

**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)

**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 Order Instituting Rulemaking (OIR), the Utility Consumers' Action Network (UCAN) offers the following comments to the rulemaking issued in November 14, 2013. In the OIR the Commission seeks to address perceived deficiencies in the Rate Case Plan (RCP) filed by Energy Utilities for their General Rate Case (GRC). Of particular concern in this OIR is whether and how the Commission should formalize rules using a risk-based decision-making framework to evaluate safety and reliability improvements presented in GRC applications. Citing the concern that the current RCP is outdated and not adequately attuned to the current needs, the Commission issued this rulemaking to address these issues.

UCAN agrees that the issue of safety as expressed in a RCP should be closely examined. Requiring the energy Investor Owned Utilities (IOUs) to produce specific safety related information across the entirety of their operations using a standardized metric will help the

Commission in evaluating each GRC filed. But UCAN urges the Commission to go further and require information for not just safety, but information from all aspects of a utility's operations, common to all the IOUs in a standardized way that will allow for easy cost comparisons between the utilities. Doing this will help not only the Commission, but every party, to properly evaluate each GRC filing. As it stands at present, every time there is a filing, each intervenor is required to sift through the information provided by the applicant and have it examined by their own experts to determine if what is proposed is both necessary and cost effective. UCAN would prefer the Commission use this rulemaking to develop a consistent framework in the RCP for evaluating all tasks and operations of each IOU, across the entirety of an IOU's operations.

The rulemaking asks the Commission and the parties to think outside the box. UCAN proposes the Commission do just that. UCAN asks the IOU's to put a price tag on each aspect of their operations common to all IOUs so the Commission does not have the ratepayers overpay for the services provided.

I. STANDARDIZED METRICS FOR ALL COMMON OPERATIONS FOR EACH IOU IN THE RCP WILL HELP BOTH THE IOUS AND THE INTERVENORS EXAMINE EACH UTILITY IN THE SAME WAY, SAVING TIME AND RESOURCES

In proposing this rulemaking, the Commission notes that the RCP has not been comprehensively updated since 1989. UCAN agrees that it is time for a comprehensive review of the RCP. UCAN also agrees that having a framework for uniformed standards for each utility would be helpful. It will also reduce the amount of time each utility and each intervenor spend on every GRC application.

One benefit of having a uniformed standard for all functions and projects common to each of the IOUs operations is to ease understanding and make comparisons easy for the Commission. Line safety, regulatory compliance, amounts of insurance coverage, personnel needed to do specific tasks, cyber security, substation, transmission and distribution reliability and many others could be evaluated on an apples-to-apples basis if the RCP required each IOU to tell us what they pay for specific tasks, equipment and projects.

Each IOU is unique, that is a truism. However, each utility also has similar operations and each utility performs similar tasks. For example, each IOU has territory in urbanized areas. San Jose, Los Angeles and San Diego all have transmission lines in industrial areas that require similar equipment, that is exposed to similar weather, requiring similar maintenance, and needing similar repairs. If the Commission were able to examine how much each utility spends to maintain 10 miles of inner city transmission lines for each utility, the Commission could make a comparison on whether each utility is spending wisely.

Comparisons between each utility for their operations can be made if the standards are specific enough. Each IOU has service territory prone to fires. Each IOU covers risk through insurance. Each utility tries to mitigate risk through things like vegetation management. How much does it cost SDG&E to trim 100 trees in San Diego, how much does it cost PG&E to trim 100 trees in San Jose, or So Cal Edison 100 trees in Los Angeles? If the Commission were able to understand what it costs to do certain tasks then the Commission is in a better position to make informed choices about how much to fund in terms of tasks that need to be performed.

It is the Commissions function to provide the IOU's sufficient funds to operate, while also allowing for a reasonable return on investment. However, since the CPUC is also responsible to make sure the public does not over-pay for service, it is essential to know how much things cost. We need to know what we are paying for. We need the IOUs to tell us what things cost them, and if the Commission discovers that PG&E is doing a task more cheaply than SDG&E, then the burden should be on SDG&E to tell the Commission why they need extra funding to do the same tasks.

II. THE PRESENT RCP DOES NOT INFORM THE COMMISSION ON WHAT THINGS COST.

With the filing of every RCP the utilities present information on what they believe it will cost them to run their operations. But the Commission does not require the IOU's to disclose this information in a usable and informative way that allows for cost comparisons to be made. Safety is a good example, and perhaps in modifying the RCP, the Commission should start there.

A good example of where a cost comparison can be made is the costs of each IOU to

mitigate against wildfires. Each IOU has service territory in dry locations where the fire dangers run high. Each IOU has a vegetation management program that among other things helps reduce the risk of fires. Each IOU has electric line maintenance programs to guard against things like downed power lines or lines arcing in high-wind conditions or when they are hit by debris. Each IOU spends money on each of these things. How much does SDG&E, So Cal Edison, and PG&E pay for these tasks? If one examines the information presented by each IOU in their last GRC, and looked at all the evidence presented by every party, perhaps you would find the information for each IOU - assuming the proper questions were asked of the right person.

If the RCP required this information upfront by each utility in the same format, we could make a proper comparison simply by looking at the numbers.

1. Standardized questions in the RCP requiring each IOU to provide the same information will help guard against overfunding of utility operations.

Standardized information for specific tasks will allow the Commission to know how much things cost. It will help put a price tag on utility operations. One common complaint that the intervenors make in each GRC filing is that the IOUs know more than either the Commission or the intervenors on what it costs to run their operations. Intervenors have long complained that the IOUs are padding their figures and are not coming clean with the Commission about what things really cost.

In addition, other factors can influence or skew costs requiring the Commission to make uninformed decisions because the data is unavailable. One complaint that UCAN had in SDG&E's last GRC is that there was a SEMPRA energy corporate reorganization just prior to their GRC filing. This reorganization resulted in SEMPRA spinning off the combined corporate center functions of So Cal Gas and SDG&E which resulted in each utility performing separately certain tasks previously performed jointly. The Commission was, therefore, required to make its best guess as to what it would cost to fund some of SDG&E's operations. Because of their corporate reorganization, no historical data existed because tasks previously performed by SEMPRA corporate center were now devolved to each utility.

The SEMPRA corporate reorganization problem faced by the Commission in SDG&E's last GRC would have been eliminated if the Commission developed standardized categories that determined what things cost per function. In SDG&E's last GRC they assumed what things would like funding of personnel like attorneys services that were previously performed by SEMPRA's corporate center. If the RCP required the IOUs to tell them how many attorneys they need and which functions these attorneys are needed for and how much it cost, something common to each utility, then the problem faced by the Commission with the SEMPRA reorganization would disappear. The Commission would have known how much PG&E and So Cal Edison pays for attorney services for the tasks that SDG&E needed them to perform. The Commission could then authorize the appropriate amount of funding for SDG&E even in the absence of historical data.

2. The Rulemaking should develop a series of categories that will require the filing of standardized information for each IOU.

In revising the RCP, the Commission should set forward a list of certain functions and tasks common to each utility. The Commission should allow for a range for services to be performed that takes into account factors that either increase or decrease the amount of funding authorized by the Commission. For example, if one of the IOUs can explain that they need funding that significantly exceeds what another IOU paid for the same service, then the Commission can consider whether the request to increase funding based on the explanation from the IOUs is appropriate. In this case the burden would be on the utility seeking to deviate from the costs of the other IOUs to justify the increase.

The problem with the RCP presently is that it does not present specific issues together with the activities proposed and the funding requested in a usable format. For example, UCAN is interested in wildfire prevention, costs, and program cost requests. There does not appear to be an easy way to review a future SDG&E application to find this information. Past applications and their supporting documents are hundreds of pages long without clear guidance for those trying to find specific information. Further, the RCP does not address comparisons with similar utility companies or with municipal utility companies located in or close to the SDG&E service territory. Finally, the RCP does not require the utilities to explain the analytical procedures

used for the items they purchase or the tasks they perform.

In any RCP filed each IOU should have a section describing their analytic procedures used as to why they need something, as well as data from other utility companies regarding a cost comparison. This is important because other utility companies might have different priorities and have developed a superior method of improving service reliability and have a better and or less expensive way of doing things. It is important for the utility company to include the data in their application because it is difficult for an intervener or ratepayer advocacy group to obtain the data from utility companies. In addition, companies such as SDG&E belong to industry working groups that have access to specific data across the industry. Also, the Electric Power Research Institute has data and reports that are important for reviewers and SDG&E belongs to EPRI while the interveners don't.

3. Standards in the RCP should also include why something needs to be done.

In modifying the RCP, each utility will provide information that is common to each operation. A series of standardized categories, asking standard cost function questions, will provide most of the information the Commission needs to address how much IOU funding to authorize. The benefit in having the RCP require a standardized filing, asking standard questions, is not just that an apples-to-apples comparison of like functions can be made, but will also enable the Commission to focus more on the unusual requests by each IOU. For example, if SDG&E is asking for something that PG&E did not ask for, the Commission should require a significant showing of need for the requested funding.

Insurance offers a good example that helps illustrate the point. Each IOU carries insurance that protects them from liability against things like wildfires. Had the Commission put in place a framework for each utility to disclose how much of their territory is prone to wildfires, how many people live in those areas, and how much insurance each utility purchased to cover their wildfire risk, then the Commission can examine each IOU's application and make adjustments for variations of each IOUs wildfire risk.

4. Requiring the IOU's to submit standardized information will save the Commission and the intervenors significant time and resources.

In SDG&E's response to this rulemaking they state:

“The Commission should ask itself whether or not it is logical to assume that ‘adequately risk informed’ is the most useful metric for the GRC proceedings, which are forecast-oriented and primarily focused on future rate setting. It is possible that a more workable approach would be to evaluate safety plans, reliability metrics, and minimum standards independently, without bundling them into the already complex and time-consuming ratemaking process.”¹

UCAN disagrees. Adequately risk informed is exactly what the Commission should be asking of the IOUs. In 2007 San Diego County was devastated by wildfires, where fires were caused by SDG&E equipment. Hundreds of thousands of people fled their homes. Unfortunately for the residents of San Diego, SDG&E was significantly underinsured for the risk. As devastating as the wildfires were in San Diego, SDG&E's subsequent filing to the Commission in A-09-08-020 to have the ratepayers pay for the damage caused by fires because of their under-insurance hurt the ratepayer/victims of the fires just as much. In case anyone forgot, the Commission's Public Participation Hearings on this application were near riotous at the outrage people felt that SDG&E caused the fires, and now the victims of those very fires were asked to pay for damage.

But aside from being just adequately risk informed, by adopting UCAN's suggested approach, the Commission will also be saving time and effort for everyone involved in the process. While we acknowledge developing a standardized set of categories for functions performed, equipment purchases, personnel required and investments made will take time to develop, once this task is completed it will save everyone time and expense.

The Rulemaking notes specifically the Commission's problem regarding the amount of time required to prepare, review and rule on each IOU's GRC. It asks if the GRC should be lengthen or shortened. If the Commission adopts UCAN's proposals, then each GRC will proceed faster, more smoothly and the vast majority of the time needed to examine the issues will be made much simpler because historical data from all three IOUs will be available which will then show how much it costs to do the same task for each utility.

¹ SDG&E filing of data request response pursuant to this rulemaking, at pg 61.

CONCLUSION

When someone is paying less for the same thing, everyone wants to know how they do it. If the Commission knows that PG&E is paying less for the same thing that SDG&E wants to spend twice as much for, the Commission can ask SDG&E why? If this rulemaking were to require a price tag for what the IOUs pay for goods and services across their entire GRC filing, everyone, including the IOUs will be well served.

Respectfully submitted,

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