

**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

R.13-11-006

**SOUTHERN CALIFORNIA GENERATION COALITION  
REPLY COMMENT**

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**SOUTHERN CALIFORNIA GENERATION COALITION  
REPLY COMMENT**

In accordance with the May 15, 2014 Ruling of Administrative Law Judge (“ALJ”) Wong, the Southern California Generation Coalition (“SCGC”) respectfully replies to May 23, 2014 opening comments on the Refined Straw Proposal (“RSP”) that was circulated by ALJ Ruling on April 17, 2014, in the captioned proceeding.

Several parties expressed concern about the proposal in the RSP to have the Risk Assessment and Mitigation Phase (“RAMP”) of a utility’s General Rate Case (“GRC”) culminate in a staff report. The parties proposed that, instead, the RAMP should culminate in reports by interested parties as well as the staff. SCGC recommends that the proposals in The Utility Reform Network (“TURN”) and the Office of Regulatory Advocates (“ORA”) opening comments be melded so that there would be two rounds of simultaneous reports by the staff and interested parties with all of the reports being available to aid the utility in preparing its GRC application. The reports by the staff and interested parties should be presented in the form of prepared testimony that would be open to discovery and cross-examination and would be available for inclusion in the evidentiary record in the GRC.

SCGC supports proposals in the RSP as well as the opening comments of various parties to utilize workshops to expedite the RAMP, and SCGC concurs with the parties who expressed concern about the proposal in the RSP to limit the scope of the first RAMPs to the “top ten assets” for which a utility seeks recovery in its GRC.

SCGC opposes a recommendation by two parties to fold the Pacific Gas and Electric Company (“PG&E”) Gas Transmission and Storage (“GT&S”) cases into the PG&E electric and gas distribution GRCs, and SCGC opposes the recommendation by one party, ORA, to move to a four-year GRC cycle.

**I. THE RAMP SHOULD CULMINATE IN TWO ROUNDS OF REPORTS ON A UTILITY’S RAMP PRESENTATION WITH ALL INTERESTED PARTIES AS WELL AS THE STAFF BEING PERMITTED TO PARTICIPATE IN BOTH ROUNDS.**

Several parties express deep concern about the proposal in the RSP for the RAMP to culminate in a staff report, making a staff report the focal point of the RAMP. As proposed in the RSP, the staff would prepare a draft report on a utility’s RAMP report.<sup>1</sup> Parties would have an opportunity to comment on the staff’s draft report.<sup>2</sup> Then the staff would issue a final report that the utility would be required to include in its GRC application.<sup>3</sup> The utility would be required to include an exhibit in its GRC application explaining “how the utility addressed the various recommendations in the Staff report.”<sup>4</sup>

TURN expressed concern that the RSP proposal “risks improperly transforming the staff report recommendations into a *de facto* Commission determination that the utilities are expected to follow.”<sup>5</sup> ORA pointed out that the “staff-centric approach” that was proposed in the RSP

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<sup>1</sup> RSP, p. 6.

<sup>2</sup> RSP, p. 7.

<sup>3</sup> *Ibid.*

<sup>4</sup> RSP, p. 5

<sup>5</sup> TURN Opening Comment, p. 9.

would, at a minimum, create “the potential that any Staff opinion may outweigh those of other participants....”<sup>6</sup> The Coalition of California Utility Employees (“CUE”) and the Utility Consumers Action Network (“UCAN”) agree with TURN and ORA that the RSP gives “too much weight” to the staff report.<sup>7</sup>

SCGC shares the concern about the RSP’s “staff-centric” approach to the RAMP. The RSP clearly contemplates that the “staff” that would prepare the “staff report” would be the Commission’s Safety and Enforcement Division (“SED”)<sup>8</sup> While the SED is the locus of expertise in safety measures and risk mitigation at the Commission, interested parties including, notably, TURN and ORA, have substantial expertise in utility cost containment. Given that the RSP contemplates that a utility’s RAMP presentation would include a utility’s prioritization of risks and contemplates that the prioritization would be based upon “estimated mitigation costs in relation to risk mitigation benefits (“Risk Mitigation to Cost Ratio”),” the views of parties that have cost containment expertise should be considered along with the views of the safety and risk mitigation experts in the SED. The SED report should not be transformed into being a *de facto* Commission determination to the exclusion of expert reports by interested parties.

**A. TURN’S Proposal to Permit All Parties to Serve Draft Reports Followed by Comments and the Service of Final Reports.**

As a solution to the RSP’s elevation of the SED report above views of other parties, TURN proposes that any party, not just the SED, be permitted to serve a “draft report” about a utility’s RAMP presentation on the utility and interested parties.<sup>9</sup> Similarly, the Southern California Edison Company (“SCE”) proposes the simultaneous service of “comments” by the

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<sup>6</sup> ORA Opening Comment, p. 2.

<sup>7</sup> CUE Opening Comment, p. 3; UCAN Opening Comment, pp. 3, 6.

<sup>8</sup> RSP, p. 7, footnote 7.

<sup>9</sup> TURN Opening Comment, p. 11.

staff and all parties on a utility's RAMP presentation.<sup>10</sup> While SCE proposes a single round of simultaneous "comments" by the staff and interested parties, TURN proposes that all parties be given an opportunity to comment on the simultaneously served draft reports and that all parties that serve draft reports be given an opportunity to serve final reports.<sup>11</sup>

**B. ORA'S Proposal for Sequenced Reports with the SED Serving Its Report First.**

ORA proposes, instead, to sequence the SED and interested party reports similar to the sequencing of testimony in a GRC. Typically, in a general rate case, ORA serves a report in the form of direct testimony on the utility's filing. Interested parties then serve their opening testimony after having the benefit of seeing the ORA report. Following that pattern, ORA proposes that the SED serve its report first and that other parties serve their reports two weeks later.<sup>12</sup> Apparently, under the ORA approach, neither the SED nor interested parties would serve a "final report."

Similar to ORA, following the GRC model, SCGC proposed in its opening comment that SED submit a report in the form of direct testimony and that other stakeholders submit their reports in the form of testimony after seeing the SED report.<sup>13</sup>

**C. Melding the TURN and ORA Proposals.**

There are merits to both the TURN and ORA proposals. Parties such as TURN that have substantial expertise and have extensive resources due to the intervenor compensation program should be permitted to file a report simultaneously with the SED filing. Other parties that have more limited resources or that believe that they would benefit from seeing the opening round of reports before submitting their reports should be permitted to follow the GRC model and file

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<sup>10</sup> SCE Opening Comment, p. 9.

<sup>11</sup> TURN Opening Comment, pp. 11-12.

<sup>12</sup> ORA Opening Comment, p. 2.

their reports in a second round. Parties such as TURN that might serve reports in the first round should be permitted to serve reports in the second round to respond to other first round reports. In the interest of expedition, there should be no third round of reports.

The utility should not participate in the two rounds of reports. Instead, the utility should respond to all reports filed in the first and second rounds when it submits its GRC application.

Having two rounds of reports with all parties, not just the SED, being permitted to serve reports in both rounds would mitigate the overweighting that the RSP approach would give to the SED report while simultaneously making available to parties the benefit of the GRC approach in which parties are permitted to serve direct testimony after seeing ORA's testimony.

## **II. THE SED AND INTERESTED PARTY REPORTS SHOULD BE IN THE FORM OF TESTIMONY THAT IS SUBJECT TO DISCOVERY AND CROSS-EXAMINATION AND THAT CAN BE INCLUDED IN THE GRC EVIDENTIARY RECORD.**

The RSP proposed that SED serve draft and final "reports."<sup>14</sup> TURN, likewise, proposes that the parties serve "reports" about a utility's RAMP filing.<sup>15</sup> As SCGC explained in its opening comment, the "reports" by the SED and interested parties should be in the form of direct testimony by identified witnesses with the testimony being subject to discovery and cross-examination.<sup>16</sup> Requiring that the "reports" to be submitted in the form of direct testimony would be consistent with permitting discovery and cross-examination about the contents of the "reports" and would facilitate including the reports in the evidentiary record of the utility's GRC.

## **III. WORKSHOPS SHOULD BE UTILIZED TO EXPEDITE THE RAMP.**

Workshops should be utilized to expedite the RAMP. The RSP proposed that the utility should hold a workshop 30 days after it makes its rate RAMP filing and that the SED should

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<sup>13</sup> SCGC Opening Comment, p. 4.

<sup>14</sup> RSP, pp. 6-7.

<sup>15</sup> TURN Opening Comment, pp. 11-12.

hold a workshop after the SED serves its draft report.<sup>17</sup> TURN went further and proposed that a utility should hold a workshop after it makes its RAMP presentation, that there should be a second workshop for the SED and other parties to discuss the nature of their review of the utility's RAMP presentation,<sup>18</sup> and that the SED and other parties should hold a third workshop after serving their draft reports.<sup>19</sup>

The three days of workshops that were held on March 19-21, 2014, in this proceeding demonstrated that workshops can be an efficient vehicle for clarifying proposals and enhancing mutual understanding of proposals. It is likely that using workshops would expedite RAMPs. No party opposed utilizing workshops in their opening comments. Workshops should be held both after a utility serves its RAMP presentation and after the SED and interested parties serve their opening round of "reports" in the form of testimony.

#### **IV. THE FIRST RAMP SHOULD NOT BE LIMITED TO THE "TOP TEN" ASSETS.**

The RSP proposes that the first RAMP for each utility should be limited to the top ten assets for which the filing utility seeks recovery in its GRC: "For the first RAMP we would like to see the top 10 assets that the utility is seeking recovery for in the GRC and by association feels that these 10 asset or asset families pose the most risk to a safe, resilient and reliable system."<sup>20</sup>

The "top ten" limitation on the scope of the first RAMP should be eliminated. No party that filed opening comments supported the concept. All parties that commented on the concept opposed it. TURN recommended against the "top ten" limitation "because it may omit other big

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<sup>16</sup> SCGC Opening Comment, p. 4.

<sup>17</sup> RSP, pp. 6-7.

<sup>18</sup> TURN Opening Comment, p. 11.

<sup>19</sup> *Ibid.*

<sup>20</sup> RSP, p. 6.



picture safety risks that also need to be considered.”<sup>21</sup> The Mussey Grade Road Alliance (“MGRA”) said that the “top ten” limitation is “arbitrary.”<sup>22</sup>

The Energy Producers and Users Coalition (“EPUC”) found multiple problems with the “top ten” limitation. First, the limitation would “severely limit the effectiveness of the first RAMP.”<sup>23</sup> Second, it is unclear how the top ten assets would be identified, “by dollars, by size of program, by the intensity of the risk, or by some other measure.”<sup>24</sup> Third, the limitation would result in an “incomplete view of the IOU’s risk management program.”<sup>25</sup>

For all of the reasons given in the opening comments, the “top ten” limitation should be eliminated.

**V. PG&E’S GT&S CASES SHOULD NOT BE FOLDED INTO PG&E’S ELECTRIC AND GAS DISTRIBUTION GENERAL RATE CASES.**

PG&E’s GT&S cases are currently conducted separately from PG&E’s electric and gas distribution GRCs. Two parties, TURN and CUE, propose that the GT&S cases be integrated into the PG&E electric and gas distribution cases.<sup>26</sup> TURN argues:

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.<sup>27</sup>

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<sup>21</sup> TURN Opening Comment, p. 7.

<sup>22</sup> MGRA Opening Comment, p. 6.

<sup>23</sup> EPUC Opening Comment, p. 18.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Ibid.*

<sup>26</sup> TURN Opening Comment, pp. 15-17; CUE Opening Comment, p. 7.

<sup>27</sup> TURN Opening Comment, p. 15.

CUE contends: “Both gas and electric safety and reliability should be addressed in the same proceeding.”<sup>28</sup>

By contrast, ORA and PG&E support keeping the GT&S proceedings separate from the PG&E electric and gas distribution general rate cases. ORA argues that gas transmission and gas distribution have “significantly different threats and risks” that justify keeping the cases separate. ORA also argues that “controversial cost allocation and operational issues tend to be efficiently addressed” in the GT&S cases, keeping the issues out of the PG&E electric and gas distribution GRCs.<sup>29</sup> PG&E argues that the GT&S cases should be kept separate from the electric and gas distribution GRCs because the parties to the proceeding are “significantly different:”

The only overlap between the roughly 20 parties in PG&E’s recent GRC with the roughly 30 participating in PG&E’s current GT&S rate case are ORA and TURN. With the issues being different and more than 90 percent of the interested parties being different, PG&E sees no efficiencies from the combination of the two cases.<sup>30</sup>

PG&E’s GT&S cases should be kept separate from PG&E’s electric and gas distribution general rate cases. SCGC participates in PG&E’s GT&S cases, but SCGC has never even entered an appearance in a PG&E electric and gas distribution case. Given the size and complexity of PG&E’s electric and gas distribution cases, SCGC fears that the issues that lead it to participate in the GT&S cases may get inadequate attention if they were to be relegated to a proceeding that has a size and scope of a PG&E electric and gas distribution case. The separation of GT&S proceedings from PG&E’s electric and gas distribution GRCs has worked well and should not be disturbed.

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<sup>28</sup> CUE Opening Comment, p. 7.

<sup>29</sup> ORA Opening Comment, p. 3.

<sup>30</sup> PG&E Opening Comment, p. 10.

**VI. A THREE-YEAR GRC CYCLE SHOULD BE MAINTAINED FOR THE MAJOR UTILITIES.**

The RSP proposes to continue the current three-year GRC cycle “to ensure timeliness in terms of authorized revenue requirement and time relevancy of the risk analysis for RAMP.”<sup>31</sup>

One party, ORA, supports moving to a four-year cycle, arguing that the “increased complexity of the GRCs” that will result from incorporating a safety review “necessitates the need for more time between each utility’s GRC.”<sup>32</sup>

ORA’s proposal to move to a four-year cycle was universally opposed by commenting parties. PG&E argued that moving from a three-year cycle to a four-year cycle “could put the Commission in violation of state law regarding the need to audit the utilities every three years.”<sup>33</sup> SCE argued that an interval longer than three years “would make it difficult for the utilities to reasonably forecast their spending....”<sup>34</sup> SoCalGas and SDG&E also supported maintaining the three-year cycle.<sup>35</sup>

Like the utilities, interested parties including SCGC, CUE, and EPUC supported maintaining a three-year cycle.<sup>36</sup> TURN also supported a three-year cycle, although TURN opined that a four-year cycle might be justified if the Commission created a separate gas-only GRC for PG&E so that PG&E would have separate gas and electric GRCs.<sup>37</sup>

Given that support for continuing the three-year cycle as proposed in the RSP is nearly universal with the sole exception of ORA, the three-year cycle should be maintained.

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<sup>31</sup> RSP, p. 5, footnote 4.

<sup>32</sup> ORA Opening Comment, p. 4.

<sup>33</sup> PG&E Opening Comment, p. 5.

<sup>34</sup> SCE Opening Comment, p. 12.

<sup>35</sup> SoCalGas and STG&E Opening Comment, p. 9.

<sup>36</sup> SCGC Opening Comment, p. 1; CUE Opening Comment, p. 7; EPUC Opening Comment, p. 21.

<sup>37</sup> TURN Opening Comment, p. 18.

## VII. CONCLUSION.

For the reasons discussed above, SCGC recommends that the RAMP should culminate in two rounds of reports on a utility's RAMP presentation with the staff and all interested parties being permitted to participate in both rounds, that the reports should be in the form of testimony that is open to discovery and cross-examination, that workshops should be utilized in the RAMPs, that the first RAMPs should not be limited to the "top ten" assets, that PG&E's GT&S cases should not be folded into PG&E's electric and gas distribution GRCs, and that the three-year cycle should be maintained for the major utility GRCs.

Respectfully submitted,

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