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)

REPLY COMMENTS OF SAN DIEGO CONSUMERS' ACTION NETWORK ON 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

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Pursuant to the Joint ALJ/Commissioner May 15, 2014 Revised Scoping Memo and Ruling, San Diego Consumers' Action Network (SDCAN) submits reply comments to the opening comments of TURN, UCAN and the two Sempra IOUs. SDCAN offers the following three summary observations:

1. SDCAN is mostly concerned about the absence of Rate Case Plan modifications in the Refined Straw Proposal's (RSP).
2. SDCAN largely supports the TURN and ORA comments. It shares concerns with TURN about prioritization, S-MAP modeling and rate impacts. In particular, it supports the notion that assessing costs and rate impacts must be integral to any safety evaluation.
3. SDCAN presents detailed responses to the Comments of SDG&E/SoCal Gas that include its resistance to a uniform RAMP and S-MAP process and outcome as well as addressing the Sempra IOUs' concerns that those added processes will cause undue delays in the processing of GRC applications. The General Rate Case (GRC) procedure has historically been hamstrung by utility strategic gaming, as exemplified by IOU expenditures on assets and cost authorized that have no apparent use. GRCs will continue to be complex and ineffective until regulators reduce gaming opportunities. Towards that end, SDCAN reiterates the importance of some streamlining measures. SDCAN presents some specific recommendations that include the return to a

historical rate base process, a move towards investment-based regulation, longer time intervals between rate cases and two new factors by which rates of return should be assessed, among others.

1. *TURN COMMENTS*

TURN properly argues that Commission staff's role in the RAMP process should be extremely limited and that any staff review be the produce of a multi-Division review.[1] SDCAN also concurs that IOU submissions in that RAMP must prioritize safety risks. SDCAN also shares TURN's concerns about the S-MAP process and the models upon which it will be based. [2] Commission should make common models a key priority to be achieved as soon as reasonably practicable.

In addition, it supports and reiterates the standard raised by TURN that assessing costs and rate impacts must be integral to any safety and reliability evaluation.[3]

2. *ORA COMMENTS*

SDCAN concurs with ORA in regards to the need to apply a "clear and convincing evidence" standard in GRCs, reversing a recent 2009 shift by the Commission. [4]

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[1] TURN Opening Comments, p. 6-14
[2] Id. p. 5-6, 22
[3] Id. p. 21

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It also supports ORA's contention that four-year GRC cycles are more appropriate.[5] After having suffered through a slew of overlapping rate cases, it is clear that small intervenors (and even well-resourced groups such as ORA and TURN) cannot adequately process overlapping GRCs. The addition of a safety review compels a more reasonable process.

3. SDG&E COMMENTS

SDG&E and SoCalGas (hereinafter referred to as "Sempra") state that the RSP is not workable because it delays the processing of GRCs.[6] Sempra offers an alternative for consideration. SDCAN was an active participant in each of SDG&E's general rate cases since 1986 and can offer practical, experiential-based reasons why SDG&E's alternative should not be adopted. Sempra complains that its last GRC decision was delayed by more than 16 months and seizes upon that occurrence to argue for an alternate process that is focused on safety outcomes rather than risk.[7]

SDCAN disagrees. First, the delays attendant to the 2010 GRC decision are due in large part to the complexity of the Sempra application and the resulting evidentiary record. It is a poster child for many of the needed streamlining reforms that SDCAN reiterates below.

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[4] ORA Opening Comments, p. 3.
[5] Id., p. 4 See also TURN Opening Comments, p. 18-19
[6] Sempra Opening Comments, p. 2
[7] Id., p. 8

Second, SDG&E argues against a uniform risk management process across the California utilities. Its argument is based upon its characteristic refrain that its operational challenges differ from the state's other IOUs.[8] This argument has been trotted out by Sempra for the last quarter of a century and, in this case, should be disregarded. It should be disregarded because of the arguments made by so many other parties that the RSP "experiment" will only be as good as it is uniform. SDCAN adds that a directed effort by all of the state's major IOUs constructing the internal processes and modeling capabilities will result in the most robust and sound outcome. Contrary to Sempra's assertion, it is essential that all of the IOUs be able to share and compare lessons learned, different information technology systems, cost, scope, and structure of the companies.[9]

SDCAN does agree with Sempra, and others, that the integration of the RAMP and S-MAP processes into the current GRC will add complexity and effort to the GRC process absent some changes to that process. Notably, the RSP failed to recommend any streamlining of the GRC Process. Towards that end, SDCAN reiterates many of the GRC streamlining reforms that SDCAN articulated in its January 15, 2014 Opening Comments and revised in its April 7th Revisions to the RSP. These necessary reforms are summarized below, with perhaps the most important ones being a return to historical test years, require the IOUs to support infrastructure investments with investment plans, allow the use of reopeners, requiring the use of a standard accounting

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[8] Id., p. 4
[9] Id., p. 6

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code of accounts and restricting granularity of sub-accounts. SDCAN strongly urges the Commission to incorporate GRC streamlining measures into any final decision in this docket.

As to those measures, SDCAN has, and continues to recommend, the following:

#1: Return to a historical test year adjusted for a limited number of macro-level known and measurable changes.

Current reliance upon forecast test year methodology is adding unneeded complexity to the GRC process. Future GRC filings should be based upon a historic year adjusted for known and measurable changes with a high burden of proof to change costs from the test year, in which:

- The utility files costs based on a historic year.
- It adjusts for known and measurable changes by normalizing or removing one-time expenses in the test year.
- It can add a limited number of known and measurable post-test year changes (no more than two or three dozen based on my review of rate cases in other states – not thousands, and known and measurable changes rather than requests based on speculative forecasts).

It could receive inflation and unusual increases or decreases such as pensions or rapidly shifting healthcare costs, but it would bear a high burden of proof to change costs from the test year other than for inflation or changing economic and demographic conditions.

#2: Move to Investment-Based Regulation

Adopt an "investment-based" approach to future GRCs similar to the applications submitted by the state's IOUs in A. 11-06-006. In their GRC applications,

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the utilities must present long-term "investment plans" that ensured that utility expenditures did more than just build rate base and increase profits for the utilities, but also paid for themselves through greater efficiencies and improved services for customers. If IOUs to decline to use a "business case" approach to present proposed network upgrades, the Commission should reject such cost recovery models. A capital expenditure tracking mechanism should also be mandatory. In essence, rather than granting IOUs a lump sum of money for all distribution operations combined with a "trust us, we'll spend it well and if we can squeeze out any savings we might share it with customers", the Commission has an opportunity to approach network service operations differently. It can insist that IOUs submit a business-plan type application seeking "investment" in maintaining and/or upgrading the distribution grid, much like IOUs did in A. 11-06-006. The utilities can make a showing of how the investment will pay for itself and ratepayers, effectively, made whole, as if they were partners in the investment.

Each investment plan will, much like their Smart Grid plans, identify specific technologies and explain how it fits in a greater plan to move to an intelligent, integrated network, an adoption plan for utilizing the technology, projected quantification of the return on this investment and a joint-risk sharing plan, similar to that adopted by the Commission in D. 07-04-043. Use of investment plans will give the utilities greater incentives to take the risks in these emerging technologies and will

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accelerate movement to embracement of Smart Grid functionalities than will inflated revenue applications extended from three to six years.

#3: Use of Reopeners Combined with Longer Intervals Between Cases

A rate case deals with a limited future period. The length of that period depends on a number of decisions, e.g. the utility's decision to file rates, a consumer representative's decision to file complaints, and/or a commission's decisions to initiate a rate case. Performance has different time dimensions. Payback periods vary for new meters, for employee education, for a purchase of in renewable energy, and for creating a new staff division relating to technology. These performance time periods often do not bear any connection to rate case time periods. As a result, there are multiple mismatches between the period in which rates are in effect, and the periods necessary to realize the benefits from expenditures. There is a legitimate concern that this time period mismatch creates a risk-reward mismatch. A re-opener is needed to provide IOUs ratepayers with additional benefits associated with operational efficiencies beyond those projected in the utilities' GRC four-year submissions. Where a party, (IOU or intervenor) has secured SRG approval, an application for a reopener will be considered by the Commission.

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#4: Other Modifications to GRC Process.

In future rate cases, the all California IOUs will adhere to FERC accounting standards or another uniform code of accounts, as established by the Commission. In future GRCs, the Commission should establish a minimum adjustment or minimum account threshold, under which adjustments may not be sought. Finally, the Commission should direct ED staff to coordinate amongst incentive mechanisms to ensure that the multiplicity of methods, of obligations, cost recovery mechanisms and other motivators, all intended to boost performance in different ways, is sufficiently inter-related that all involved understand their interactions and effects.

Respectfully submitted, Dated: June 13, 2014

/s/

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