

Three-Day Workshop on the Staff Straw-Proposal R.13-11-006

Objective – the intent of this 3-day workshop is to explore the ideas raised in the staff straw proposal in order to refine or create new solutions to integrate a risk based approach for utility funding requests in the GRCs.

Workshop Participants to do – everyone wanting to participate in the 3-day workshops must have read the staff straw proposal as well as the use cases for each utility.

Panel Discussions – Each panel will be two hours. The moderator for each panel will introduce the topic then each panelist will have 5 minutes to introduce the topic from their perspective, then a 35 minute Q&A with the moderator followed by a 55 minute Q&A with the audience. Panelists only have 5 minutes to introduce the topic from their unique perspectives; as such, you can use a slide deck or an oral presentation. If a slide deck, please send your deck to me by noon on Tuesday, March 18th.

There are 7 panels during the 3-day workshop

1. Panel 1 = Utility Case Studies (i.e. their sample Risk Assessment Planning Proceeding filings)
2. Panel 2 = Utility Risk Evaluation Techniques
3. Panel 3 = How do you define risk? (i.e. Risk Hierarchy)
4. Panel 4 = Risk Ranking/Risk Tradeoffs
5. Panel 5 = Verification
6. Panel 6 = Should the RAPP be a phase of the GRC or should it be a separate proceeding?
7. Panel 7 = GRC Intervals – every 3 years or every 4 years?

Day 1 – March 19th

Location – CPUC Auditorium

9:30am – 4pm

I. 9:30am – 10am

- a. Welcome and Opening Remarks by Carol Brown, Chief of Staff to President Michael Peevey & Denise Tyrrell, Acting Director for Safety & Enforcement Division
- b. Overall Instructions by Presiding Judge, John Wong
- c. Objectives and goals for the 3-day workshop – Marzia Zafar, Director of Policy & Planning Division

II. 10am – Noon – Panel 1

A panel discussion of utility case studies – The large utilities (i.e. SoCalGas, PG&E, SDG&E, and Edison) were asked to submit and serve a case study utilizing the new process. On March 11th the utilities each filed an example of how RAPP could work in real life. This discussion is to dive into those filings and explore whether RAPP is a viable process to effectively integrating risk evaluation into utility funding requests. How to better refine RAPP?

The discussion will be moderated by Liza Malashenko, Deputy Director for Safety & Enforcement Division. The panelists are as follows:

1. PG&E - Eric Back
2. SDG&E - Pete Girard
3. Edison – Shinjini Menon
4. SoCalGas – Name
5. ORA – Nat Skinner

LUNCH – Noon to 1pm

III. 1pm – 3:30pm – Panel 2

A panel discussion on the current and proposed utility processes that are used to assess and report risk. As operators of the system, the IOUs have the expertise and specific knowledge to make these direct assessments of critical infrastructure components. This panel should discuss how each IOU makes these assessments and what risk information should be reported for use and consideration as part of the GRC process. This risk information may take the form of expected performance against the risk metrics discussed in panel one. Some of the key questions in this panel are:

- What are the current IOU processes for assessing risk?
- Are these processes and measures consistently applied across all the utilities?
- Could these measures be made consistent with the CPUC evaluation of risk metrics as identified in the risk hierarchy?
- What type of information should be reported to the CPUC and third parties?
- What are the strengths and weakness of Subject Matter Expert (SME) risk assessments and quantitative risk assessments?

This session will be moderated by Evelyn Kahl, Counsel to the Energy Producers & Users Coalition. The panelists are as follows:

1. PG&E - Janaize Markland
2. Edison – Shinjini Menon
3. Sempra – Joanne Wang
4. Continental Economics – Charles Feinstein, Ph.D.
5. Decision Strategies – John Lathrop, Ph.D.

IV. 3:30pm – 4pm

Wrap-up and final thoughts

Day 2 – March 20th

Location – CPUC Auditorium

9:30am – 4:30pm

I. 9:30am to 11:30am – Panel 3

A panel discussion on how to define risk (i.e. what is the optimal risk hierarchy). This panel will be focused on how the core objective of the CPUC - safe service at reasonable rates - could be quantified and measured. It is envisioned that deconstructing the core objectives into a hierarchy of sub-objectives will lead to a consistent and meaningful set of risk metrics. Establishing a common set of risk metrics will be a critical tool in evaluating and assessing the current status of a utility infrastructure, the capability of its operations, and possible future

threats to the system as a whole. Some of the key questions to be discussed could include the following:

- What types of methods for defining and measuring risk exist?
- Which method fits the CPUC? Can the core CPUC values be mapped to a hierarchy that leads to clear and measurable risk metrics?
- How deep should a hierarchy go?
- Can these methods and hierarchy be uniformly applied to all utilities?

This session will be moderated by Rich White, Senior Regulatory Analyst, PPD. The panelists are as follows:

1. PG&E - Eric Back
2. CPUC – Ken Bruno
3. Underwriters Laboratories – William Colavecchio
4. TURN – Tom Long

LUNCH – 11:30am – 12:30pm

II. 12:30pm – 2:30pm – Panel 4

This panel will focus on a) how to value the risk of an individual project and b) how to develop a ranking of all projects within a portfolio given all the risk valuations. The panel may discuss how the value of risk mitigation may be determined by the expected cost and the expected risk mitigation of each project. This panel will discuss how to select specific levels of risk mitigation for a specific project - this may include establishing a level of acceptable risk for a project. This panel may also discuss how to compare risks across different projects so that all projects within a portfolio can be ranked based on the risk cost-effectiveness. Some questions are as follows:

- Is a risk-based cost effectiveness model a good model to rank projects?
- How much confidence do the parties have in the IOU risk assessments?
- What are the sensitivities to these risk assessments?
- Are there other methods to rank projects?
- How will parties concerns be included and considered when making value judgments?
- How will risks be compared across different projects?
- Are all relevant risk addressed in the portfolio of proposed projects?

This session will be moderated by Ken Bruno, Supervisor of SED's Risk Assessment Unit. The panelists are as follows:

1. PG&E - Eric Back
2. Underwriters Laboratories – William Colavecchio
3. Tesoro Refining - Name
4. CPUC – Rich White
5. SDCAN – Eric Woychik

BREAK – 2:30pm to 2:45pm

III. 2:45pm to 4:30pm – Panel 5

This panel will discuss how to create a uniform and most simple verification form that any person can review and be able to tell the project and corresponding funding approved, what was actually spent on the approved project and an explanation of the discrepancy, if any. This

proposal would require that the utility file a report at the same time it files its NOI. The report will simply be in the form of a table or chart. It should include a list of items that were approved in the prior GRC along with the cost/budget that was approved for; and a corresponding column that shows what was actual spend and actual build/upgrade. If approved does not match spend then the utility must include a narrative to explain the discrepancy otherwise no other narrative is required or preferred. The report functions more like an audit of what the utility was approved for and what they actually spent on.

This session will be moderated by Marzia Zafar, Director of CPUC's Policy & Planning Division. The panelists are as follows:

1. ORA – Nat Skinner
2. CPUC – Gurbux Kahlon
3. TURN – Hayley Goodson
4. PG&E – Shelly Sharp
5. Edison – Mike Marelli

Day 3 – March 21st

Location – CPUC Auditorium

9:30am – 4pm

I. 9:30am to 10am

Introduction for the GRC process – Arthur O'Donnell

II. 10am – Noon – Panel 6

This panel discussion will focus on whether RAPP should be its own separate proceeding that the GRC will then follow OR should it be a beginning phase of a utility's GRC. A separate proceeding, conducted separately from and in advance of the GRC application, which results in a risk-informed portfolio of projects to address identified risks and uncertainties, and which establishes a ranking of these projects based on their expected costs and anticipated value to ratepayers. Instead of holding a separate proceeding, the risk assessment and project planning could occur as the first Phase of each utility's GRC proceeding, with the risk-reduction project portfolio comprising a separate book of testimony and related working papers, and the budget for the approved project list incorporated into the utility's total revenue request for that Test Year. Some questions are as follows:

- How would the timing work if RAPP is a separate proceeding?
- What is the benefit or disadvantage of replicating the Long Term Procurement Plan (LTPP) model where the LTPP first decides the right portfolio and then utilities file separate applications for contract approval?
- If RAPP is not a phase of the GRC how can the GRC account for the findings made in the RAPP?

This session will be moderated by Cynthia Walker, Energy Division Deputy Director. The panelists are as follows:

1. ORA – Nat Skinner
2. CPUC – Liza Malashenko
3. TURN – Bob Finkelstein
4. PG&E – Shelly Sharp
5. Edison – Mike Marelli

LUNCH – Noon to 1pm

III. 1pm – 3pm – Panel 7

This panel discussion will focus on whether the GRC cycle should remain on a 3 year cycle or should be changed to every four years. The discussion will also include streamlining the GRC itself. Some questions that are relevant are as follows:

- Does the addition of Risk analysis necessitate a longer cycle?
- Would a four-year cycle require a different forecasting methodology?
- Under a four-year cycle, should there be some reporting mechanism instituted for spending during interim years?
- Should the Notice of Intent (NOI) be eliminated?
- Should we reduce or eliminate the protest period?

This session will be moderated by Arthur O'Donnell, Energy Division Supervisor. The panelists are as follows:

1. ORA – Mark Pocta
2. TURN – Bob Finkelstein
3. Southwest Gas - Ed Giesecking
4. PG&E – Shelly Sharp
5. Sempra – Chuck Manzuk

IV. 3pm to 3:30pm

Wrap-up and next steps – Marzia Zafar