

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

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.

Rulemaking 13-11-006
(Filed November 14, 2013)

**REPLY COMMENTS OF UTILITY CONSUMERS' ACTION NETWORK (UCAN) ON ORDER TO
INSTITUTE 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**

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INTRODUCTION

Pursuant to the schedule set by the Order Instituting Rulemaking (OIR) and the California Public Utilities Commission's Rules of Practice and Procedure's Rule 6.2, the Utility Customers' Action Network (UCAN) submits the following reply comments to the opening comments made in this Rulemaking by others about the issue of whether and how the Commission should formalize rules using a risk-based decision-making framework to evaluate safety and reliability improvements presented in General Rate Case (GRC) applications. UCAN believes that the CPUC should change the Rate Case Plan (RCP) to require each IOU to provide similar costing data in a standardized way to allow for ease in evaluation and cross referencing of information.

**THE COMMISSION SHOULD REQUIRE THE IOUS TO PROVIDE DATA IN A
STANDARDIZED WAY**

Through this rulemaking UCAN hopes that the Commission will require that the IOUs provide the information they use to justify their requested revenue requirement in the same format, using the same terminology, and the same costing date across the entirety of their operations.

One aspect of the GRC process that UCAN hopes the Commission would examine is the difficulty small intervenors face in evaluating the data provided by the IOUs and their ability to make use of the data in a timely manner. For each GRC the Commission is provided voluminous information from each IOU in a way that makes comparisons between each IOU difficult and time consuming. At present, each IOU provides information on similar cost categories, but because the information is not presented in a standardized way, comparing one IOU's filing to another is time consuming and difficult. In addition, being able to compare an IOU's present filing to a previous filing is important.

The costs paid for services for utility operations should be used to help the Commission determine each utility company revenue requirement and each IOU should supply comparable data. However, the current RCP doesn't require the applicants to provide the costs requested for similar services; instead each IOU's GRC application uses different terminology to describe the request.

For example, wildfire prevention funds are requested in the current Pacific Gas and Electric (PG&E) and San Diego Gas and Electric (SDG&E) GRC applications.

The current PG&E general rate case application A.12-11-009 forecasts the cost to address wildfire risk and presents the cost estimates for the work in Electric Distribution Maintenance, Vegetation Management, and Distribution Automation and System Protection.¹

The current SDG&E general rate case application is A.10-12-005 and the relevant testimony² requests funding for brush and tree management to reduce wildfire risks (page SPF-50). The pole brush program is described in detail while the PG&E application doesn't use the

¹ PACIFIC GAS AND ELECTRIC COMPANY 2014 GENERAL RATE CASE PREPARED TESTIMONY EXHIBIT (PG&E-4) ELECTRIC DISTRIBUTION, Page 1-6 lines 11-14.

² PREPARED DIRECT TESTIMONY OF SCOTT P. FURGERSON (SDG&E-05) ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY (ELECTRIC DISTRIBUTION – O&M). The summary of the request is on page SPF-6, in Table SPF-2.

term "pole brush".

Both the PG&E and SDG&E applications do not use the same terminology so any comparison depends on the intervener's understanding of the service to be provided for the requested funds. An intervener can conduct discovery and review discovery of the other parties but generally, a discovery request to one IOU requesting a comparison with another IOU's application is denied with the explanation that the IOU receiving the discovery cannot provide information about a different IOU's GRC application. Moreover, if an intervenor is seeking specific cost information on a particular aspect of an IOU's operations, given the way the data is recorded, often finding the information requires hiring an expert witness to sort through a filing.

UCAN's request to provide standardized costing data common to all IOU's will save both time and expense for the Commission and the intervenors. Presently there are operations sufficiently common to each IOU that will allow the Commission to develop a better understanding of utility operations. However, sorting through the data provided to discover the costing data for each IOU, for each program or service, given the disparate way the information is provided makes comparisons overly burdensome.

Pole replacement is a good example. To obtain a unit price for each pole replacement each intervenor can calculate the rough unit price by using the amounts each utility record in certain FERC accounts and dividing that number by the number of units. If an intervenor examines the FERC accounts to find the total that's recorded for pole replacement activities, and through either the data provided or a data request get the number of poles replaced, we can calculate the cost per pole. This is a time consuming process and the problem could easily be eliminated if the Commission simply required the IOUs to provide costing information upfront, and not require the intervenors to go through all the steps now necessary to find the costing data. This is true for not only pole replacement, but every aspect of a utilities operations.

UCAN would like to make clear that we are not advocating using costing data as evidence one IOU is impermissibly paying more than another for services if the costing data

provided shows a differential. UCAN is saying, however, that the data is evidence that requires inquiry, and that the burden to justify the differential should be on the utility seeking to pay more for a service than another IOU which paid less for the same service. In the pole replacement example above, it might be that PG&E paid \$10,000 to replace a pole and SDG&E only paid \$7,500. UCAN understands there might be justification for the differential. Labor costs, terrain, overhead, timing issues can all have an impact on the cost of a service or product provided by an IOU. However, once the Commission is aware of the cost differential, the information does provide the basis for inquiry to PG&E to justify it. With costing data provided by each IOU that is standardized, an apples-to-apples comparison can be made, and the information used to form the basis on inquiry on any significant differential found.

II. THE COMMISSION SHOULD REQUIRE COMMON TERMINOLOGY IN THE RATE CASE PLAN

REPLY TO OPENING COMMENTS ORA

In ORA's comments they address the issue of each IOU providing information in a standardized way. ORA takes the position that because of the uniqueness of each of the IOUs they do not believe that the IOUs should be expected to provide costing data in a consistent manner between utilities, just consistent with the particular IOUs present and previous filings:

"Another aspect of variation concerns the manner in which each individual utility files recorded data in its GRC. Each utility is unique in nature and ORA does not expect consistency across utilities. However, a matter that is of concern is when information by a utility is not presented in a consistent manner from one GRC to the next GRC due to changes in accounting systems or other reasons. This issue was identified most recently by the Commission in D.12-11-051, Section 2.5, and ORA asks that the concerns identified there be considered here. The Commission should require transparency and consistency in the manner in which each utility presents and provides recorded, historical data and its forecasts in its GRCs."³

UCAN disagrees.

³ ORA comments at pg 13

In California there is one Commission. The Commission services all parts of the state, and requiring consistency in the information provided by each utility, no matter how unique they may be, is of critical importance. At present, each IOU provides information across their operations seeking funding, yet they label and record costs of services differently, not using the same terminology or methodologies. Unlike ORA, UCAN believes that despite the uniqueness of each IOU that transparency and consistency across those IOUs regulated by the Commission would be enhanced by the Commission knowing the same information from the utilities it regulates. The regulator should require each utility it regulates to provide information consistently between utilities as well as by each utility for each GRC.

REPLY TO OPENING COMMENTS SDCAN

In comments the San Diego Consumers' Action Network (SDCAN) discusses the "knowledge gap" between the information the IOUs have and use to operate their utility business and the information the interveners and regulators have to oversee them. SDCAN also makes the point that obtaining and analyzing the data from previous GRCs is made more difficult because there is no standardized way the Commission requires the information to be presented:

"... as discussed previously, the comparison of what the utility requested and spent on certain activities in the last GRC cycle can be a valuable tool for assessing the credibility of the utility's requests here. Again, accounting changes that differ from recording by FERC accounts renders such an assessment far more difficult and complex. In future rate cases, the Commission must compel all California IOUs to adhere to FERC accounting standards or another uniform code of accounts.⁴

UCAN agrees that there is a knowledge gap and the Commission should start to remedy this by requiring the IOUs to provide their costing data in a standardized way, using common terminology for the funding requests in GRC applications and subsequent advice letter and attrition filings. An intervener without access to an expert witness has to determine whether the requests made by each IOU are comparable and whether each IOU used best practices which would allow for a reasonable cost. This kind of analysis is made much simpler using

⁴ SDCAN opening comments pg 17.

common terminology.

A standard terminology and standard cost reporting for similar services being provided by the IOUs requires less time for the interveners, the CPUC staff, and the Office of Ratepayer Advocates (ORA) staff to review the documents submitted during the general rate case proceedings and subsequent advice letter and attrition filings. It is particularly important for interveners without the resources of the large ratepayer advocate entities (ORA, Utility Reform Network, and Communities for a Better Environment). The interveners without resources generally represent ratepayers interested in a small number of the total issues being discussed but are currently challenged to read and review the proceeding's documents to present their recommendations and include references to the record of the proceeding in their arguments.

The OIR in section 4.5 asks whether the IOU GRC applications should be treated uniformly and OIR section 4.6 asks for suggestions to reduce the complexity of the application and to reduce the need for experts to evaluate them. This is especially important for interveners with relevant ratepayer interest in the outcome of the GRC proceedings and without the resources to hire and supervise experts.

UCAN believes that the different IOUs have comparable practices and costs for providing their utility services. These comparable aspects should be used to simplify the review process for all cost requests made in the general rate case applications. As stated above, the cost of service for specific utility services should be standardized by adopting comparable metrics. These metrics should be identified in this proceeding and developed as standards for the IOUs to include in their applications.

REPLY TO OPENING COMMENTS TURN

In the Utility Reform Network (TURN)'s opening comments they present a proposal for modifying the RCP to directly address the expected showing on and process for analyzing safety and risk in GRCs. TURN recommends that the Commission modify the RCP to require each utility to include in its GRC showing a demonstration of the need for and cost-effectiveness of proposed safety-related work. The same showing should be expected of all utilities, and should

include a “Safety Analysis” as a key component. The utility Safety Analysis should include at least three elements: (1) a Risk Analysis; (2) a Mitigation Measure Analysis; and (3) a Constraint Analysis.

UCAN agrees that “The same showing should be expected of all utilities.” The same showing should include comparable terminology so that the showings can be compared to determine how much the proposed services are expected to cost for similar services. UCAN believes that similar showings are possible for limited portions of each utility’s service area so that the cost of service proposed by each utility can be compared to the cost of service for the others.

CONCLUSION

In UCAN’s original comments we proposed that the utilities provide costing data across their operations in a similar way, in a standardized format to allow for ease of use for obtaining, examining and cross referencing costing data. UCAN understands that each utility is unique and this approach may not apply to all aspects of a utility's operations not common or similar. However, the Commission could require the IOUs to provide data using standard terminology for those aspects of their operations sufficiently common to each IOU.

UCAN used the term “price tag” in our opening comments as a way to illustrate to the Commission that if the information were prepared in a standardized way, the Commission could examine costing data in a similar fashion across the utility industry in California. At present, that is not possible. Each utility will likely tell the Commission they cannot provide the standardized data for aspects of their operations common to each IOU because they each have their own labor costs, and terrain, and suppliers and unique issues. Every industry has the same uniqueness issues, and every business is unique in some way. This should not prevent the Commission from improving the ways it functions by requiring those unique IOUs to provide the same information in the same way.

Respectfully submitted,

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