

**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)

**OPENING COMMENTS OF  
SOUTHWEST GAS CORPORATION (U 905 G)**

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January 15, 2014

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6 **OPENING COMMENTS OF**  
7 **SOUTHWEST GAS CORPORATION (U 905 G)**

8 Southwest Gas Corporation (Southwest Gas or Company) hereby provides its Opening  
9 Comments pursuant to the California Public Utilities Commission's (Commission) Order  
10 Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate  
11 Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy  
12 Utilities (OIR). Specifically, Southwest Gas submits its responses to the questions outlined in  
13 Section 4 of the OIR. A copy of said responses is enclosed herewith as Appendix 1.

14 Southwest Gas appreciates the opportunity to provide these Opening Comments and  
15 looks forward to working with the Commission and other interested parties to address the  
16 issues raised in this Rulemaking.

DATED this 15th day of January 2014.

17 Respectfully submitted,  
18 SOUTHWEST GAS CORPORATION

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# Appendix 1

# **SOUTHWEST GAS CORPORATION**

## **APPENDIX 1**

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

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

Response: To the extent safety and reliability issues are included in a general rate case (GRC) filing Southwest Gas believes that an internal review by the Safety Enforcement Division (SED) is appropriate. Whether or not consultants are brought in to supplement SED's analysis or conduct an independent review, should be determined on a case-by-case basis.

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

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?

Response: Updates to the Master Data Request (MDR) is one way for the Commission to develop a new RCP that links safety-related strategy and goals to resource allocation. For example, the MDR could be updated to request certain publically available pipeline reports from the utility which, in turn, could be used to help determine whether a consultant should be hired for a particular case. Southwest Gas submits that instruction on the timing and content of reports should be given on a case-by-case basis in the decisions approving and implementing specific pipeline safety and/or reliability measures. These case-specific reporting requirements and criteria will assist the Commission in analyzing the requested funding in a utility's GRC.

2. What criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing?

Response: Southwest Gas recommends that the Commission consult with and solicit input from SED on whether a utility has produced an adequate risk-informed filing with respect to pipeline safety. SED can evaluate a utility's compliance with DIMP and TRIMP regulations, together with other risk based

activities that may fall outside those regulations through data requests and a review of the utility's annual PHMSA filings and any other reporting requirements made by the utility.

Generally speaking, any criteria used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing should take into account the different rate case plans applicable to each utility. Similarly, any criteria should also take into consideration any difference in operations that may exist between utilities such that utilities are not inequitably held to standards that are not reflective of their specific operations.

3. Is the development of safety, reliability, and security assessment and review tools that could be used internally or externally desirable and sufficient for investment review purposes?

Response: See Response to Q.4 below.

4. Who should bear the cost of developing safety assessment and review tools that the Commission might be using?

Response: In response to Questions (3) and (4), and based on the information provided in the Company's responses to the questions posed in Appendix A of this Rulemaking, Southwest Gas submits that utilities have adequate and reasonable assessment tools, which are open to review and inspection by the Commission's Staff during the course of the utility's GRC. As such, it might not be necessary for the Commission to develop its own assessment and review tools.

### **Section 4.3 – Timing of GRC Applications**

1. What should be the interval between GRCs for energy utilities? Should all utilities be treated uniformly? What should the schedule look like in the coming years?

Response: At this point, Southwest Gas is not aware of any timing changes that would be necessary or beneficial to the RCP for small utilities. Given the differences between utility size, location and operations, utilities should not all be treated uniformly.

2. How can we determine the timing of incoming NOIs as well as the attrition years in order to reduce pressure on workload and allow adequate time for careful analysis?

Response: See responses in Section 4.6 below.

3. Under any of these scenario(s), what consequences should follow from [a] utility's failure to meet its filing deadline under the plan?

Response: Any consequences related to a utility's failure to meet its filing deadline can be generally outlined in the RCP, but should be determined on a case-by-case basis, after taking into consideration the reason for the missed deadline, and other potential mitigating factors.

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

Response: This too should be determined on a case-by-case basis. If the Commission implements reporting requirements as part of the decisions that authorize certain safety and reliability-related proposals, that reporting can include regular updates on dollars spent, dollars projected to be spent, etc. Other spending (unrelated to safety or reliability issues) should be reviewed as part of the GRC.

#### **Section 4.4 – RCP Schedule**

1. Aside from the interval between rate cases, how prescriptive should the RCP be regarding the schedule for the case itself?

Response: Southwest Gas believes the schedule for small utilities that is currently set forth in the RCP is generally sufficient. The Company agrees with the Commission's statement that the RCP, "...provide a realistic guideline for timely issuance of decisions..."<sup>1</sup> Thus, it does not believe that the RCP should be any more prescriptive than it currently is. However, the Company also believes that the pre-hearing conference is a very relevant part of the GRC process. It is at the pre-hearing conference (and through the resulting procedural schedule) that case-by-case decisions concerning the schedule for a particular GRC filing can be discussed and ruled upon.

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?

Response: With respect to the RCP for small utilities, Southwest Gas does not believe modifications to allow for more meaningful contributions are necessary.

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<sup>1</sup> OIR, at 6.

3. Are there any stress points where all parties need extra time or any interval which is not spent efficiently?

Response: With respect for the RCP for small utilities, Southwest Gas is not aware of any “stress points”.

4. How much latitude should parties have to adjust the timing in particular rates cases, for example, to build in time for settlement efforts?

Response: With respect to the RCP for small utilities, Southwest Gas does not believe that any timing changes need to be incorporated into the RCP. However, the opportunity to engage in good faith settlement discussions is an important part of any contested proceeding. Southwest Gas believes that it is reasonable to incorporate at least one mandatory settlement conference into the rate case schedule, but believes it should be done on a case-by-case basis at the pre-hearing conference, and not as part of the RCP.

5. How may additional safety review by the Commission and by other parties affect the RCP schedule?

Response: Southwest Gas believes this question should be considered after the Commission confirms what its safety review will entail.

#### **Section 4.5 – Uniform Applications of the Provisions of the RCP**

1. Are [differences between utilities] or other differences relevant for the purposes of the RCP? If there are material differences, should they be reflected in the plan itself or addressed case-by-case?

Response: Yes, differences between utilities, industries, etc., are very relevant for the purposes of the RCP. As each utility will present evidence during its GRC that is unique to its operations, material differences should be addressed on a case-by-case basis rather than in the RCP.

2. How much variation (if any) should be allowed between different utilities, between the gas and electric industries, or on any other basis?

Response: See response to Q.1 above.

#### **Section 4.6 – Reducing Complexity**

1. Should particular features of the current RCP for energy utilities be updated, or even discarded? How could the Commission reduce the complexity of the filings?

Response: Although further analysis will likely be required, Southwest Gas believes there might be an opportunity to modify or eliminate the NOI process to assist in reducing the complexity, and increasing the efficiency, of the rate case process.

As mentioned in the response to Q.2 below, Southwest Gas supports the idea of having utilities make a post-filing presentation to stakeholders. If the post-filing meeting/utility presentation could be formally structured and made a required part of the rate case process, it could serve as the forum for stakeholders to raise any questions or concerns they have with the GRC filing. This approach may prove more efficient than the current NOI process.

2. What kind of process changes might be helpful for stakeholders to enable them 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?

Response: Southwest Gas supports the idea of having the utility make a post-filing presentation to stakeholders. See response to Q.1 above.

3. What process changes would be helpful for the general public to better understand the impact of [a] rate case and participate in the proceeding?

Response: Southwest Gas believes the current process for notifying the public about GRC filings and helping them to understand the impact of GRC decisions is sufficient. Customers have the benefit of the Public Advisor's office, which not only provides information about participating in rate case proceedings, but reviews each utility's customer notices to ensure that all pertinent information is being communicated to customers.

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?

Response: See response to Q.1 above. In addition, filing the application earlier, particularly in combination with modification or elimination of the NOI process, could help the utilities and the Commission stay true to the GRC schedule set forth in the RCP and/or procedural order.

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?

Response: Prior to each of its GRC filings, Southwest Gas sends its MDR to the Office of Ratepayer Advocates (ORA) for review and possible update. The Company believes this is a beneficial process and would encourage informal



meetings or other communications between ORA, the Energy Division and the utilities prior to the utilities' GRC filings in order to review the MDR and eliminate any inapplicable or repetitive questions.

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) [or Cost Allocation Proceeding for major gas utilities] need to be reconsidered and reformulated?

Response: Southwest Gas' GRCs are not divided into phases. This question is therefore inapplicable to the Company.