

**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

R.13-11-006

**SOUTHERN CALIFORNIA GENERATION COALITION
OPENING COMMENT ON REFINED STRAW PROPOSAL**

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TABLE OF CONTENTS

	<u>Page</u>
I. THE EFFICACY OF A SEPARATE, GENERIC SAFETY MODEL ASSESSMENT PROCEEDING IS UNCLEAR.	2
II. THE STAFF REPORT AT THE CONCLUSION OF THE RISK ASSESSMENT AND MITIGATION PHASE OF A GRC SHOULD ASSESS THE AFFORDABILITY AND COST/BENEFIT RATIO OF A UTILITY’S RAMP PROPOSAL.	3
III. THE STAFF SHOULD BE SUBJECT TO DISCOVERY ABOUT THE STAFF’S RAMP REPORT.	4
IV. THE SCHEDULE FOR THE RAMP SHOULD BE ACCELERATED.	4
V. RETAINING THE NOTICE OF INTENT AND THE GRC SCHEDULE MAY BE BENEFICIAL TO THE OFFICE OF RATEPAYER ADVOCATES.	5
VI. CONCLUSION.....	6

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In accordance with the May 15, 2014 Ruling of Administrative Law Judge (“ALJ”) Wong, the Southern California Generation Coalition respectfully comments on the Refined Straw Proposal prepared by the California Public Utilities Commission (“Commission”) staff and circulated by an ALJ Ruling dated April 17, 2014.

SCGC appreciates Staff’s responsiveness to stakeholder comments on the draft straw proposal that that the staff circulated on February 20, 2014. Particularly, SCGC appreciates staff’s recommendation to continue with the 3-year GRC cycle rather than switching to a 4-year cycle as proposed in the draft straw proposal.¹ SCGC supports a proposal for Risk Assessment and Mitigation Phase (“RAMP”) that would be an initial phase of a utility’s General Rate Case (“GRC”). Also, SCGC also supports the proposals for a Risk Mitigation Accountability Report and a Risk Spending Accountability Report to improve utility accountability for ratepayer money

¹ Refined Straw Proposal, p. 5, footnote 4.

spent on risk mitigation efforts, and SCGC supports the development of a common lexicon to be used in safety-related proceedings.

However, SCGC is concerned about a variety of other proposals in the Refined Straw Proposal as discussed below. SCGC recommends that the generic Safety Model Assessment Proceedings be subsumed into the individual utilities' RAMPS, that the staff reports that would be submitted at the conclusion of the RAMP should assess affordability and the utility's cost/benefit prioritization of risk mitigation measures, that the staff reports should be in the form of direct testimony that is subject to discovery as well as cross-examination, that the 225 days allotted for the RAMP be reduced, and that the Notice of Intent be retained if the Office of Ratepayer finds it to be helpful.

I. THE EFFICACY OF A SEPARATE, GENERIC SAFETY MODEL ASSESSMENT PROCEEDING IS UNCLEAR.

The staff observes in the Refined Straw Proposal that the utilities tend to rely upon potentially complex models to prioritize both risk and risk mitigation measures.² The staff proposes periodic generic Safety Model Assessment Proceedings ("S-MAPs") in which each utility would present the model that it plans to use in the RAMP phase of its next GRC to prioritize risk and risk mitigation measures. As SCGC understand them, the S-MAPs would, as generic proceedings, be in the nature of rulemaking proceedings that would result in a Commission decision.

Given that the GRCs of San Diego Gas and Electric Company ("SDG&E") and the Southern California Gas Company ("SoCalGas") (jointly, "Sempra Utilities"), Pacific Gas and Electric Company ("PG&E"), and Southern California Edison Company ("SCE") are filed on staggered basis over a 3-year period, an S-MAP proceeding would conclude with a Commission

² Refined Straw Proposal, p. 2.

decision that would be relatively proximate to one utility's filing of its RAMP proposal in its next GRC but could be dated by the time the third utility files its GRC in the 3-year cycle.

The problem of an S-MAP decision becoming dated might be addressed by having each utility present its model in the RAMP phase of its GRC. Although SCGC recognizes that there may be benefits in moving towards a development of a generic model for the major California utilities, any generic model would have to be adapted to the particular needs of a utility, particularly given that the assets and functions of gas utilities are different from electric utilities. While presenting models in the RAMPs rather than a separate S-MAP might result in a loss of uniformity of utility models, there would be an advantage in having utility models that are more utility-specific and are as up-to-date as possible for the generation of a utility's RAMP proposal.

II. THE STAFF REPORT AT THE CONCLUSION OF THE RISK ASSESSMENT AND MITIGATION PHASE OF A GRC SHOULD ASSESS THE AFFORDABILITY AND COST/BENEFIT RATIO OF A UTILITY'S RAMP PROPOSAL.

In the Refined Straw Proposal, the Staff proposes that the Safety and Enforcement Division ("SED") issue a report at the conclusion of the RAMP that "assesses (i) the risk assessment procedures that provide the basis for the utility proposals and (ii) the technical merits of the utility proposals."³ The SED Report also should assess the affordability of the utility's proposed programs for mitigating risk, should assess the utility's prioritization of risk mitigation alternatives, and should assess the estimated mitigation costs in relation to risk mitigation benefits. To the extent to which the SED staff needs to be augmented to assess affordability and the utility's cost/benefit prioritization of risk mitigation measures, it would be appropriate for SED to retain consultants.

³ Refined Straw Proposal, p. 5.

III. THE STAFF SHOULD BE SUBJECT TO DISCOVERY ABOUT THE STAFF'S RAMP REPORT.

In the Refined Straw Proposal, the staff proposes that the SED should prepare a report on a utility's RAMP proposal. The staff states in the Refined Straw Proposal:

All stakeholders will have an opportunity to (i) receive information regarding the utility's operational plans and Staff's planned technical review, (ii) review discovery between Commission Staff and the utility, (iii) comment and provide feedback on the Staff draft report(s), and (iv) cross-examine Commission staff or its consultants during evidentiary hearings.⁴

SCGC appreciates the opportunity that would be provided to stakeholders but recommends that the opportunity be expanded. Stakeholders should also be given an opportunity to conduct discovery regarding the points raised by the SED and its consultants in the SED report. The ability of stakeholders to comment on the SED's draft report or to effectively cross-examine the SED or its consultants during a hearing would be compromised if stakeholders were denied the opportunity to conduct any discovery regarding a draft or final reports. Consistent with the SED report being subject to discovery and cross-examination, the SED report should be submitted in the form of direct testimony with identified witnesses. Stakeholders that desire to respond to the SED report should do so in responsive testimony.

IV. THE SCHEDULE FOR THE RAMP SHOULD BE ACCELERATED.

Under the Refined Straw Proposal, the SED would provide to the utility and make available to stakeholders a draft report on the utility's RAMP proposal within 150 days after the utility submits its proposal.⁵ The final report would be made available to the utilities and stakeholders within 225 days after the utility submits its RAMP proposal.⁶ The 150-day deadline for the SED to release a draft report and the 225-day deadline for the SED to release a final

⁴ Refined Straw Proposal, p. 7.

⁵ Refined Straw Proposal, p. 6.

⁶ Refined Straw Proposal, p. 7.

report are excessively lengthy. Devoting so much time to the RAMP would unduly delay the processing of GRCs or, alternatively, unduly cut into the time needed for discovery, preparation of testimony, hearings, and briefing.

While SCGC appreciates the need to give the SED and its consultants adequate time for effective review of a utility's RAMP proposal, SCGC queries whether a full five months is needed after a utility submits its RAMP proposal for the Staff to issue a draft report. SCGC recommends that the 150 days be significantly reduced. Also, SCGC recommends the time allowed for preparation of a final SED report be reduced by eliminating the final report.

V. RETAINING THE NOTICE OF INTENT AND THE GRC SCHEDULE MAY BE BENEFICIAL TO THE OFFICE OF RATEPAYER ADVOCATES.

The Refined Straw Proposal questions whether utilities should continue to be required to submit a Notice of Intent (NOI") prior to the formal submission of a GRC application.⁷ At the March 19-21, 2014 workshop on the draft straw proposal, Office of Ratepayer Advocates ("ORA") representatives explained that the Notice of Intent is helpful to ORA. Stakeholders such as SCGC lack the resources to conduct the exhaustive examination of a GRC application that is typically done by ORA. Stakeholders rely upon ORA to effectively scrutinize utility GRC proposals. SCGC is cautious about compromising ORA's ability to be as effective as possible in scrutinizing utility GRC applications. The NOI should continue to be required if it is helpful to ORA.

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⁷ Refined Straw Proposal, p. 8.

VI. CONCLUSION.

SCGC urges the Commission to consider these comments in further refining the straw proposal that was circulated on April 17, 2014.

Respectfully submitted,

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