

**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)

**COMMENTS OF THE UTILITY REFORM NETWORK  
ON THE REFINED STRAW PROPOSAL**



Thomas J. Long, Legal Director  
Robert Finkelstein, General Counsel

THE UTILITY REFORM NETWORK  
785 Market Street, Suite 1400  
San Francisco, CA 94103  
Phone: (415) 929-8876 x303  
Fax: (415) 929-1132  
[TLong@turn.org](mailto:TLong@turn.org)

May 23, 2014

## TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY .....	3
II. TURN GENERALLY SUPPORTS THE REFINED STRAW PROPOSAL .....	4
III. THE REFINED STRAW PROPOSAL SHOULD BE MODIFIED IN CERTAIN SIGNIFICANT RESPECTS .....	6
A. The Refined Straw Proposal Should Be Clarified to Require RAMP Submissions to Provide a Comprehensive Prioritization of Safety Risks Without Being Limited to the Top Ten Assets Posing Safety Risks .....	6
B. The Revised Straw Proposal Should Be Revised to Invite All Parties to Offer Analysis of the Utility’s RAMP Submission and Not Make the Staff Analysis the Focal Point of the RAMP .....	8
C. Suggested Changes to the Proposed GRC Schedule .....	13
D. Staff Reviews of the Utility RAMP Submissions and Audits of the Proposed Risk Mitigation Accountability Reports Should Be Multi-Division Efforts that Combine Considerations of Safety and Cost-Effectiveness .....	14
IV. RATE CASE PLAN ISSUES .....	15
A. Issues Related to the Operations of PG&E’s Gas Distribution and Transmission Facilities Should Be Considered in the Same General Rate Case (Question 3.c(3)(a)) .....	15
B. The Notice of Intent Procedure Should Be Retained as Long as ORA Finds It Useful for Giving the Utilities An Early Indication of Deficiencies in Their Applications (Question 3.c(3)(b)) .....	17
C. The Rate Case Plan Should Continue to Be Designed So That There Is Only One Major General Rate Case Per Year(Question 3.c(3)(c)) .....	18
D. The Scoping Ruling Wisely Asks Whether There Will There Be Time for All of This (Question 3.c (3)(d)) .....	18
V. OTHER QUESTIONS PRESENTED IN THE SCOPING RULING .....	19
A. Overlap with Existing Reporting Requirements (Question 3.c (4)(a)) .....	19
B. The Public Utilities Code and Commission Decisions Require that Expenditures to Foster Safety Must Be Shown to Be Consistent With Just and Reasonable Rates ((Question 3.c (4)(b)) .....	19
C. Pre S-MAP Workshops (Question 3.c (4)(c)) .....	22
D. The Commission Should Strive for Common Risk Assessment Models (Question 3.c (4)(d)).....	22
E. Role of Commission Staff in Reviewing RAMP Submissions (Question 3.c(4)(e))	22
VI. CONCLUSION.....	23

## **I. INTRODUCTION AND SUMMARY**

Pursuant to the May 15, 2014 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge (“Scoping Ruling”), The Utility Reform Network (“TURN”) submits these Opening Comments on the Refined Staff Straw Proposal (“RSP”).

TURN generally supports the RSP as offering an improved framework for general rate case (“GRC”) decision-making that should provide greater certainty that utilities are targeting the highest priority safety risks and doing so at reasonable cost to ratepayers. However, the RSP can and should be improved with the following modifications, generally described here and discussed in more detail in Sections III and IV:

- All parties should be invited to present analyses of the utilities’ Risk Assessment and Mitigation Phase (“RAMP”) submissions, and the Commission Staff analysis should not be the focal point of the RAMP;
- RAMP submissions should provide a comprehensive prioritization of safety risks without necessarily being limited to the top ten assets posing safety risks;
- Staff reviews of the utility RAMP submissions and audits of the new Accountability Reports should be multi-Division efforts that combine considerations of safety and cost-effectiveness; and
- Changes to the proposed GRC schedule are needed.

## II. TURN GENERALLY SUPPORTS THE REFINED STRAW PROPOSAL

As noted, TURN supports the RSP, with the modifications discussed in Section III of these comments. With TURN’s modifications, the RSP would achieve the Commission’s safety-related objectives for this proceeding, as identified in the Order Instituting Rulemaking (“OIR”) and summarized in the Scoping Ruling. Specifically, the Scoping Ruling asks whether the RSP: (1) “develop[s] and incorporates a risk-based decision-making framework that places a priority on safety, reliability, and security concerns, along with the related revenue requirements to achieve those priorities at reasonable rates”; and (2) “provide[s] the CPUC with the right tools for evaluating the safety and reliability issues that are in the rate case proceedings of the energy utilities.”<sup>1</sup> Provided that TURN’s additional modifications are adopted, TURN’s answer to both questions is affirmative.

With respect to the first question, the addition of three initiatives – a regular Safety Model Assessment Proceeding (“S-MAP”), a new Risk Assessment and Mitigation Phase (“RAMP”) in the General Rate Case (“GRC”), and two new annual Accountability Reports that would be audited by Commission Staff -- creates the right framework to achieve the goal of prioritizing safety at reasonable cost to ratepayers. Although safety has always been an important consideration in GRCs and is often presented as a justification for various utility proposals, attention to safety needs has generally taken place on a disjointed, account-by-account basis. The RSP would bring about a more comprehensive and integrated analysis of safety issues that would help to ensure that utilities are focused on the right risks and spending ratepayer money cost-effectively to mitigate those risks.

---

<sup>1</sup> Scoping Ruling, pp. 4-5. These questions are also specified in the Attachment to the Scoping Ruling, item 3.c (1), as questions that should be addressed in opening comments.

In particular, the RAMP (aided by TURN’s proposed modifications in these comments) would require the utilities, for the first time, to present a utility-wide assessment and ranking of safety risks and a coordinated, cost-effective plan for mitigating those risks. In the workshops, there was consensus that not every risk can be mitigated and that utility and ratepayer resources are limited. As a result, the Commission must make informed decisions about which safety risks need to be addressed immediately, which can be addressed over a longer period of time, and which do not need action in the foreseeable future. To enable the Commission to make these difficult judgments with complete information, the proposed RAMP would require the utility to prioritize risk mitigation alternatives based on the concept of the Risk Mitigated to Cost Ratio, a notion introduced in the workshops by Southern California Edison (“SCE”)<sup>2</sup> that compares risk mitigation costs with risk mitigation benefits. The result should be that the Commission and parties have increased confidence that the utilities are targeting the most important safety needs in a cost-effective manner that recognizes the real-world constraints on ratepayers and utilities.

With respect to the second question regarding tools, the S-MAP and the models that will be introduced and vetted in the S-MAP appear to offer a promising path toward offering one or more common yardsticks for prioritizing safety risks and mitigation efforts. We say “appear” because the models that will be presented are still under development, and there may be significant growing pains before the models become the useful and reliable tools that earn the trust of the Commission and the parties. For example, as TURN expressed at the workshops, we are concerned that, with respect to certain risks, quantitative models may give the illusion of numerical and objective certainty regarding matters that involve considerable subjective judgment. In addition, we have concerns about “black box” models, the inner workings of which

---

<sup>2</sup> SCE Case Study, Slides 13 and 14.

are understood by few, particularly if go/no go decisions about large safety programs depend on such model results. Nevertheless, in collaboration with the Office of Ratepayer Advocates (“ORA”), TURN proposed the S-MAP because TURN believes a flexible proceeding modeled on the Long Term Procurement Planning (“LTPP”) dockets offers the best chance for the Commission and parties to work through the challenging issues related to models in a reasonable way.

### **III. THE REFINED STRAW PROPOSAL SHOULD BE MODIFIED IN CERTAIN SIGNIFICANT RESPECTS**

#### **A. The Refined Straw Proposal Should Be Clarified to Require RAMP Submissions to Provide a Comprehensive Prioritization of Safety Risks Without Being Limited to the Top Ten Assets Posing Safety Risks**

The RSP (p. 5) describes the RAMP as a phase prior to the formal GRC in which the utilities would present their prioritization of safety risks and their prioritization of mitigation strategies based on Risk Mitigated to Cost Ratios. TURN fully supports this description of the purpose of the RAMP.

However, the RSP (p. 6) also specifies that the RAMP needs to be focused on asset conditions and that the first RAMP should address the “top ten” assets or asset families that will be the subject of GRC safety enhancement proposals. The RSP is unclear whether this focus on the top ten assets is meant to exclude comparison of those risks to any other safety risks the utilities have identified. If the top ten is intended to be the exclusive focus, then TURN respectfully suggests that the RSP needs modification.

As explained above, the important and novel contribution that RAMPs will make to the GRC process will be to require each utility to engage in a comprehensive prioritization of safety risks across their entire operations and an accompanying prioritization of strategies for mitigating

those risks. In TURN's view, the comprehensive, big picture nature of this assessment is key to the value of the RAMP. Only through comparing and ranking all of the major risks and mitigation strategies will the parties and the Commission gain the ability to make sound recommendations and decisions about how best to use the finite resources of ratepayers and utilities. Such a comprehensive assessment should be made even if models are not sufficiently developed to enable a reliable quantitative comparison of all risks that the utility perceives. In the early RAMPs, such quantitative modeling will likely need to be supplemented by other modes of analysis that utilities use to rank risks and mitigation alternatives.

It may be that most, or even all, of the utilities' major risks will relate to assets or asset families. In this respect, TURN supports identification of the top ten asset risks and associated mitigation strategies as a part of the RAMP submission. However, TURN recommends against confining the RAMP to simply a top ten asset risk discussion, because it may omit other big picture safety risks that also need to be considered.

In addition, to distinguish the RAMP from the formal GRC to follow, TURN recommends that the RSP be clarified to indicate that the RAMP submission should be targeted at a higher level than the highly detailed GRC proposals. In GRCs, this distinction is often expressed as the difference between "programs" and "projects", with a program referring to a group of projects that share a common purpose. Consistent with the big picture purpose of the RAMP, the RAMP should address risk and risk mitigation proposals at the program level.

Accordingly, with respect to these concerns, TURN recommends the following modifications to the RSP:

- Clarify that the identification of the "top ten" asset condition risks is not meant to be the exclusive focus of the RAMP submission, but should

instead be part of a more comprehensive prioritization of all significant safety risks – and associated risk mitigation strategies -- that the utility perceives.

- Clarify that the RAMPs should address risk and risk mitigation alternatives at the higher “program” level, rather than the more detailed “project” level that is typically used for GRCs.

**B. The Revised Straw Proposal Should Be Revised to Invite All Parties to Offer Analysis of the Utility’s RAMP Submission and Not Make the Staff Analysis the Focal Point of the RAMP**

As described in the RSP, the analysis of and response to the RAMP is extremely Staff-centric -- that is, the RSP puts the Commission Staff<sup>3</sup> analysis at the center of the RAMP and relegates other parties to minor roles, at best. The RSP (pp. 6-7) appears to envision that only Staff would prepare a Report in response to the RAMP submission and that other parties would only be able to comment on the Staff Report. In this way, other parties would be limited to reacting to the Staff Report, rather than presenting their own analyses in response to the RAMP submission.

In this respect, the RSP is contrary to the goal of Participatory Inclusivity, described on page 1 of the RSP as the principle that “all interested parties should have a full opportunity to participate in each step of the process.” Participatory Inclusivity is based on the recognition that Staff cannot possibly reflect all relevant interests and concerns and that other parties are likely to have important perspectives, insights, and analysis to share. For instance, while the RSP wisely

---

<sup>3</sup> Although the RSP identifies the Safety and Enforcement Division (“SED”) as the Staff Division that would likely develop the Report in response to the utility RAMP submission, TURN’s comments in this section apply regardless of which Division or Divisions would be responsible for the Report.



specifies that RAMPs should include a prioritization of mitigation alternatives based on cost-effectiveness considerations (via the Risk Mitigated to Cost Ratio), the RSP appears to lose sight of the fact that parties such as ORA and TURN are likely to have considerable expertise and well-informed views on such types of issues. Similarly, as the representatives of many utility employees who observe operational issues from the inside, unions also have an important perspective that Commission Staff cannot replicate. Such points can be made for numerous other parties who regularly participate in GRCs.

Another problem with the Staff-centric RAMP described in the RSP is that it risks improperly transforming Staff Report recommendations into a de facto Commission determination that the utilities are expected to follow. The RSP (p. 5) would require the utilities' formal GRC submissions to attach the Staff Report to their testimony along with an exhibit showing "how the utility addressed the various recommendations in the Staff Report." Similarly, the RSP's GRC schedule chart (p. 9) would require the Staff to issue a "verification" that the utility has addressed the recommendations in its Report.

These provisions imply that the utilities must comply with the Staff's recommendations, which would effectively (and improperly under the law) delegate the five-member Commission's decision-making authority to the Commission Staff. Legal concerns aside, it would be poor policy to automatically deem the Staff's recommendations meritorious. TURN does not anticipate that the Staff's RAMP reviews would be an audit in which the Staff would be assessing compliance with existing Commission requirements. Rather, Staff would be offering its views on issues such as whether the utility is targeting the right safety risks and whether the utility is proposing to do so in a cost-effective way. Hopefully, the Staff's conclusions would be well-informed and the analysis of dedicated public servants would certainly be entitled to

respect. Nevertheless, for reasons discussed above, the Staff review might not fully consider all relevant issues and therefore not be based on all relevant considerations. For instance, if the Staff only considers whether the utility's plan would achieve safety, without considering whether the proposed costs and mitigation efforts are reasonable and cost-effective,<sup>4</sup> it would only be looking at half of the issues that the Commission must address in a GRC.<sup>5</sup>

On the other hand, TURN would welcome a Staff Report as one among potentially several responses to the utility's RAMP submission. TURN is pleased that the RSP (pp. 6-7) provides for transparency of the Staff analysis and an opportunity for interested parties to comment on the Staff's proposed findings. Specifically, TURN welcomes the provisions that would have Staff give an early explanation of the process it intends to follow in its RAMP review and that require Staff to circulate a draft of its Report and field questions regarding its tentative conclusions at a workshop.

Balancing all of these considerations, TURN would suggest the following specific changes to the RSP:

- In addition to the important Staff transparency provisions in the middle (third full paragraph) on page 6, clarify that discovery on the RAMP may begin as soon as it submitted to the Commission and service list. To enhance efficiency of discovery, the utility should set up a website for all parties to be able to see discovery requests from all parties, including Commission staff, and the utility's responses. Also, any meetings between

---

<sup>4</sup> In the pending PG&E 2014 GRC (A.12-11-009), the consultants retained by SED to review PG&E's risk assessment efforts to date acknowledged that their review did not include consideration of the reasonableness of the costs of PG&E's proposed risk mitigation efforts.

<sup>5</sup> See Section V.B below for a discussion of the Commission's legal obligation to ensure that utility proposed expenditures to achieve safety are just and reasonable.

the utility and Staff regarding the RAMP should be publicly noticed and open to other interested parties.

- Retain the workshop 30 days after RAMP submission for the utility to explain its RAMP, but limit this workshop to just the utility. Convene another workshop 30-60 days after the utility workshop for Staff *and any other parties* to discuss the nature of the review or analysis of the RAMP showing they plan to perform. It would be unreasonable to expect Staff (or parties) to be able to outline their intended review when they are still in the early stages of understanding what is presented in the RAMP.
- Within 150 days of RAMP submission (as in the RSP), Staff *and any party* may serve on the utility and all interested parties a draft report. The Staff report should endeavor to address the issues and questions listed on page 6 of the RSP. In the interest of the goal of Participatory Inclusivity, other parties would be free to focus on one or more RAMP-related issues of their choosing and need not present comprehensive reports or recommendations. For example, other parties may wish to raise questions that they believe are insufficiently addressed in the RAMP and that they believe need to be addressed in a more complete fashion in the GRC filing.
- As in the RSP, a workshop should be convened 30 days after the draft reports are distributed, but in addition to Staff, any other party would have the opportunity to present, answer questions and receive comments on,

- their draft reports. As in the RSP, 15 days later, there would be an opportunity for any party to comment on any of the draft reports.
- As in the RSP, 225 days after submission of the RAMP, Staff *and any other interested party* would provide the utility and other interested parties their respective final reports.
  - As in the RSP (p. 5), the final Staff Report would be made part of the record and appropriate Staff would be made available for cross-examination in the GRC. At their election, other parties could also make their reports part of the record of the GRC; if they so elect, their reports would also be subject to cross examination.
  - Contrary to the RSP (p. 5), the utility would not be obligated to respond to the Staff recommendations, but would rather be encouraged to respond to Staff's recommendations, as well as to the issues raised in any other reports by other interested parties.
  - Retain the RSP provision (p. 5) that would require the utility's GRC submission to explain any changes to the proposed programs set forth in the RAMP submittal.
  - In the GRC schedule (p. 9), remove the requirement for Staff to issue a "verification" that the utility has addressed its recommendations, and replace it with an optional submission by the Staff. If the Staff wishes this submission to be part of the record, the submission should be subject to discovery and cross-examination by any interested party.

### **C. Suggested Changes to the Proposed GRC Schedule**

TURN proposes the following changes to the RSP's proposed RAMP/GRC schedule (pp. 8-9).

First, the Commission should retain the current practice of staggering the due dates for ORA and intervenor testimony by three or more weeks. In our experience, allowing TURN the opportunity to review ORA testimony before finalizing ours facilitates placing our recommendations in the context of ORA's proposals and makes for a clearer record. TURN suspects the same true for other intervenors. Therefore, TURN suggests retaining three weeks, but no less than two weeks, between the submission of ORA and other intervenor testimony.

Second, the two-week period for utility rebuttal testimony is unrealistically short. TURN applauds the recognition that utilities need to satisfy their burden of proof in opening testimony and should not use rebuttal to add information that should have been in their initial submissions. But some additional time would be more realistic, given that utilities often have to respond to testimony from a number of parties.

Third, the schedule should allow a minimum of four weeks for evidentiary hearings (rather than the RSP's 2 ½ weeks). Even without the additional safety analysis that will emerge from this docket, GRC evidentiary hearings already last about four weeks. With the new analysis, issues and testimony that this docket will likely produce, it would not be surprising if more than four weeks becomes necessary. This point highlights the importance of the second round of comments that will be submitted this summer in this docket regarding proposals to foster a more efficient GRC process.<sup>6</sup>

---

<sup>6</sup> Scoping Ruling, p. 6.

**D. Staff Reviews of the Utility RAMP Submissions and Audits of the Proposed Risk Mitigation Accountability Reports Should Be Multi-Division Efforts that Combine Considerations of Safety and Cost-Effectiveness**

The RSP (p. 5, fn.5) indicates that SED would be the Division that would have responsibility for preparing Reports regarding the utilities' RAMP submissions. Similarly, the RSP (p. 9) suggests that SED would conduct the audit of the new Risk Mitigation Accountability Report.<sup>7</sup> TURN is concerned that these efforts will require analysis of both safety and cost-effectiveness considerations and that the current SED mission appears not to embrace analysis relating to reasonableness of costs.

As evidenced by the RSP's list of questions (p. 6) that the Staff Report on RAMP submissions should address,<sup>8</sup> the issues raised by the RAMP that could be addressed by Staff include not just whether the highest safety risks are correctly identified, but also whether the utility's risk mitigation plan is reasonable in terms of Risk Mitigated to Cost Ratios and the financial constraints faced by the utility and ratepayers. By the same token, because the new Risk Mitigation Accountability Report relates to costs and benefits of risk mitigation programs, Staff auditors would need expertise in auditing utility costs.

Because these types of analyses appear to be outside the current scope of SED activities and expertise, TURN suggests that these efforts will need to bring in expertise from one or more other Divisions of the Commission, most likely Energy Division, but perhaps also ORA.

---

<sup>7</sup> The RSP (p. 10) wisely emphasizes that the two summary Accountability Reports would "not be accepted at face value" and would be audited by Commission staff.

<sup>8</sup> For example, the fourth bullet at the bottom on page 6 asks whether the proposed mitigations are efficient or whether there are superior alternative programs in terms of risk mitigation per dollar spent.

#### IV. RATE CASE PLAN ISSUES

##### A. Issues Related to the Operations of PG&E's Gas Distribution and Transmission Facilities Should Be Considered in the Same General Rate Case (Question 3.c(3)(a))<sup>9</sup>

TURN recommends that revenue requirements issues for PG&E gas distribution, transmission and storage should be re-integrated into one proceeding. By addressing the safety issues related to gas operations in a single proceeding, the Commission can better achieve effective prioritization of risk mitigation activities within the ratepayers' and utilities' resource limitations. The current separation of gas distribution and GT&S increases the possibility that either decision will reach determinations about priorities and reasonable mitigation programs that might be different if a complete record relating to risks and mitigation for all of PG&E's gas operations were available. Equally important, the current divided structure prevents the Commission from considering in an integrated fashion the impact of its decisions on PG&E residential and small business gas ratepayers. For example, gas distribution rate increases that may seem affordable viewed in isolation may soon become unaffordable when coupled with gas transmission rate increases added a year later.

TURN's understanding is that the current bifurcation of PG&E's Gas Transmission and Storage (GT&S) from its gas distribution operations covered in the triennial GRC was the product of regulatory convenience. Whatever may have been the logic of cobbling gas cost allocation and related issues covered in Biennial Cost Allocation Proceedings (BCAPs) with the review of revenue requirement issues for the GT&S segment of PG&E's gas operations when the original Gas Accord was struck in the late 1990s, it should not drive the treatment going forward

---

<sup>9</sup> Question references are to the questions listed in the Attachment to the Scoping Ruling.

in 2014.<sup>10</sup> The safety- and risk-related issues of PG&E's gas distribution system have a sufficient nexus with the transmission and storage systems that the revenue requirements review should occur in one forum, not two.

One approach for this consolidation would be to bring GT&S revenue requirements issues back into the current Phase 1 GRC that now addresses revenue requirements for all electric (except FERC-regulated interstate transmission) operations and gas distribution. This is the approach currently used for SDG&E and would have the virtue of allowing issues that are common to both electric and gas operations (e.g., administrative and general, customer care, incentive compensation) to be addressed in the context of the full operations to which they apply. Also, this approach would not change the number of PG&E dockets. The potential downside would be that the already large PG&E Phase 1 GRC would become even larger. If, in future rate cases, PG&E continues to seek dramatic increases in spending for gas transmission operations (as PG&E has done in the pending GT&S), effectively addressing all issues in a mega-GRC may be difficult.

An alternative approach would be to create a new PG&E docket that would address revenue requirements for the entirety of PG&E's gas operations, but leave electric revenue requirement issues in the current GRC. An advantage of this approach would be to create a more manageable proceeding in terms of scope of issues. An important disadvantage would be to potentially undermine comparison and prioritization of safety risks between gas and electric operations. To avoid duplication, if the Commission were to follow this approach, it would need to be clear that issues that are common to the combined utility operations would be considered in just the electric GRC.

---

<sup>10</sup> According to PG&E's GT&S application, the original Gas Accord became effective March 1, 1998.



As the foregoing shows, TURN sees advantages and disadvantages to both approaches, and is not recommending one over the other at this time. However, TURN is convinced that revenue requirements issues for gas distribution and GT&S should be addressed in a single proceeding.

**B. The Notice of Intent Procedure Should Be Retained as Long as ORA Finds It Useful for Giving the Utilities An Early Indication of Deficiencies in Their Applications (Question 3.c(3)(b))**

The RSP (p. 8) proposes to abandon the Notice of Intent (“NOI”), reasoning that, if ORA or other parties believe that the utility has not met its burden of proof, they should simply point this out in their responsive testimony. While this logic may seem appealing, it has practical implementation problems. Consider as a theoretical example a utility proposal to spend \$100 million on a new program that the utility insists is critical for safety, but that TURN and ORA believe is insufficiently supported and does not meet the utility’s burden of proof. If TURN or ORA were to follow the RSP’s suggested approach and rest on this argument, they take a great risk. They will not find out whether the Commission is inclined to agree with their position until, at the earliest, the issuance of the proposed decision (“PD”) when the record is closed. If the PD sides with the utility, TURN and ORA will have effectively defaulted on this issue by failing to present any evidence.

Consequently, TURN understands why ORA sees value in retaining the NOI as a means to identify deficiencies in a utility’s GRC showing before the formal submission is made.

If the Commission nevertheless chooses to eliminate the NOI, to address the practical concern discussed above, ORA, TURN and other intervenors should be expected to submit more motions early in the case seeking a ruling requiring the utilities to supplement their testimony in order to meet their burden of proof.

**C. The Rate Case Plan Should Continue to Be Designed So That There Is Only One Major General Rate Case Per Year (Question 3.c(3)(c))**

TURN recommends that the Commission retain the current design of the RCP that schedules only one major GRC per year. It is already extremely challenging for TURN, ORA, and the other intervenors that represent State-wide interests to participate in all the major GRCs, even when they are staggered one per year. Those challenges will only get more difficult as S-MAPs and RAMPs are added to the GRC process. In this new environment, TURN would not be able to effectively participate in more than one GRC per year, and would expect the same to be true of ORA and other intervenors. Because of the importance of developing a robust GRC record, the Commission has a strong interest in ensuring that ORA, TURN and other intervenors can be effective participants in each GRC.

Whether TURN's recommendation produces a three- or four-year GRC cycle depends on the resolution of question 3.c (3)(a) regarding potential merger of PG&E's GT&S and gas distribution GRCs. If GT&S revenue requirements issues are merged into the current Phase 1 GRC and no new GRC dockets are created, then a three-year rate case cycle could be retained. If the Commission decides to create a separate gas only Phase 1 GRC, effectively adding a new major GRC to the GRC roster, then TURN would advocate a four-year GRC cycle.

**D. The Scoping Ruling Wisely Asks Whether There Will There Be Time for All of This (Question 3.c (3)(d))**

Question 3.c (3) poses a thoughtful question: "If the refined straw proposal is adopted, will there be sufficient time in the RCP to separately address the S-MAP . . . and the RAMP . . . of the general rate cases, and the time needed between the two proceedings?" Candidly, the issues raised by this question worry TURN as well. There is no question that S-MAP and RAMP will be new activities that will impose increased burdens on all parties, TURN included. In

addition, as the question suggests, S-MAP or one utility's RAMP may be underway while parties are fully litigating another utility's GRC. While TURN believes that the addition of S-MAP and RAMP could prove to be worth the additional time and effort, the Commission will need to recognize that the new activities will be somewhat of an experiment and will need to be regularly evaluated to determine if they are meeting their objectives. The additional burdens from these new efforts also underscore the importance of the GRC streamlining issues that the Scoping Ruling (p. 6) reserves for the second round of comments this summer.

## **V. OTHER QUESTIONS PRESENTED IN THE SCOPING RULING**

### **A. Overlap with Existing Reporting Requirements (Question 3.c (4)(a))**

TURN agrees with the premise of the question that utilities should not be subject to duplicative reporting requirements. On the other hand, TURN supports the particular Accountability Reports proposed in the RSP (pp. 9-10) and believes any overlapping or duplicative non-statutory reporting requirements could be revised to avoid duplication. With respect to Public Utilities Code Section 958.5, the two proposed Accountability Reports would be useful elements of the larger report required by that provision.

TURN looks forward to the utilities' discussion of this issue in their opening comments and may have additional responsive points in its reply comments.

### **B. The Public Utilities Code and Commission Decisions Require that Expenditures to Foster Safety Must Be Shown to Be Consistent With Just and Reasonable Rates ((Question 3.c (4)(b))**

The guiding statutes for the Commission's decisions in rate cases are Sections 451 and 454. Relevant to this proceeding, in broad summary, Section 451 requires that utilities operate their facilities safely and that they charge just and reasonable rates for their services. Also in

broad summary, Section 454 bars rate changes unless the utility justifies the new rate and the Commission finds that the new rate is justified. These provisions show that any Commission determinations regarding expenditures designed to enhance safety must take into account whether such expenditures would be consistent with just and reasonable rates, a demonstration for which the utility bears the burden of proof. Recently, in SB 705, with respect to gas utilities, the Legislature reinforced the policy that safety considerations are the top priority and that approved safety spending must be consistent with the just and reasonable rate requirement of Section 451:

963(b)(3). It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates. (Emphasis added).

The Commission's 2010 decision on PG&E's "Cornerstone" application shows that, even when priority goals such as safety and reliability are at issue, the Commission's obligations under Sections 451 and 451 still require utilities to demonstrate that the scope and costs of their proposed safety efforts are reasonable.

In its Cornerstone request, PG&E sought authorization for approximately \$2 billion of additional spending to improve the reliability of its electric system. PG&E's request was largely motivated by significant reliability problems the company had experienced, so much so that two commissioners, including President Peevey, had publicly called on PG&E to improve the reliability of its service.<sup>11</sup> In response, PG&E filed its application between rate cases, an

---

<sup>11</sup> D.10-06-048, p. 47, Finding of Fact (FOF) 1.

extraordinary step which the Commission nevertheless allowed in order to “single out” the importance of electric reliability to the welfare of PG&E’s customers and the economy.<sup>12</sup>

Notwithstanding the critical importance of electric reliability, the Commission found that PG&E had failed to demonstrate the need for its broad Cornerstone program and instead approved a program of much reduced scope costing less than \$400 million – only 18% of PG&E’s requested costs.<sup>13</sup> The Commission explained that the importance of electric reliability did not, by itself, justify huge spending increases:

. . . our overarching policy is that PG&E must provide reliable electric service to its customers. However, that alone is insufficient reason for approving Cornerstone. We also have the obligation to ensure that rates are reasonable. Whether characterized as a policy or a basic ratemaking principle, for a capital program or project such as Cornerstone, there must be a compelling demonstration of need. A broad policy such as the desirability of maintaining or improving electric distribution reliability can only be implemented at the program or project level if there is demonstrated need for the particular programs or projects. PG&E has the burden to demonstrate such need for Cornerstone.<sup>14</sup>

In further explaining its decision, the Commission stated that “[w]hile reducing the impacts of outages is a worthwhile goal,” the evidence showed that “a significantly less costly program” could still achieve substantial reliability benefits.<sup>15</sup>

The lesson of the Cornerstone decision for this docket is that assessing costs and rate impacts must be an integral part of the process of deciding how best to achieve our collective safety goals.

---

<sup>12</sup> *Id.*, p. 13.

<sup>13</sup> *Id.*, p. 2.

<sup>14</sup> *Id.*, p. 16 (emphasis added).

<sup>15</sup> *Id.*, p. 17.

**C. Pre S-MAP Workshops (Question 3.c (4)(c))**

TURN supports workshops in advance of the first S-MAP to shape the goals and expectations for the first S-MAP docket.

**D. The Commission Should Strive for Common Risk Assessment Models (Question 3.c (4)(d))**

Common risk assessment models, or at least common elements of such models, would be enormously valuable to the Commission and parties. S-MAP proceedings would be greatly simplified if one unified model, rather than a panoply of disparate models, were presented. Common models would reduce what will otherwise be a great strain on Commission staff and parties to learn the intricacies of new models. And common models would enhance comparability of risk assessments among utilities, which could foster a healthy competition to achieve superior results in mitigating safety risks cost effectively. Finally, common models would promote consistency in Commission decisions with respect to the different utilities.

For all of these reasons, even if it is not realistic to expect utilities to develop a common model for the first S-MAP, the Commission should make common models a key priority to be achieved as soon as reasonably practicable. Any utility that contends that common models are impossible or impracticable should bear a heavy burden of persuasion with respect to such claims.

**E. Role of Commission Staff in Reviewing RAMP Submissions (Question 3.c(4)(e))**

See TURN's discussion in Sections III.B and III.D above.

## VI. CONCLUSION

For the reasons provided above, TURN recommends that the Refined Straw Proposal be adopted, with the changes proposed in these comments.

Date: May 23, 2014

Respectfully submitted,

By: \_\_\_\_\_/s/\_\_\_\_\_  
Thomas J. Long

Thomas J. Long, Legal Director  
**THE UTILITY REFORM NETWORK**  
785 Market Street, Suite 1400  
San Francisco, CA 94103  
Phone: (415) 929-8876 x303  
Fax: (415) 929-1132  
Email: [TLong@turn.org](mailto:TLong@turn.org)