

**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 No. 13-11-006
(Issued November 14, 2013)

**MUSSEY GRADE ROAD ALLIANCE COMMENTS ON STRAW PROPOSAL
FOR RISK-BASED DECISION MAKING IN GRCS**

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MUSSEY GRADE ROAD ALLIANCE COMMENTS ON STRAW PROPOSAL FOR RISK-BASED DECISION MAKING IN GRCS

I. INTRODUCTION

In accordance with the Ruling Regarding the Refined Straw Proposal issued by Administrative Law Judge Wong (which set an original filing date of May 12, 2014),¹ and the Scoping Memo issued by President Peevey and Administrative Law Judge Wong (which extended the filing date to May 23, 2014),² the Mussey Grade Road Alliance (MGRA or Alliance) files these comments timely.³

II. BACKGROUND

The Mussey Grade Road Alliance is a grass-roots citizen's organization that has participated since 2006 in a number of Commission proceedings, with a particular interest in the prevention of catastrophic wildfires ignited by power lines. As long-time advocates of improving utility safety, we were pleased to see the initiation of this Rulemaking with its goal to incorporate risk-based decision making into General Rate Cases (GRCs).⁴ We filed initial comments in this proceeding⁵ explaining how the primary goal of our participation in this proceeding is to help ensure that wildfire risks are given proper weight in the development of future GRC decision frameworks, and that the best efforts be made to adequately quantify wildfire risks and prevention costs so that safety spending in GRCs is optimized to suit the needs of ratepayers and residents of fire-prone areas.

After the issuance of the original Straw Proposal, the Alliance participated in the three-day workshops held March 19 to 21, 2014, to discuss the Straw Proposal as well as other topics in the area of risk analysis and utility rate cases. Subsequently, the Alliance provided comment on the

¹ R.13-11-006; ADMINISTRATIVE LAW JUDGE'S RULING REGARDING REFINED STRAW PROPOSAL; April 17, 2014. (Straw Proposal Ruling)

² R.13-11-006; SCOPING MEMO AND RULING OF THE ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE; May 15, 2014.

³ MUSSEY GRADE ROAD ALLIANCE COMMENTS ON INCORPORATING RISK-BASED DECISION MAKING INTO GENERAL RATE CASES (MGRA Comments)

⁴ R.13-11-006; 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; November 14, 2013. (OIR)

⁵ R.13-11-006; MUSSEY GRADE ROAD ALLIANCE COMMENTS ON INCORPORATING RISK-BASED DECISION MAKING INTO GENERAL RATE CASES; January 15, 2014.

original Straw Proposal, suggesting substantial revisions. The Commission issued a Refined Straw Proposal on April 17, 2014.⁶ The Refined Straw Proposal addressed a number (though not all) of the Alliance's concerns with the original document. The Alliance attended the Pre-Hearing Conference held on April 29th, at which the due date for these comments were extended to May 23rd.

III. STRAW PROPOSAL COMMENTS

The Alliance was actively involved in the revision of the Straw Proposal. While the Alliance had significant concerns with the original Straw Proposal and suggested a number of revisions, we are generally pleased with the Refined Straw Proposal. The Refined Straw Proposal draws primarily from the revisions offered by TURN and ORA,⁷ which addressed many of the issues we had with the original document. While the Alliance still has some concerns with the Straw Proposal, and we suggest revisions in the remainder of this document, we believe that the current Straw Proposal provides a sound basis for developing a risk-based GRC framework.

The Alliance favors the adoption of a two-tier framework for GRC risk assessments: a generic assessment of risks that apply to all utilities (S-MAP in the Straw Proposal) and a specific risk assessment applied to a given utility to guide prioritization of funding during its rate case (RAMP in the Straw Proposal). Such an arrangement is critical to providing utility customers and California residents the greatest level of safety at the most reasonable cost. This structure also allows best practices and models to be leveraged across all utilities, reducing duplication of effort and thereby costs. It also will help the Commission to apply common standards to all utilities. The Alliance believes that suggested improvements to the Straw Proposal should be in the form of revisions rather than alternatives because a good foundation has been laid.

Nevertheless, there are several issues with the Straw Proposal as presented, which we address in remainder of this section. We also propose corresponding revisions corresponding in Section V of this document.

⁶ Straw Proposal Ruling, Appendix A.

⁷ TURN and ORA Recommendations for a Revised Staff Straw-Proposal R.13-11-006

A. Prioritization of Risks Should be Guided by the Commission

The Straw Proposal suggests that utilities start with a “top ten” list of risks that they will address in each GRC.⁸ This is an incorrect approach for two reasons. First, the choice of a “top ten” list of risks is arbitrary. There may be fewer or more risks that are relevant to a utilities funding request during a particular GRC period, and this number should not be prescribed. The second and more troubling issue is that the utilities are given full discretion to decide which risks will be addressed and which will not.

The Alliance has previously addressed this issue in our reply comments. ORA and TURN had also proposed that “the Commission should maintain its own list of key risks that each utility in a given sector needs to address, in addition to any ranked list provided by the utilities themselves. Otherwise the customers or residents of in a particular utility service area would be at greater risk if their utility downplayed a particular risk due to error or business expediency, resulting in unequal standards within the state.”⁹ The idea that the Commission should provide guidance on risk prioritization is also supported by SCE.¹⁰

In order to facilitate utility prioritization, the Commission should maintain a list of risk issues as part of the S-MAP process that each utility needs to address in the course of its RAMP process. A specific risk specified in S-MAP may be of lesser or greater importance to a utility at any particular time, but once listed as a key risk the utility would at least have to provide justification for giving it a higher or lower priority than that suggested by S-MAP. The goal of such a ranking would be to help the Commission ensure that the risk rankings provided by utilities are not primarily driven by business concerns but rather by safety concerns.

Having the Commission maintain a list of key risks would also provide another advantage for both utilities and ratepayers. There are a number of risks that might be regularly addressed in a common manner by utilities. Additionally, there are risks for high-impact low probability events

⁸ Straw Proposal; p.2.

⁹ MGRA OIR Reply Comments; pp. 2-3.

¹⁰ SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E) OPENING COMMENTS ON THE ISSUES RAISED IN SECTIONS 4.1 THROUGH 4.6 OF THIS RULEMAKING (SCE Comments); p. 6.

that should be addressed. However it is not necessarily in the ratepayer interest for each of these risks to be individually addressed by every utility each time it has a rate case. The S-MAP process could also provide a “catalogue” of risks that should be addressed with a boilerplate approach, or even identify risks that need not be addressed by utilities because they are out of scope or have been determined not to have significant impact on Californians.¹¹

In general, MGRA supports the concept of risk assessment standards *under* Commission control rather than by the utilities themselves.

IV. COMMISSION QUESTIONS

In the agenda for the Pre-Hearing Conference and in the Scoping Memo, the ALJ and Commissioner direct respondents to address certain questions regarding the Straw Proposal and more general questions about the inclusion of risk analysis into the GRC process. We address some of these questions below.

A. PHC Agenda Section 4(b)

Are there any particular code sections or decisions that the decision should take into account in resolving this proceeding?

Yes. The Decision in R.13-11-006 needs to mesh with the present and future outputs of rulemaking R.08-11-005, the fire safety rulemaking proceeding. Primarily, the other rulemaking deals with General Order 95 and also General Order 165. There are two specific areas of overlap which the decision will need to take into account.

¹¹ One example that we presented in our initial OIR comment (p.7) was that of an extreme geomagnetic storm, which could damage or destroy transmission infrastructure over a wide geographic area. SDG&E took a dismissive view of this example, stating in their reply that “SDG&E and SoCalGas do not believe that a GRC filing needs to examine (for example) whether or not a 1-in-100 year solar flare has been addressed” (p. 5). As we pointed out in our own comments (p. 6), the standard recurrence interval used by the American Society of Civil Engineers for design of infrastructure that could cause substantial public harm in the event of failure is 1,700 years. This risk threshold has now been supported by the Commission in D.14-05-020 (pp. 27-28). SDG&E’s concern that including low probability events in this process would not be “practical” would be substantially addressed if such concerns were dealt with in a common manner through S-MAP. Only when specific utility action was required would a risk be included in the RAMP process.

The first is in the matter of data collection and metrics. In D.14-02-015 the Commission ordered California electric utilities to collect data on fires originating from utility infrastructure and report it to SED.¹² This fire data and other fire and outage data arising from proceeding R.08-11-005 will be valuable in assessing overall risks from utility infrastructure and should be incorporated into the S-MAP process. As co-author of the proposed fire data collection rule in R.08-11-005, MGRA has a keen interest in the use of utility data to help understand and address potential system vulnerabilities, particularly those related to wildfires.

The second area of overlap from R.08-11-005 is the “Track 3” fire hazard mapping initiative,¹³ which has a goal to create new fire hazard maps specifically designed to identify fire risks associated with utility infrastructure. Furthermore, this process will tie design requirements for utility infrastructure to geographical area in a manner that has yet to be exactly determined, but that is intended to maximize safety for California residents in a way that controls costs for ratepayers. The results of this proceeding could potentially have impacts on the safety spending requests that electrical utilities will be making in their GRCs over the coming years. Only by fully understanding the justification behind the fire hazard mapping initiative can these future spending requests be put into context and justified. MGRA was a co-sponsor of the fire hazard mapping initiative, and we would like to see that in its final phase it will be fully integrated with the rate process in order to ensure its successful conclusion.

B. Pre-Hearing Conference Agenda Section 4(d)

Is the S-MAP process capable of developing common risk assessment elements that each utility’s model should have, or because of the differences between the gas and electric utilities, and among each utility, will there always be different risk assessment models for each utility?

As we’ve previously stated, there are *common risks* that affect all California utilities in a particular sector. While each of these risks may affect one utility more than another due to geographic considerations it is the duty of the Commission to ensure that all utilities address these common risks in an appropriate way, and in a manner that the Commission can evaluate and judge. It is vital that safety considerations (as opposed to business considerations) are paramount as a utility ranks its risks and requests funding to deal with them.

¹² D.14-02-015; Appendix C; Fire Incident Data Collection Plan.

¹³ See D.14-01-010.

California utilities compete for investor funds. At the end of the day they are businesses. While there is value to conducting operations in a cost effective way in order to improve profitability, there is a significant risk that this will result in business priorities superseding safety priorities. It is the Commission's role in this environment to ensure that a level playing field exists that requires the participating utilities to adhere to a common set of safety values that result in a safer outcome for utility customers.

It is also important to keep in mind that every risk assessment model that is developed is paid for by these California utility customers. To the extent that utilities can utilize common risk assessment procedures, they should do so.

C. Pre-Hearing Conference Agenda Section 4(e)

For the S-MAP and RAMP process, do other parties see a need for CPUC staff (whether Safety and Enforcement Division or another division), and whether other parties depend on CPUC staff, to review the safety model(s), and to produce the report in the RAMP phase. (This raises the issues of whether: the CPUC staff needs to hire consultants; whether the Office of Ratepayer Advocates and other parties have sufficient resources to effectively participate in the review of the safety model(s) in the S-MAP proceeding, and during the RAMP phase; and should certain CPUC staff be a party to the proceedings.)

We believe that it is incumbent on the Commission to develop capabilities in the area of risk assessment and safety modeling. If the Commission does not take on this role it leaves a dangerous vacuum. Consumer advocates will do what they can, but there is no guarantee that they will be able to obtain adequate expertise for every S-MAP and RAMP process. The Commission is charged with ensuring resident safety, and the primary responsibility for reviewing and approving safety models must lie with the Commission. In the end, these models will determine funding, and funding will determine the level of safety. If the Commission does not currently have the requisite expertise, this should be rectified in order for the Commission to fulfill its constitutional mandate.

V. PROPOSED REVISIONS

On p. 1 of the Straw Proposal:

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 the programs/projects intended to mitigate risks and (2) allow the Commission to establish standards and requirements for those models.

Revise to read:

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~~ to facilitate an understanding regarding the models the utilities propose to use to prioritize the programs/projects intended to mitigate risks and (2) allow the Commission to establish standards and requirements for those models (3) provide a base list of primary risks that utilities should address in their rate cases.

On p. 2 of the Straw Proposal:

As an initial phase of each utility's GRC there will be a Risk Assessment and Mitigation Phase (RAMP), in which the utility presents the top ten asset-related risks for which the utility expects to seek recovery in the GRC.

Change to:

As an initial phase of each utility's GRC there will be a Risk Assessment and Mitigation Phase (RAMP), in which the utility presents the ~~top ten asset-related~~ top ten primary safety-related risks for which the utility expects to seek recovery in the GRC. Additionally, the utility should address other risks that have been prioritized in SMAP as they relate to the utility's current GRC proposal.

On p. 3 of the Straw Proposal:

(2) for the Commission to establish guidelines and standards for these models.

Change to:

(2) for the Commission to establish guidelines and standards for these models. (3) for the Commission to establish a baseline of safety-related risks that should be addressed in RAMP proceedings as well as risks that would be out of scope for RAMP.

On Page 4:

This initial S-MAP could be initiated promptly, either as part of this docket or a separate spin-off docket.

Change to:

This initial S-MAP could be initiated promptly, either as part of this docket or a separate spin-off docket.

As part of the Risk Taxonomy, the S-MAP will also establish a list of key safety-related risks that utilities should address in their RAMP proceeding, as well as identify risks that are out of scope or which do not need to be addressed in RAMP proceedings.

Respectfully submitted this 23rd day of May, 2014,

By: /s/ **Diane Conklin**

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