

**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)

**OPENING COMMENTS OF EXXONMOBIL POWER AND GAS SERVICES, INC.
ON REFINED STRAW PROPOSAL**

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I. INTRODUCTION

Pursuant to Rule 6.2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, and Ordering Paragraph No. 4 of the *Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge* issued May 15, 2014 (“Scoping Memo”), ExxonMobil Power and Gas Services, Inc. (“ExxonMobil”) respectfully submits the following opening comments on the refined straw proposal for a risk-based decision-making framework in the Commission’s Rate Case Plan process for electric utilities (“Proposal”).¹

ExxonMobil believes the Proposal is a good starting point for a risk-based framework that promotes a culture of safety and reliability for electric utility systems. ExxonMobil supports the Proposal, with three proposed additions that will promote electric grid reliability:

- The Proposal should address reliability along with its references to safety;
- The Proposal should include utility reports submitted on "reportable" safety and reliability incidents which the Commission and ratepayers can evaluate in rate cases; and,
- The Proposal should clarify that the Commission will evaluate standards and utility practices for electric maintenance and repairs on their systems.

¹ See Appendix A to *Administrative Law Judge’s Ruling Regarding Refined Straw Proposal*, dated April 17, 2014 (“Proposal”).

II. BACKGROUND

ExxonMobil owns and operates a refinery in Torrance, California (“Refinery”) that is one of the largest customers that purchases power from Southern California Edison (“SCE”). The Refinery depends on reliable electric service from SCE for the Refinery’s operation.

Without reliable service, the Refinery risks damage to its equipment, disruptions to its operations, and unavoidable impacts on the surrounding community. ExxonMobil believes all customers of investor-owned energy utilities will benefit from an evaluation of utility risk assessment and mitigation measures and greater communication between utilities and their customers when safety or reliability issues arise.

Accordingly, ExxonMobil addresses the following issues in this proceeding, included in the Scoping Memo:

2. Is the refined straw proposal an acceptable framework to adopt, or are there alternative proposals the CPUC should consider?
3. Will the risk-based framework that is adopted provide the CPUC with the right tools for evaluating the safety and reliability issues that are in the rate case proceedings of the energy utilities?²

ExxonMobil requests the Commission to adopt the refined straw proposal with the three proposed additions discussed below. The proposed changes will enhance and clarify the risk-based framework in the Proposal for the Commission to promote its safety and reliability goals.

III. COMMENTS

A. The Refined Straw Proposal Should Address Utility Electric System Reliability As Well As Safety.

The Commission issued this *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* (“OIR”) to “prioritize safety **and reliability** issues in GRC applications of energy utilities” and “clarify the rate case review process.”³ The

² See *Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge* issued May 15, 2014 (“Scoping Memo”), pp. 4-5.

³ Emphasis added. *Order Instituting Rulemaking To Develop A Risk-Based Decision-Making Framework To*

Commission has long used the terms "safety and reliability" in tandem, much like "just and reasonable" in Section 451 of the Public Utilities Code.⁴ The Commission has interpreted Section 451 to require that utilities maintain safe and reliable electric systems.⁵ The Scoping Memo also defines the scope of this matter to include safety and reliability.⁶ As the Commission recognizes, "Safety includes project-specific issues, system-wide safety issues, such as system susceptibility to attacks (e.g. cyber security), grid vulnerability (e.g. expected damage from wildfires, levy breaks), and grid recoverability (e.g. ability to recover from large outages)."⁷ Naturally, grid safety is connected with reliable electric service.

The Proposal mentions a "safe, resilient and reliable system"⁸ but makes no other mention of reliability. As the Commission recognized, electric system issues and incidents such as outages impact the safety of the grid. Such risks could easily lead to injuries or fires, or extended power outages, all of which jeopardize the safety of ratepayers. Without electric grid reliability, ratepayers suffer the economic impacts when large industrial customers of an electric utility lose power. For instance, ExxonMobil's Torrance Refinery experienced power outages in 2012 at the same time the Chevron Richmond Refinery had shut down operations due to a fire. Reliable electric service would help reduce the potential for such harmful consumer impacts in the future.

Accordingly, ExxonMobil respectfully urges the Commission to include the words "and

Evaluate Safety And Reliability Improvements And Revise The General Rate Case Plan For Energy Utilities ("OIR"), p.1.

⁴ See, e.g., *Order Instituting Investigation, Notice Of Opportunity For Hearing, And Order To Show Cause Why The Commission Should Not Impose Appropriate Fines And Sanctions*, 2005 Cal. PUC LEXIS 101, **2-3 ("Public Utilities Code section 451 requires that public utilities maintain their equipment and facilities in a safe and reliable manner") (emphasis added).

⁵ *Id.*

⁶ Scoping Memo, pp. 4-5.

⁷ OIR, p. 8.

⁸ Proposal, p. 6.

reliability" (or "and reliable", as applicable) each time it mentions safety in the Proposal, consistent with the Public Utilities Code and Commission precedent.⁹ The terms "safety" and "reliability" go hand in hand.

B. The Proposal Should Include Utility Incident Reports Under D.06-04-055 And D.98-07-097 In Rate Cases For Greater Transparency.

In the OIR, the Commission states, "In the absence of the necessary guidance from the current RCP, we are concerned that applicant utilities may not explicitly or adequately address safety and reliability issues in their GRC filings and Gas Accord applications."¹⁰ The Proposal starts to address these issues with an initial Safety Model Assessment Proceeding ("SMAP") and Risk Assessment Mitigation Phase ("RAMP") before utilities file their general rate cases ("GRC"). However, the Proposal does not address what happens when safety and reliability incidents occur between GRCs.

Currently, under Decision No. ("D.") 06-04-055 and D.98-07-097, investor-owned utilities must submit detailed written root cause analysis reports to the Commission for certain "reportable" incidents.¹¹ These include incidents involving property damage estimated to exceed \$20,000 attributable to utility-owned facilities, for which utilities must submit reports within 60 days.¹² They also include incidents involving significant media coverage, fatalities, or certain personal injuries, for which utilities have to submit a detailed written root cause analysis report within 20 days.¹³

⁹ See Commission General Order 95, part 1 section 11 ("The purpose of these rules is to formulate, for the State of California, requirements for overhead line design, construction, and maintenance, the application of which will ensure adequate service and secure safety to persons engaged in the construction, maintenance, operation or use of overhead lines and to the public in general") (emphasis added).

¹⁰ OIR, pp. 6-7.

¹¹ *Opinion*, D.06-04-055, 2006 Cal. PUC LEXIS 165, Attachment 1, Appendix B ("Accident Reporting Requirements"), ¶ 4; *Opinion*, D.98-07-097, 1998 Cal. PUC LEXIS 688, Appendix A ("Standards for Operation, Reliability, and Safety During Emergencies and Disasters Adopted July 23, 1998").

¹² *Opinion*, D.06-04-055, 2006 Cal. PUC LEXIS 165, Attachment 1, Appendix B, ¶ 4.

¹³ *Id.* At ¶ 2.

For greater transparency, the Commission should ensure utilities circulate these reports to large commercial customers impacted by such reportable incidents. Large commercial customers often have the expertise to help utilities and the Commission resolve reliability issues. Providing that expertise would help the Commission determine whether such an incident warrants further investigation. Such reports are key to evaluate whether a utility foresaw an incident, how it addressed the incident, and what measures it could adopt to mitigate future incidents. In R.11-02-019, the Commission noted that natural gas pipeline operators are required under national safety regulations to provide similar reports, which the public has the opportunity to review.¹⁴

ExxonMobil recommends that the Proposal ensure circulation of incident reports under D.06-04-055 and D.98-07-097 to large commercial customers impacted by the incidents, when the utilities submit their reports to the Commission. The proposed Risk Mitigation Accountability Report should also include incidents that the utilities report under D.06-04-055 and D. 98-07-097. Such reports provide an effective way to monitor industry wide compliance, minimize potential risks, and prevent recurrence of such incidents.

Holding electric utilities accountable for addressing such incidents will promote an industry-wide -culture of safety and risk management.

C. The Proposal Should Clarify That The Commission Will Evaluate Utility Compliance With Standards For Electric Maintenance For Grid Reliability.

In the OIR, the Commission stated:

We need to have the utility's system evaluated in terms of implementation of best practices, industry standards, and the associated metrics of the security and safety of its electric grid, gas pipelines, and facilities. We would like to have such an evaluation and decision-making framework institutionalized as the standard practice by incorporating it into the RCP.¹⁵

ExxonMobil supports this approach. The Commission has the right idea to enforce the

¹⁴ D.12-04-010, 2012 Cal. PUC LEXIS 150, **6-7.

¹⁵ OIR, p. 7.

best utility practices in GRCs for the safety of the electric grid. ExxonMobil believes that maintenance and repairs data is already required by law to be collected and maintained by utilities.¹⁶ The Proposal states the Commission "may evaluate" utility risk assessment models for electric asset conditions and information gathering methods used to evaluate asset conditions in the SMAP phase.¹⁷ The Proposal also states that interested parties and the Commission may comment on the models, and the Commission would establish guidelines and standards for these models.¹⁸

For greater clarity, the Proposal should add that the Commission will evaluate whether utilities have complied with current standards regarding frequency of inspection, assessment and maintenance of all electric facilities. Such clarity is important for the Proposal to spell out the scope of the SMAP proceeding. Such a review is necessary to evaluate a utility's system in terms of best practices and industry standards. To evaluate risk assessment practices, the Proposal should also include a Commission audit of utility inspection and maintenance records regarding facility conditions. These reports can be made available to parties during the RAMP phase or at other appropriate times. Such transparency would promote the assessment of safety issues to minimize risks of recurring outages, fires, or other significant events that would impact ratepayers.

IV. CONCLUSION

ExxonMobil commends the Commission for taking a proactive approach to ensure safe,

¹⁶ See, e.g., Pub. Util. Code § 451 and General Orders 95, 165, 174; see D.96-09-045, *Application of Pacific Gas And Electric Company for Authority, Among Other Things, to Decrease Its Rates and Charges for Electric and Gas Service, and Increase Rates and Charges for Pipeline Expansion Service; Commission Order Instituting Investigation into the Rates, Charges, Service and Practices of Pacific Gas and Electric Company*, 1996 Cal. PUC LEXIS 912.

¹⁷ Proposal, p. 4.

¹⁸ Proposal, p. 3.

reliable utility service and infrastructure to ratepayers.¹⁹ To promote a culture of safety, it is critical the Commission ensure utilities address safety and reliability issues before they impact ratepayers. For the foregoing reasons, ExxonMobil respectfully requests the Commission to adopt the Proposal with the above recommended changes for the Commission to evaluate utility risk assessment practices in their GRCs.

Dated: May 23, 2014

Respectfully submitted,

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¹⁹ See <http://www.cpuc.ca.gov/puc/> ("The CPUC serves the public interest by protecting consumers and ensuring the provision of safe, reliable utility service and infrastructure at reasonable rates, with a commitment to environmental enhancement and a healthy California economy.")