionality 쁁 (ORAs) 쁁 /audit 쁁 units 쁁 operations 쁁 for 쁁 both 쁁 service adequacy 쁁 phase 쁁 and 쁁 revenue 쁁 requirements 쁁 phase**
- **Service 쁁 Adequacy 쁁 Phase**

9 쁁 SIGNED 쁁 COMMISSIONER 쁁 AND 쁁 ADMINISTRATIVE 쁁 LAW 쁁 JUDGE'S 쁁 RULING MOTION 쁁 OF 쁁 THE 쁁 WORKERS 쁁 UNION 쁁 FOR 쁁 a 쁁 directive 쁁 to 쁁 employees, 쁁 issued 쁁 January 쁁 25 쁁 2003 쁁

10 쁁 COMMENTS 쁁 OF 쁁 THE 쁁 REPORT 쁁 OF 쁁 THE 쁁 INDEPENDENT 쁁 REVIEW 쁁 PAID 쁁 filed 쁁 July 쁁 COMMENTS 쁁 OF 쁁 THE 쁁 UTILITY 쁁 WORKERS OF 쁁 AMERICA 쁁 on 쁁 the 쁁 DRAFT 쁁 GAS 쁁 SAFETY 쁁 PLAN 쁁 of 쁁 the CALIFORNIA 쁁 GAS 쁁 COMPANY 쁁 September 쁁 Gas 쁁 Safety 쁁 R.11-02-019. 쁁

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- ✓ Replace the NOI phase with a Service Adequacy phase operating risks and safety, reliability, time, business and responsiveness, including the Service. This phase is open IOU's application filed in December preceding the Test Y
- ✓ Service Adequacy phase does not include evidentiary hearing discovery and workshipped adequate witness an opportunity direct interaction of utility proponent and other parties
- ✓ Service Adequacy Phase reflects ongoing reporting by staff and parties concerning service quality, reliability and service effectiveness and timeliness.
- ✓ IOU's application presents data on electric and/or gas operating issues and safety, reliability, time, business and responsiveness of service functions.
 - IOU's present service activities including hazard identification, mitigation, preventive maintenance aspects of safety, reliability, effectiveness (each customer on the pro credit; security of personal information, etc.), and service (connection, disconnection, outage and restoration management, response and repair) Commission data relate to revenue IOUs present capital investment programs for evaluation including financial plans.
 - Evaluated metrics IOUs include in report, plus any relevant metrics
 - SB 705 Safety Plan performance
 - GO-112 and PHMSA reports, defects, leaks
 - Electric reliability metrics
 - Service metrics including call center performance, customer accounts and personal information, placement on correct tariffs,
 - Selection of metrics should evolve over time
 - SED/ORCA consultant report, analysis and recommendations parties
 - Includes identification and analysis hazards potentially causing probability/high consequence events including mitigation and preventive
- ✓ Sets service adequacy framework for Revenue Requirement Phase
- **Revenue Requirement Phase**
 - ✓ the Commission determines achievement of commission established service quality levels and goals based on historic actual expenditures adjusted for fixed, changes such as work, expected wage and benefit

- ✓ Application, testimony and decision mapped to Uniform based on most recent year evaluation to begin with filing Forms 1 and 2 for prior year on N/A Case Base proceeds.
- ✓ Staff and interval of revenue proposals takes place with Service Adequacy Phase, retaining the functionality
- ✓ RR model validation, pursuant to PU Code 85 is
- ✓ End use of speculative forecasted output estimates with year actuals reflected in Uniform System of Accounts known and measurable changes in safety, reliability and quality standards, verifiable and goals

• **Timing**

- ✓ Application filed in December, with a concurrent SED/OI service quality
- ✓ Application/Safety and Reliability Phase begins in March, with a Phase Decision.
- ✓ Revenue Requirement Phase begins in April brings in December and the second year 2 from a Phase
- ✓ Rate Design begins in June of Year 2

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D. Detailed Response to Questions 06 R.13

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4.1 Process to provide appropriate analysis, safety and risk management

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Adapting CPCN procedures including Adequacy Phase not the right Review fully developed safety plan under SB 7 several reasons

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1) SB 705 basis, identifying of “how” the “achieve” various operational outcomes described in the Service Adequacy Phase can address those service quality issues and articulated after the PHC.

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2) SB 705 hazard identification and mitigation. a philosophy that begins with preventive paths of Service Adequacy Phase is to focus the Commission and the safety. It is forward looking and performance of preventing harms foreseen as result of risks.

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3) **basic** **goals** **transparency** **ac** **fostering** **robust** **disc** **among** **managers** **workers** **commission** **staff** **and** **public**

It **is** **appropriate** **ORA** **to** **evaluate** **technical** **support** **utility** **proposal** **explored** **system** **from** **back** **workers** **in** **the** **field**. **establishing** **additional** **professional** **skill** **sets** **for** **staff** **in** **accounting** **engineering** **and** **enforcement** **is** **crucial**; **you** **investigative** **review** **oversight** **and** **counterproductive**.

The **Service** **Phase** **(Phase 1)** **should** **begin** **with** **the** **a** **report** **on** **prescribed** **parameters** **for** **service** **backlog** **ED** **by** **ORA**. **The** **PHC** **Conference** **(PHC)** **should** **be** **held** **after** **the** **completion** **of** **representatives** **from** **representatives** **public** **interest** **representatives** **and** **stakeholders** **have** **had** **an** **opportunity** **to** **review** **both** **document**. **The** **Commission** **should** **begin** **Phase 1** **in** **the** **processes** **for** **review** **of** **the** **5** **evaluating** **safety** **and** **performance** **should** **develop** **the** **utility** **application** **so** **that** **Cor** **and** **parties** **are** **not** **placed** **in** **the** **position** **of** **litigating** **document**. **This** **approach** **permits** **the** **technical** **and** **the** **NOI** **procedure** **which** **is** **used** **primarily** **by** **respondent** **participations** **of** **the** **utility** **approach** **to** **formal** **filing**.

After **the** **PHC** **has** **defined** **the** **services** **to** **be** **provided** **and** **the** **Phase** **(Phase 1)** **should** **be** **conducted** **informally** **with** **a** **robust** **discovery** **and** **a** **series** **of** **workshops**. **These** **models** **and** **Commissioners** **should** **be** **published** **in** **the** **Commission's** **docket** **so** **that** **the** **public** **can** **comment** **on** **it** **if** **it** **is** **not** **based** **on** **"sworn** **testimony"** **subject** **to** **cross** **examination**.

4.2 Comprehensive review of safety, health and risk management GRC application

How should the Commission develop a new RCP for link strategy and goals to resource allocation? What are needed in your view to effectively method, practices and

assessing risk of safety, security, and/or reliability deficiencies requested funding for a GRC?

Answer: See the Introduction and Policy Considerations of the of the for the structure of revenues and service adequacy.

What criteria should be used by the Commission to the produced an adequate GRC?

Answer: The utility's initial filing and responses by the ORA, should be sufficient together to identify the issues the GRC. Placing the onus for an adequate gives the utility management responsibility for the Commission's agenda. The PHC should be scheduled to elicit issues related to safety, reliability, customer including timelines and effectiveness, and results encompass environmental and economic justice issues (customer risks related to service needs driven by environment community factors.)

Rate and revenue issues should be formed by the decision about service quality, and reliability and should respond to the Commission's decision in Phase matters.

Is the development of safety, reliability, and security assessments could be used internally or externally for the purposes?

Answer: Yes, such a development is desirable. The "review" is.

Who should bear the cost of developing safety assessments the Commission might be using?

Answer: These costs are to be funded through the utility; statute, Pub. Util. Code sections 431 et seq.

4.3 Timing of the GRC applications

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?

Answer: The GRC interval should be four years if the utilities during the interval on implementation of SB 705 and on development of comparable plans for The litigation model for GRCs initiated by carefully constructed pleadings should be adopted as a GRC that includes periodic review and utility's processes, its safety, service quality, journey, transparency, including simplification of accounting by requiring GRC filing to use only the Accounts and mapping all other accounting systems and models in the USA is a critical element here.

Utilities should be reviewed on the New England utilities should not be consolidated for GRC purposes again.

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?

Answer: One GRC every four years for the four major utilities beginning. Treatment of capital and other issues reflect ongoing service and safety achievements.

Under any of these scenarios, what consequence(s) should follow from utility's failure to meet its filing deadline under the plan?

Answer: If ongoing periodic public review has occurred there should be no failure to file.

Under any of these scenarios, what review of utility spending should occur in the intervening years?

Answer: The issue is utility performance and achievement of not utility spending. There should be no regulatory negotiating with revenue issues addressed, if necessary, in offset of demonstrated failure to provide adequate service due to utility's control (natural disaster, massive military attack, net

4.4 RCP schedule

The Commission provides for regarding consultation among stakeholders on issues of service adequacy, so that the G and recalibration of the relationship between and rates and costs, one-time type costs. Other than this general observation, the give the ALJ and Assigned Commissioner broad discretion to be consistent with due process and prompt public participation by the

4.5 Uniform application of the provisions of the RCP

The RCP framework and the timetables should be

4.6 Reducing Complexity

Thorough preparation by all parties and transparency that application and application reporting, monitoring and interaction among managers, utility employees are the best ways to alleviate complexity that often besets the GRC process.

Conclusion

For the foregoing reasons the Commission should revised the provide for Service Adequacy Phase of the General Rate Case

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