

TURN and ORA Recommendations for a Revised Staff Straw-Proposal R.13-11-006

Following are the recommended revisions of The Utility Reform Network (“TURN”) and the Office of Ratepayer Advocates (“ORA”) to the Staff Straw Proposal, with the exception of Section IV (Timing Issues), for which TURN and ORA are presenting separate proposals.

For the sake of clarity, TURN and ORA are presenting these recommendations as a revision, rather than a red-line. However, as will be seen, TURN’s and ORA’s recommendations retain – and build upon -- much of the structure and ideas of the Staff Proposal. In particular, Section I aligns with the Straw Proposal’s “Introduction”, Section II aligns with “Risk Assessment”, Section III with “Incorporating the Results of the Risk Assessment into the GRC”, and Section V with “Verification”.

In preparing these recommendations, TURN and ORA have drawn on the workshop presentations, as well as post-workshop discussions with various parties to this proceeding, including the Coalition of California Utility Employees, the Utility Workers Union, Utility Consumers Action Network (UCAN), and Mussey Grade Road Alliance. These recommendations, and the separate recommendations of these other parties, will likely reflect some of the sharing of ideas from the workshop and further post-workshop discussions.

I. Introduction and Summary

The key goal of this proceeding is to modify the current General Rate Case (GRC) process to ensure that the utilities are focusing on the right risks and spending ratepayer money to address those risks in a cost-effective manner. The reformed process should meet this overarching goal, while satisfying the following procedural principles:

- **Transparency:** the Commission and all interested parties should be given full access to all data and models on which the utilities, the Commission staff, and any other parties base their proposals or recommendations;
- **Participatory Inclusivity:** all interested parties should have a full opportunity to participate in each step of the process; and
- **Accountability:** the utilities should be held accountable for achieving the risk mitigation benefits they claim and for spending ratepayer money wisely and efficiently.

To achieve this goal and satisfy these principles, three new processes should be adopted:

1. Beginning either as part of this proceeding or as an immediate spin-off from this proceeding (i.e. separate from GRCs), the Commission should initiate a periodic (perhaps triennial), generic (i.e.,

all energy utility)¹ Safety Model Assessment Proceeding (S-MAP), the twin purposes of which would be to: (1) allow parties to understand the models the utilities propose to use to prioritize and mitigate risks and (2) allow the Commission to establish standards and requirements for those models. Similar to the now well-established Long Term Procurement Planning (LTPP) proceedings, each successive S-MAP would have the ability to respond to changing circumstances and could build on its predecessor S-MAPs and tackle increasingly sophisticated and challenging issues.

2. As an initial phase of each utility's GRC, a Risk Assessment and Mitigation Phase (RAMP)², in which the utility presents, at the program level (i.e., at a higher level than the traditional GRC project level), its assessment of its key risks and its proposed programs for mitigating those risks. This assessment would be based on the model that was vetted in the S-MAP and that complies with all CPUC requirements for the model determined in the most recent S-MAP. All parties, including the Commission staff, would have an opportunity to understand the analysis, data and assumptions underlying the utility's presentation and to present a response to the utility's presentation. Although there would be no Commission decision in this phase, the utility's presentation and the staff and interested party responses would inform the utility's recommended projects and funding requests in the subsequent phase of the GRC, which would be equivalent to the current project-focused GRC.
3. Two annual Verification documents to be submitted by each utility:
 - a. A Risk Mitigation Accountability Report, in which the utility compares its GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC with the actual benefits and costs, and explains any discrepancies; and
 - b. A Risk Spending Accountability Report, in which the utility compares its GRC projected spending for approved risk mitigation projects with the actual spending on those projects, and explains any discrepancies.
 - c. To be most useful, these Reports should be audited by appropriate Commission staff, with the audit methodology and findings made available to all interested parties.

Each of these proposed new processes is discussed in more detail below, followed by a recommendation for integrating these processes into the GRC framework.

II. Safety Model Assessment Proceeding (S-MAP) – A New Proceeding Separate from the GRC

¹ Or at least the three major energy utilities: PG&E, SCE and the Sempra Utilities.

² This phase is meant to be equivalent to the RAPP in the Staff Straw Proposal, with a change in wording of the name to reflect (a) the importance of not just identifying and prioritizing risks, but also prioritizing risk mitigation efforts and (b) the recommendation that this be a part or phase of the GRC and not a separate proceeding.

Because the utilities intend to rely upon potentially complex models, often of a quantitative nature, to prioritize both risks and risk mitigation measures, the Commission should institute a periodic - perhaps based on the overall GRC cycle – proceeding that would serve two main purposes with respect to these models: (1) to allow the Commission and parties to examine, understand and comment upon these models; and (2) for the Commission to establish guidelines and standards for these models.

In each S-MAP, each of the major utilities would present a complete explanation of the current version of their model (or models) that they plan to use in the RAMP phase of their upcoming GRC for prioritizing risk and risk mitigation measures. Consistent with the principle of transparency and Commission Rules of Practice and Procedure 10.3 and 10.4 (governing computer models), the utilities would make their models, data sources, and assumptions fully available for review by Commission staff and any interested party.³ At a minimum, the utilities would provide documentation sufficient for interested parties to understand the basic logical processes linking the input data to the output, including but not limited to a manual which includes:

- A complete description of how the model operates and its logic. In the interest of Participatory Inclusivity, this description should be understandable by non-experts in computer modeling. For the benefit of experts, the utilities should supplement this lay description by making use of equations, algorithms, flow charts, or other descriptive techniques.
- A complete list of variables (input record types), input record formats, and a description of how input files are created and data entered as used in the sponsoring party's computer model(s).
- A description of a diagnostics and output report formats as necessary to understand the model's operation.

The Commission staff and any interested party would be given an opportunity to ask questions, comment upon and make recommendations regarding these models. To assist in the Commission's review, the Commission may wish to hire technical experts. Any comments and/or recommendations of Staff and parties would be made available to all interested parties.

Similar to the evolution of LTPPs, the goals and outcomes of each successive S-RAP would evolve with changing circumstances and likely become more sophisticated over time. The initial S-MAP may serve primarily an informational and educational function – acquainting parties with the utilities' models – and provide utilities an opportunity to hear reactions from Commission staff and parties and modify their models as they deem appropriate in response to Staff/parties' concerns and recommendations. However, even the initial S-RAP could result in required standards and guidelines that each utility must satisfy. For example, to avoid unnecessary definitional issues, the Commission could determine a uniform lexicon that all models must follow. The Commission could also establish other basic elements that utility models must satisfy. This initial S-RAP could be initiated promptly, either as part of this docket or a separate spin-off docket.

In successive S-RAPs, the Commission could establish more detailed standards or guidelines for utility

³ See, <http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=89380172>

models, with a goal of making the utility models as uniform as possible. Uniformity of models would have the obvious benefit of reducing burdens on Commission staff and parties to learn multiple models and would also increase the comparability of risk priority and mitigation analyses among the utilities.

Depending on the issues to be addressed in a given S-RAP, these proceedings, like LTPP, should be able to do much of their work through workshops and comments. However, the Commission would always be free to order evidentiary hearings when appropriate.

In the RAMP phase of GRCs (discussed in the next section), utilities would need to show that the models they are using to prioritize risks and mitigation measures comply with any Commission requirements or guidelines emerging from the most recent S-RAP. Utilities would also be required to explain in the RAMP any ways in which the models they use for their RAMP showing differ from the model presented in the last S-RAP.

III. Risk Assessment and Mitigation Phase (RAMP) – A New Phase of the GRC

RAMP would be a new initial phase of each utility's GRC (equivalent to the RAPP in the Straw Proposal), the purpose of which would be to examine – at the program (i.e., not specific project) level⁴ -- the utility's assessment of its key risks and its proposed programs for mitigating those risks. Although there would be no Commission decision in this phase, the RAMP would provide the Commission staff and parties an early opportunity to review and comment upon the utilities' risk mitigation plans and for the utilities to take these responses into account as it finalizes its project-specific requests for consideration in the remainder of the GRC.

- The utility's risk and mitigation assessment would be based on the transparent model(s) that the utility presented in the most recent S-MAP, as modified: (1) to comply with any Commission requirements determined in the S-MAP and (2) as the utilities deemed advisable in response to Staff/party comments in the S-RAP. The assessment would contain at least the following:
- The utility's prioritization of the risks it believes it is facing. If the GRC (e.g., in PG&E's case) does not address all aspects of the utility's CPUC-jurisdictional operations, the utility should place the risks that are germane to the GRC in the context of all risks faced by the utility.
- The utility's prioritization of risk mitigation alternatives, in light of estimated mitigation costs in relation to risk mitigation benefits (Risk Mitigated to Cost Ratio).⁵

⁴ An issue for the initial S-MAP could be to define the level of specificity that the Commission would expect for the program-level RAMP assessments. If the programs are defined at too high a level, the RAMP will be of little use to the Commission and parties. For example, "prevention of gas pipeline loss of containment" would be an overly broad program, as compared to "prevention/mitigation of external corrosion" and "prevention of seam rupture".

⁵ See SCE Case Study, slides 13 and 14.

- The utility’s risk mitigation plan, including an explanation of how the plan takes into account:
 - Utility financial constraints
 - Execution Feasibility
 - Affordability Impacts
 - Any other constraints identified by the utility
- For comparison purposes, at least two other alternative mitigation plans the utility considered and an explanation of why the utility views these plans as inferior to the proposed plan.

Although the assessment would be at the program level, the analysis and recommendations would need to be capable of being “mapped” to the subsequent GRC project-level proposals.⁶

The Commission Staff and all interested parties would have an opportunity to engage in formal and informal discovery regarding the utility’s assessment and to present written Responses to the utility presentation.

In the interest of avoiding delay in GRC-decision-making, there would be no Commission decision in the RAMP phase. However, as noted, the Staff and parties would gain an early indication of the utility’s risk priorities and mitigation plans and Staff and party Responses would inform the utility’s recommended projects and funding requests in the subsequent phase of the GRC. One possible mechanism that would streamline inclusion in the record of the GRC, as discussed below, would be transcriptions of any presentations and the open availability of any documents used in the RAMP phase.

This subsequent phase would be equivalent to the current GRC, in which the utility presents a complete application with supporting testimony and workpapers, parties conduct discovery and prepare responsive testimony, and evidentiary hearings are held. The utility’s application and testimony would need to include its RAMP showing, explain how its detailed GRC proposal relates (maps) to its RAMP showing, and to explain any changes to its assessment and plans in response to the RAMP phase. If Staff or any party wishes to introduce its Response to the utility RAMP showing into the GRC record, the Responses would be subject to discovery and cross-examination. Absent such election, Responses would not be part of the record on which the Commission could base its GRC decision.

IV. Timing and Procedure for Incorporating RAMP into GRCs

Following is TURN’s recommended illustrative schedule to show how the RAMP could be incorporated into a GRC. ORA will present a different proposal in its submission.

⁶ In other words, each GRC project would need to be mapped to one or more RAMP programs.

<u>Target Date</u>	<u>Event</u>
Oct 1, 2017	Utility serves RAMP submission
Early Nov	Utility hosts workshop on its RAMP submission
Oct 2017 - April 2018	Discovery regarding Utility RAMP submission
March 1, 2018	CPUC Staff and all parties have opportunity to present initial written Response to Utility's RAMP submission
April 1, 2018	Utility presents written Reply to Staff/Party Responses
Mid-April 2018	CPUC hosts workshop on Staff/Party Responses to Utility's RAMP submission
May 1, 2018	Staff/Parties present any post-workshop modifications to their initial Responses
July 1, 2018	Utility files NOI-equivalent, ORA begins deficiency review
August 1, 2018	Deficiency review complete
Sept 1, 2018	Utility files GRC application, including exhibit of changes due to RAMP Responses and exhibit of changes from previous GRC presentation
Oct 2018	Utility hosts technical workshop on changes to model since last S-MAP
Nov 2018	Utility hosts overall case workshop
Jan 15, 2019	ORA report
Feb 1, 2019	Intervenor testimony
Mar 1, 2019	Rebuttal
Mar/Apr 2019	PPHs
Mar 15-Apr 15 30	Evidentiary hearings, including any RAMP Responses to be introduced into record
June 1	Opening Briefs
July 1	Reply Briefs
July 2019	Update testimony, if necessary
Nov 2019	Proposed Decision
Dec 2019	Final Decision

This illustrative schedule is based on the following assumptions and principles:

- Two ALJs would be assigned to each GRC. The assignment of at least one ALJ will occur at approximately the time of the utility's RAMP submission, rather than waiting for the GRC application's filing

- Staff and other Party Responses to the Utility's RAMP submission that are to be entered into the record would not have any presumption of validity or particular weight assigned to them and would be subject to discovery and cross-examination, with Staff and Parties expected to offer a witness or witnesses able to defend their Responses' analyses and conclusions.
- The evidentiary hearing period is extended by approximately two weeks compared to a typical combined (gas and electric) utility GRC, in anticipation of additional time devoted to hearings on RAMP-related topics.
- This process and schedule presumes a previously concluded S-RAP docket (see Section II above) in which the Staff and parties have examined the utility's risk assessment and mitigation models and the Commission has issued a decision establishing any standards or guidelines for those models.
- In order to maximize the likelihood of a timely final decision, steps to streamline other aspects of the GRC will be identified, including but not limited to measures to reduce complexity and limit utility shifts in methodology.

V. Verification – New Accountability Tools

To assist in the goal of improving utility accountability for the ratepayer money spent on risk mitigation efforts, the utilities would be required to prepare two new annual reports.

The first would be a Risk Mitigation Accountability Report, in which the utility compares its GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC with the actual benefits and costs, and explains any discrepancies. This Report would consist of a program-by-program comparison of the utility's GRC predictions of risk mitigation programs -- quantified as much as possible using the models examined in the S-RAPs and used to prepare the RAMP assessments -- with measured results of actual risk mitigation programs, including a comparison of projected and actual Risk Mitigation to Cost Ratios. The document would provide a high-level summary of the utility's explanation of the reason for any variation between projected risk mitigation and actual risk mitigation.

The second would be a Risk Spending Accountability Report, in which the utility compares its GRC projected spending for approved risk mitigation projects with the actual spending on those projects, and explains any discrepancies. This Report would consist of a project-by-project (above an appropriate Commission-determined dollar cut-off) comparison of authorized vs. actual spending, accompanied by the utility's narrative explanation of any significant differences between the two.

Both Reports would be prepared annually, served on the Commission and all interested parties, and promptly posted on the Commission's website.

These Reports would only be a starting point for achieving utility accountability for risk mitigation spending. Utility representations would not be accepted at face value by the Commission. Instead, the Reports would be audited by Commission Staff, and, in furtherance of the goal of transparency, the Staff

audit methodology and findings would be made available to all interested parties and posted on the Commission's website.

Provided that they are effectively audited by Commission Staff, these Reports and the audit findings would serve the primary purpose of enhancing Commission oversight of utility safety-related activities and spending. The Reports, coupled with the Staff audit methodology and findings, could also be useful tools for intervenors to help in holding the utilities accountable for GRC spending. For example, intervenors could use the Reports to frame discovery requests or otherwise raise issues regarding a utility's failure to achieve Mitigation to Cost Ratio targets or a utility's repeat request for risk mitigation that was supposed to be completed in the previous GRC cycle. If a utility wished to introduce a Report or if Staff wished to introduce its audit findings into the record of a GRC, in both instances, the documents to be introduced would be subject to discovery and cross-examination.