

**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 THE 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 reply comments on the Refined Staff Straw Proposal.

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 energy utilities General Rate Case (GRC) applications. This Rulemaking seeks to develop necessary performance metrics and evaluation tools, and examine proposals to modify the Rate Case Plan (RCP) documentation requirements for the investor owned energy utilities (IOU) s. The Commission's goal is to prioritize safety and reliability issues in GRC applications, clarify the rate case review process, and more efficiently manage the complexity and duration of the GRC proceedings.

In April, following a March workshop that UCAN participated in, the Commission staff

issued the Refined Staff Straw Proposal (RSP) which put forward a suggested framework for evaluating safety issues for energy utilities GRC filings. On May 23, 2014 several parties, including UCAN, offered opening comments on the RSP.

These reply comments seek to address some of the concerns raised by other parties.

### **UNIFORMITY IN RISK ASSESSMENT IN S-MAP MODELING**

In the Pre-Hearing Conference Agenda Section 4(d) the question is asked:

**Is the S-MAP process capable of developing common risk assessment elements that each utility's model should have, or because of the differences between the gas and electric utilities, and among each utility, will there always be different risk assessment models for each utility?**

In UCAN's opening comments we generally agreed with the RSP's proposed process, and we supported the staff's recommendation to add an S-MAP, RAMP and verification process for the electric utilities GRC filings.<sup>1</sup> We also strongly supported and urged the Commission to adopt the RSP's recommendations for uniform standards for utility modeling and presentation of information for the S-MAP proceeding. Other parties in their opening comments also echoed that viewpoint.

EPUC notes: "The adoption of uniform methodologies will best address safety and reliability risks and will streamline the GRC process. Uniformity also encourages administrative efficiency and stakeholder participation."<sup>2</sup>

In their opening comments, however, Southern California Edison (SCE), PG&E and SDG&E disagree that the Commission should adopt uniform risk modeling.

PG&E notes: Thus, while it is important to promote consistency in certain areas (e.g., overarching goals of a risk program, terminology), it would not be advisable to require consistency in operational areas (e.g., risk modeling or specific operational goals) insofar

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<sup>1</sup> UCAN agrees with the opening comments of ExxonMobil and EPUC that Safety and Reliability are of co-importance in this Rulemaking. See generally ExxonMobil opening comments at pg 2-3, and EPUC opening comments at pg 9-11.

<sup>2</sup> EPUC opening comments at pg 2

as all utilities operational needs are unique.<sup>3</sup>

SCE notes: Rigidly uniform or overly prescriptive requirements would impede utilities from improving their risk models as they gain experience with the process and analytics. This would run counter to the Commission's goal of improving risk management in California's utilities<sup>4</sup>

SDG&E notes: The RSP seems to assume a uniform risk management process (assessment, modeling, mitigation, etc.) across the California utilities. This is a heuristic but highly flawed assumption.<sup>5</sup>

UCAN understands that each energy utility has certain unique issues. However, that can be said of most companies in almost every industry. Auto makers, steel makers, airlines, civic organization all have their own unique issues to others in their respective industries. Labor contracts, service territories, customer bases for similar companies in almost every industry will all differ to some extent. Having unique company issues in an industry however, does not mean that there can be no uniformity of standards or, in this Rulemaking, a uniform risk management process using common risk assessment elements for the utilities safety modeling for the S-MAP proceeding. Uniformity will help both the Commission and the parties develop understanding and insight into the issues being presented.

UCAN agrees with EPUC's opening comments which noted:

"The adoption of more uniform decision-making methodologies and models reduces barriers to intervenor participation and further simplifies the RAMP process. The adoption of uniform models will alleviate the current burden on intervenors having to learn different models and methodologies for each of the utilities. This encourages participation since intervenors will not have to dedicate scarce resources in each GRC to challenge the propriety of the model."<sup>6</sup>

In evaluating each IOU's safety related risks and mitigation proposals, having uniformity in the modeling with common risk assessment elements will help ease that evaluation by the Commission and the parties and help make for a more efficient proceeding.

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<sup>3</sup> PG&E opening comments at pg 3

<sup>4</sup> SCE opening comments at pg 5

<sup>5</sup> SDG&E opening comments at pg 6

<sup>6</sup> EPUC opening comments at pg 7

## S-MAP SHOULD BE A RECURRING PROCEEDING

In their comments on the S-MAP, the IOU's take issue with the RSP's proposal that the S-MAP should be a recurring proceeding.

SCE notes: SCE urges the Commission to make it a one-time (non-recurring) proceeding separate from the GRCs. This one-time proceeding would focus on the high-level objectives of adopting a common risk assessment framework and developing a common risk lexicon.<sup>7</sup>

PG&E states: The S-MAP should be restructured as a one-time (not recurring) proceeding separate from GRCs that (i) establishes the CPUC's expectations for risk programs and models and (ii) develops common risk terminology.<sup>8</sup>

SDG&E notes: The Commission should schedule a workshop on risk management model access before it considers adopting a form of S-MAP, much less a recurring one.<sup>9</sup>

In response, UCAN would note that one of the Commission's primary goals in this Rulemaking is to prioritize safety and reliability issues in future GRC applications, and to do that the Commission needs to update its methodology to take into account any changed circumstances from the Commission's last S-MAP. A recurring proceeding is needed because it is likely that assumptions in modeling of risk will improve over time, or that new information comes to light that better informs the Commission regarding what information requires examination. Having a one-time S-MAP proceeding would certainly help the Commission develop current risk assessment methodologies, however, risk is not static and neither is an IOU's preparedness to meet those ever changing risks. As noted by SDG&E "Most of the affected utilities have not had experience with risk assessment on a "global" basis (and even PG&E has only a few years working on its system)."<sup>10</sup> This being the case, a recurring S-MAP proceeding is warranted.

UCAN urges the Commission to have the S-MAP be a continuing proceeding.

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<sup>7</sup> SCE opening comments at pg 4-5

<sup>8</sup> PG&E opening comments at pg 2

<sup>9</sup> SDG&E opening comments at pg 7

<sup>10</sup> SDG&E opening comments at pg 7.

## RISK MITIGATION ACCOUNTABILITY REPORT

In their opening comments all three IOUs take issue with the Risk Mitigation Accountability Report. Presently the RSP proposes that this report should require each IOU to report on each safety related funded proposals in its GRC and note the projections of the benefits and costs of the risk mitigation programs adopted in the GRC with the actual benefits and costs, and explain any discrepancies.<sup>11</sup> Each IOU notes that there would be difficulty in complying with such a requirement.

PG&E notes: “a better alternative would be to describe the work completed under the risk mitigation plan as well as to report on any performance improvements (through operational metrics for example) related to the mitigation plan.”<sup>12</sup>

SCE says: “Utilities should Not be Required to Prepare a Risk Mitigation Accountability Report as Actual Benefits of Risk Mitigation Programs May Be Difficult, If Not Impossible, to Quantify Especially Over a Short-Time Horizon.”<sup>13</sup>

“Finally, many safety-related programs are not suited for cost-benefit analysis and are Usually required by laws or regulations.”<sup>14</sup>

SDG&E notes: “Even if the proposed “mitigation accountability” report might sound appealing, it is not practical. There is no established method to compare proposed risk reduction with “actual” risk reduction. Nor is it clear how “actual risk reduction” could be determined (it is certainly not the amount of money spent).”<sup>15</sup>

UCAN would point out that in the proposed Risk Mitigation Accountability Report is trying to determine if the money authorized to be spent in their GRC for safety mitigation was wisely spent. UCAN believes that requiring this report is a good idea and would propose that the first S-MAP proceeding consider the proper way to evaluate and compare the GRC funded risk mitigation measures, examining the cost to the benefit provided to the ratepayer as compared to other proposals considered but not funded in the GRC.

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<sup>11</sup> RSP at pg 9

<sup>12</sup> PG&E comments at pg 7

<sup>13</sup> SCE opening comments at pg 15

<sup>14</sup> SCE opening comments at pg 17

<sup>15</sup> SDG&E opening comments at pg 5

## **THERE SHOULD BE NO STAFF REPORT OF AN IOUS RAMP FILING EVALUATING THE NEED OR FUNDING FOR RISK MITIGATION MEASURES**

As noted in UCAN's opening comments, we are concerned that undue weight will be given to the staff report for an electric utilities RAMP filing where an identified safety 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?"<sup>16</sup>

Other parties also have voiced concerns with the staff report on the IOUs RAMP filing.

CUE notes: "First, the Refined Straw Proposal's focus on one SED report submitted in the RAMP phase will result in the Commission giving that report too much weight and thus, will preclude parties from effectively advocating differing positions during the GRC phase."<sup>17</sup>

SCE notes: The purpose of the RAMP is to provide parties the opportunity to examine the utility's assessment of its risks and programs for mitigating those risks. Requiring Staff to develop a formal report that includes comments from other parties would do little to further this objective, particularly since all parties have the option of commenting on these issues when the utility's application is filed.<sup>18</sup>

UCAN recommends a process in which IOUs submit their RAMP filing 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.

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<sup>16</sup> Revised Staff Straw Proposal at pg 6

<sup>17</sup> CUE opening comments at pg 2

<sup>18</sup> SCE opening comments at pg 6

UCAN agrees with CUE's proposal also:

"CUE proposes that all interested parties will issue an Opening Report or Testimony on the date originally scheduled for the Staff Draft Report. After the Commission staff hosts a workshop on the draft reports, the parties will then issue comments on other parties' reports. Then parties will submit Final Reports or Testimony, which will be issued into the record. The utility will then file its GRC application, including any changes resulting from the RAMP phase party reports."<sup>19</sup>

### 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 raised in this filing.

Respectfully submitted,

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<sup>19</sup> CUE opening comments at pg 4



