

**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.

FILED  
PUBLIC UTILITIES COMMISSION  
NOVEMBER 14, 2013  
SAN FRANCISCO, CALIFORNIA  
RULEMAKING 13-11-006

**SECOND ROUND REPLY COMMENTS OF  
SAN DIEGO GAS & ELECTRIC COMPANY AND  
SOUTHERN CALIFORNIA GAS COMPANY**

KEITH W. MELVILLE

Attorney for:  
SAN DIEGO GAS & ELECTRIC COMPANY and  
SOUTHERN CALIFORNIA GAS COMPANY  
101 Ash Street, 12th Floor  
San Diego, California 92101  
(619) 699-5039 telephone  
(619) 699-5027 facsimile  
kmelville@semprautilities.com

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Pursuant to the Scoping Memo And Ruling Of The Assigned Commissioner And Administrative Law Judge dated May 15, 2014 (hereafter, “Scoping Ruling”), SDG&E and SoCalGas provide their second round reply comments on proposed revisions to the Rate Case Plan (“RCP”). As required by the Scoping Ruling, this second round of comments shall only address proposals to revise the RCP to “promote more efficient and effective management of the overall rate case process.” SDG&E/SoCalGas believe that some of the second round opening comments filed July 25, 2014 raised issue far broader than “proposals to revise the RCP.” These proposals address issues not within the RCP, and are therefore outside the scope of this round of comments. These include:

- ***TURN’s proposal to restrict the type of forecasting methods that can be utilized in GRCs.***

In response, SDG&E and SoCalGas note that the RCP does not and should not address specific methods of forecasting. Various California Public Utilities Commission (“Commission” or “CPUC”) decisions over many decades have resolved what methodologies are appropriate and TURN’s proposal is essentially a collateral attack on these prior decisions. TURN admits that it is making “policy changes” but the purpose of this phase is to streamline the RCP, which does not include changing policies developed by the Commission through many years of litigation over substantive issues.

- ***TURN’s proposal to adopt a rebuttable presumption that base year O&M recorded costs, escalated for inflation, are generally a reasonable representation of test year O&M expense.***

In response, SDG&E and SoCalGas note that the RCP does not (and never has) set any presumption that recorded costs plus inflation equal test year costs. TURN offers no support for such a presumption and it is incorrect. Utility costs are driven by many factors other than some average inflation rate; these include new compliance requirements, customer growth, mandated programs, and many other drivers. Furthermore, the extensive use of averaging in the Commission’s GRC decisions clearly demonstrates that a presumption of “base year recorded plus inflation” is inappropriate. The RCP should not be modified to include presumptions that are inaccurate.

- ***TURN’s proposal to update the utility’s GRC showing twice should be rejected. If the Commission wishes to adopt a new form of updating the GRC showing, it should be done for all relevant inputs, not just selected data.***

The update phase of the current RCP is late in the proceeding, very limited in scope (typically escalation rates and tax changes), and rarely controversial. In its second round opening comments TURN now argues that there should be two different updates applied to GRC forecasted data, at different points in the schedule. This is the opposite of streamlining, and should be rejected on that basis alone. One predictable outcome of such an approach would be that discovery on forecasts that are to be updated later would have to be undertaken twice or possibly three times. (TURN’s claim that its proposals could “reduce the need for discovery” is wrong.) Furthermore, TURN’s proposal is for selective updates (e.g. customer growth rates, recalculating five year averages, changes in project schedules, and a few other items) and makes little sense. If GRC forecasts are to be updated, they should be updated uniformly, not by using newer data in only some accounts.

- ***UCAN asks the CPUC to “require all the Investor Owned Utilities (IOUs) to provide information from all common aspects of their operations in a standardized way, and provide costing data across utility operations that are common to all each utility.”***

This request might on its surface appear related to the RCP in that the RCP does contain a list of “standard” documentation that must be included in a GRC application. However, the UCAN request goes far beyond a list of what must be included, in that it seeks to force all the IOUs to

do cross-utility cost comparisons in “all common areas”. This is a non-trivial request and would add a huge resource drain and study expense to GRCs at a time when new issue areas (risk assessment, risk mitigation) are already looming on the horizon. Utility operations are NOT standardized across California and it would be very time consuming to try to do inter-utility comparisons for all operations that are allegedly “common”.

- ***CBE’s comments merely rehash their prior risk comments and present no specific RCP improvements; as such they should be rejected.***

Despite direction that this second round of comments shall only address proposals to revise the RCP, CBE rehashes its requests to require utilities to establish an ISS framework that governs all levels of the utilities’ operations and decisions, to impose new duties on the utilities, to examine safety models used in space exploration, and so on. Regardless of their merit or lack thereof, these are not adjustments to the RCP.

***SDG&E/SOCALGAS PROCESS RECOMMENDATION: The Commission should task the parties to this proceeding with developing a consensus proposal for future GRCs, in a workshop or similar forum. However, CPUC guidance on a number of issues is a necessary input for development of a workable schedule.***

The parties who litigate GRCs, and who must hereafter live with the new RCP after it is adopted, should be assigned the task of trying to develop a schedule that is reasonable. We recommend the active parties be provided a forum in which to try to reach such consensus. The Commission should provide guidelines for the new RCP workshop, which should be scheduled after Phase 1 has been decided (i.e., when the parties know what kind of risk proceedings are to be incorporated into GRC proceedings). These guidelines should include 1) firm guidance that the Commission will resolve GRCs prior to the beginning of the Test Year, 2) acknowledgement that the Commission intends to change the RCP to include specific calendar dates for each deadline<sup>1</sup>, 3) intent to streamline the content requirements in the RCP, 4) a goal to eliminate steps where possible in GRCs, and make routine steps shorter and more efficient, and 5) a clear statement that the Commission will enforce deadlines in the RCP and adopted schedule, as well as scoping

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<sup>1</sup> For instance, The RCP currently puts the DRA testimony at “Day +77” after the application; the new RCP should specify “March 22” or whatever date is developed in the consensus proposal. Such an approach would allow for all parties to plan their participation much more accurately.

limitations in each GRC. The guidelines should also inform the parties that the Commission seeks to shorten the RCP discovery window and manage the process. The discovery time frame needs to be more actively managed, with predetermined cutoff dates to provide incentives for all parties to undertake discovery early rather than late. The RCP can set shorter windows for discovery if the Commission states that a Law and Motion Judge will be assigned to each GRC to undertake a coordination and discovery management function. The workshop guidelines should also inform the parties that the Commission's new RCP must set reasonable but shorter time windows for preparation of testimony.

### **Conclusion**

While the RCP can be an important tool, the Commission should reach a decision on the Phase I Risk Framework issues before implementing Phase II changes. The significant changes to the protocol of submitting and managing General Rate Cases being contemplated in Phase I could overshadow, or even collide with the ministerial changes to the RCP considered in Phase II. The major issues considered for Phase II should be resolved only after the Phase I issues are resolved, and at that point a workshop should be scheduled and guidelines issued to the participants so that they can try to reach a consensus RCP schedule. In that process, the RCP should be updated and streamlined. Even more importantly the new RCP needs to be enforced as should the scope of GRCs, and of the adopted schedules in each GRC. Finally, SDG&E and SoCalGas urge the Commission to set a goal that the GRC cycle should not be lengthened if at all possible. If the GRC cycle is extended, the longer cycle should be no more than one month longer. Otherwise the revised ratemaking process will impede safety rather than improve it.

Respectfully submitted,

KEITH W. MELVILLE

/s/ KEITH W. MELVILLE

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SOUTHERN CALIFORNIA GAS COMPANY

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