

**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 UTILITY CONSUMERS' ACTION NETWORK (UCAN)
ON THE REFINED STAFF STRAW PROPOSAL**

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INTRODUCTION

In accordance with the Assigned Commissioner's Scoping memo issued on May 15, 2014, the Utility Consumers' Action Network hereby submits our opening comments on the Refined Staff Straw-Proposal (RSP) to this Rulemaking. The California Public Utilities Commission (Commission or CPUC) initiated this Rulemaking to determine whether and how to ensure the effective use of a risk-based decision-making framework to evaluate safety and reliability improvements presented in General Rate Case (GRC) applications, develop necessary performance metrics and evaluation tools, and modify the Rate Case Plan (RCP) documentation requirements for the investor owned energy utilities (IOUs). In UCAN's original and reply comments on the OIR, UCAN discussed some issues that we believe deserved consideration to improve the General Rate Case process. As per the Scoping Memo, UCAN will address those issues in the second round of comments which "promote more efficient and effective management of the overall rate case process."¹

The goal of this OIR is to prioritize safety and reliability issues in GRC applications of energy utilities, clarify the rate case review process, and more efficiently manage the complexity and duration of the GRC proceedings, while ensuring consistency and uniformity among GRC

¹ Scoping memo at pg 6

applications of energy utilities. To advance those goals a three day workshop in this proceeding was held from March 19-21, 2014 where parties to this rulemaking discussed ideas and concepts on how to prioritize safety and improve efficiency in the General Rate Case process. Subsequent to the workshops, the Commission Staff issued the RSP on April 17, 2014.

UCAN believes that the RSP has several good attributes, and would like to commend the staff on its work. The RSP recommends three new procedures: the Safety Model Assessment Proceeding (S-MAP), the Risk Assessment and Mitigation Phase (RAMP), and two annual verification documents to be submitted by each utility. Generally, UCAN supports the RSP, but would note some concerns we have with various aspects presented.

One concern UCAN has is whether the S-MAP and RAMP process envisioned in the Refined Staff Straw Proposal would add an extra layer of complexity for Commission staff to the already very complex General Rate Case process. To that end UCAN agrees, supports and strongly urges the Commission to adopt uniform standards in the utilities modeling and presentation of information in the S-MAP and RAMP filings.

Another concern is how will the Commission use or consider the Staff report for the RAMP proceeding. UCAN agrees with the RSP that if any party's response to the Utilities RAMP showing is sought to be admitted into evidence, those responses would be subject to discovery and cross-examination. While UCAN supports this concept, we are concerned that the staff report envisioned for the RAMP phase would be given too much weight for any safety related project the report identifies as being needed. The concern is that the staff report would be establishing a "need" for any "risk" identified in the report, and therefore that identified need deserves funding to mitigate that risk.

Finally, UCAN fully supports the verification process envisioned in the RSP. The Risk Mitigation Accountability Report would measure the costs and benefits of actual risk mitigation programs, and the Risk Spending Accountability Report would examine and audit a report to be filed by each utility on funding requested and spent on each approved risk mitigation project. UCAN would ask that each utility be required to file such a report using a standardized format common to all utilities for similarly approved risk mitigation projects.

If the RSP is adopted, the Commission's first S-MAP proceeding can examine the utilities verification process filing requirements. Given the limited Commission resources, the utilities should be using a standardized filing for all similarly approved risk mitigation projects.

For those unique risk mitigation programs funded through a GRC that are utility specific, the S-MAP proceeding can develop reporting requirements for those instances as well.

REQUIRING STANDARDIZED FILINGS AVOIDS ADDITIONAL COMPLEXITY

UCAN believes the results of this OIR should help streamline the General Rate Case process by previewing and simplifying the review of the utilities safety proposals by Commission staff and interveners prior to the utilities GRC filing. Therefore, in adopting standards for inspection, a standardized and uniform presentation by the utilities should be required.

Question 4 (b) from the Prehearing Conference Agenda asks if there are any particular code sections that this rulemaking should take into account to resolve this proceeding. UCAN would point to California Public Utilities Code 364 which proscribes to the Commission the duty to adopt standards to provide high quality, safe and reliable service for each electric utility, where the standards are to be performance or prescriptive or both, as appropriate, for each substantial type of distribution equipment or facility.

Public Utilities Code Section 364 reads as follows:

(a) The commission shall adopt inspection, maintenance, repair, and replacement standards for the distribution systems of investor-owned electric utilities no later than March 31, 1997. The standards, which shall be performance or prescriptive standards, or both, as appropriate, for each substantial type of distribution equipment or facility, shall provide for high quality, safe and reliable service.

(b) In setting its standards, the commission shall consider: cost, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The commission shall also adopt standards for operation, reliability, and safety during periods of emergency and disaster. The commission shall require each utility to report annually on its compliance with the standards. That report shall be made available to the public.

(c) The commission shall conduct a review to determine whether the standards prescribed in this section have been met. If the commission finds that the standards have not been met, the commission may order appropriate sanctions, including penalties in the form of rate reductions or monetary fines. The review shall be performed after every major outage. Any money collected pursuant to this subdivision shall be used to offset funding for the California Alternative Rates for Energy Program.

In implementing this code section, the Commission has adopted uniform standards for utilities to report on reliability statistics in several instances:

1. Decision (D.) 96-09-045 assures that all jurisdictional electric utilities provide the CPUC with consistent data regarding their overall service reliability. Data is reported annually.²
2. D.98-07-097 (GO 166) Set 11 standards for electric service reliability and safety.
3. D.00-05-022 (GO 166 Standards 12 and 13) provides a mandated benchmark against which reasonableness of performance during major outages could be measured.
4. D.10-06-047 requires reliability metrics to be reported in the annual Smart Grid Deployment Plan Update.³

UCAN believes that the standards to be set in this OIR should require numbers representing the cost, purpose, and risk mitigation features of each IOU filing for the S-MAP and RAMP, so that interveners and Commission staff could compare similar risk mitigation measures. Similar to the filings required under PU code section 364, a standardized filing here would ease in cross referencing information both between utilities as well as ease in recovering data from each utilities prior filing.

The Safety Model Assessment Proceeding (S-MAP) should be used to streamline the general rate case plan by previewing and simplifying the review of the utilities safety proposals by Commission staff and interveners prior to the utilities GRC filing. UCAN believes that modeling a standardized format and reporting requirement for the S-MAP and RAMP process here; similar to those filings required under PU code 364, is consistent with the procedural principles stated on the first page of the Refined Straw-Proposal:

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.

² <http://www.cpuc.ca.gov/PUC/energy/ElectricSR/Reliability/annualreports/>

³ <http://www.cpuc.ca.gov/PUC/energy/smartgrid.htm>

At present the GRC process is already very complex. Having information presented in a standardized way, for similarly situated projects, will help everyone in their evaluation of each IOU proposal. For those projects that do not lend themselves for standardized comparisons, the first S-MAP proceeding can examine the issue.

STAFF REPORT FOR THE RAMP PHASE & VERIFICATION ISSUES

UCAN is generally supportive of the staff proposal for both the RAMP proceeding and subsequent verification filings. As noted above, however, the primary concern UCAN has is that undue weight will be given to the Staff report where an identified risk by staff is accorded such weight that the Commission assumes that a need to mitigate that risk has been established.

As presently proposed a staff report will be prepared examining the utilities filing and commenting on the substance of each proposal in the RAMP filing. The parties will have the opportunity to comment on the staff report. As noted in the Straw Proposal one thing the report would answer is: “Is the proposed risk mitigation contained in the proposal an efficient allocation for the risks that the utility faces?”⁴

UCAN believes that this process would accord too much weight to any staff report, such that any intervenor who takes a contrary position on a need determination in the staff report would face a higher threshold showing for their evidence.

UCAN recommends a process in which IOUs submit the Risk Assessment and Mitigation Phase (RAMP) documents described in the Refined Straw-Proposal for an initial review by the Commission staff on whether the submission meets the filing standards established in the S-MAP proceeding. No staff evaluation of the utilities substantive proposals should be made in the staff report, as any determination on what safety project needs funding and at what level will be made through the litigation process of the GRC.

The parties would have the opportunity to comment on this limited version of the staff report and then in the GRC the parties will be able to present their testimony without the need to answer a staff finding on the utility filing.

This process would give the parties and the Commission a preview of the safety related aspects of each utility filing and of the issues to be addressed and an opportunity to comment on

⁴ Revised Staff Straw Proposal at pg 6

the limited staff report of the utility proposal prior to litigation commencing on a General Rate Case.

Finally, regarding the verification process, as already mentioned, UCAN supports the verification reporting proposals as necessary, prudent and helpful to the General Rate Case process.

CONCLUSION

UCAN is appreciative of the staff's efforts in the presentations at the workshops and the preparation of this straw proposal. For all the reasons stated here, UCAN asks that the Commission address the concerns UCAN raises in this filing.

Respectfully submitted,

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