

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric  
Company (U902M) for Review of its Safety  
Model Assessment Proceeding Pursuant to  
Decision 14-12-025.

And Related Matters

Application 15-05-002  
(Filed May 1, 2015)

Application 15-05-003  
Application 15-05-004  
Application 15-05-005

**OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS ON  
JOINT INTERVENOR WHITE PAPER**

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## **I. INTRODUCTION**

Pursuant to Administrative Law Judge (ALJ) Kersten's February 17, 2016 Email Ruling granting the request for an extension of time to file reply comments, the Office of Ratepayer Advocates (ORA) submits its Reply Comments on the Joint Intervenor Whitepaper<sup>1</sup> (White Paper) and the discussion held in the Safety Model Assessment Proceeding (SMAP) Workshop #5, held January 25, 2016. Lack of discussion herein does not represent agreement or disagreement with any party's comments.

## **II. SUMMARY**

As discussed in ORA's Opening Comments, the methodology proposed in the White Paper prioritizes safety and provides an effective and transparent framework for assessing and mitigating risks. ORA offers the following recommendations to facilitate moving forward with a new risk assessment methodology and addresses each recommendation, in turn, in the Discussion Section below:

- The Commission's and Parties' immediate focus should be on gathering the necessary data to make implementing any methodology effective. Because of the lack of sufficient data, the methodology should not be used in General Rate Cases (GRCs) at this time.
- A Technical Working Group should be established to address questions of data gathering, completeness, and availability, as well as to determine the role of Subject Matter Expert (SME) expertise.
- The Commission should set a clear and concrete timeline for transitioning to the White Paper's quantitative methodology within 5 years (or approximately one SMAP cycle).
- Although judgment and expertise are important, models should be data-driven and should not be evaluated based on intuition.
- A consistent quantitative model should apply uniformly across utilities, with efforts made to reduce any differences or variations.

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<sup>1</sup> A draft of the White Paper and an accompanying presentation were presented by The Energy Producers and Users Coalition (EPUC), Indicated Shippers (IS), and The Utility Reform Network (TURN) (together "the Intervenor") at the January 25, 2016 SMAP Workshop #5. The White Paper was subsequently finalized on January 28, 2016 and entered into the record of this proceeding by an ALJ Ruling of January 29, 2016. That ALJ Ruling included the White Paper as Attachment 1.

### III. DISCUSSION

#### A. More Data is Needed Before Any Methodology is Fully Implemented in a General Rate Case

As stated in ORA's Opening Comments, accurate, reliable, and complete data is needed for any SMAP methodology or framework to be effective. Multiple parties' comments generally echoed this point,<sup>2</sup> and no parties filed comments suggesting that current data was sufficient to fully implement a methodology at this time.

In order to effectively and efficiently gather the data needed to implement any methodology, a Technical Working Group should be formed to address the data-related questions raised in ORA's Opening Comments.<sup>3</sup>

Multiple parties, most notably the Coalition of Utility Employees (CUE) expressed concerns<sup>4</sup> about relying on SME expertise when insufficient data is available. ORA shares this concern and emphasizes that SME expertise should only be used when data gathering is impossible or impractical, or as a transition measure. The Technical Working Group should therefore focus on this issue and seek to limit the use of SME expertise only to situations where there are no other options, or as an interim measure while necessary data is collected.

Because data is so critical to any methodology, and because sufficient data is currently lacking, it would be premature to fully implement any SMAP framework for use in the GRCs at this time. Instead, the methodology should continue to be developed, and necessary data should continue to be collected. The upcoming Risk Assessment Mitigation Phase (RAMP) filing<sup>5</sup> required by Decision (D.) 14-12-025 and intended to provide a risk-assessment phase before the GRCs, should be used as a "dry run" to inform future filings and proceedings.

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<sup>2</sup> See CUE Opening Comments, p. 3; Combined Utility Opening Comments, p. 4; MGRA Opening Comments, pp. 5, 11; ORA Opening Comments, p. 4; and Joint Intervenor Opening Comments, p. 5.

<sup>3</sup> See ORA Opening Comments, pp. 5-6.

<sup>4</sup> CUE Opening Comments, pp. 3-6.

<sup>5</sup> SDG&E and SoCalGas will be the first utilities to file RAMPs, currently anticipated in November 2016. See "Final Staff Workshop #3 Report on Staff Evaluation of Utility Risk Assessment Models and Risk Assessment Methodology Phase (RAMP) A.15-05-002, et al.", p. 8.

**B. The Commission Should Set a Goal of Implementing the White Paper’s Proposed Methodology and Establish a Timeline to Do So**

ORA does not oppose the continued use of the IOUs’ existing risk frameworks until another framework can be established.<sup>6</sup> However, the utilities’ vague “long term goal” of “potentially... driving to more standardized risk models” in the next 5-10 years lacks detail or commitment. ORA acknowledges that a transition will require further planning and may include modifications along the way; however, this is not a reason to avoid clearly stating the intention to move to a more quantitatively-based methodology. The Commission should clearly state the goal of transitioning to the White Paper’s proposed methodology within approximately 5 years (the end of the following SMAP cycle).<sup>7</sup>

The Commission should establish a clear timeline to perform such a transition, including providing appropriate and clear guidance to the utilities, parties, and decision-makers by setting out objectives and milestones. ORA does not oppose the utilities’ proposal for an “SMAP Phase II.” However, a potential second phase of the SMAP proceeding should focus on establishing more concrete timelines than described in the utilities’ comments,<sup>8</sup> should address roadblocks to implementation of the White Paper methodology, and should identify how policy or other subjective issues will be resolved.<sup>9</sup>

If the Commission were to decide to implement the intervenor methodology along with the As Low As Reasonably Possible (ALARP) methodology (as discussed by the Joint Intervenors<sup>10</sup> and MGRA<sup>11</sup>), the timeline and questions posed to the Technical Working Group may require adjustment.

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<sup>6</sup> Combined Utility Opening Comments, pp. 3-4, bullet point (a).

<sup>7</sup> See ORA Opening Comments, p. 5.

<sup>8</sup> Combined Utility Opening Comments, pp 3-4.

<sup>9</sup> See ORA Opening Comments, Section III.D.

<sup>10</sup> Joint Intervenors’ Opening Comments, pp. 2, 7-8.

<sup>11</sup> MGRA Opening Comments, pp. 4-5.

### C. Models Should Be Data-Driven

Any methodology should be data-driven and based primarily on facts, recorded data, and measurable metrics. The use of a primarily data-driven methodology does not mean that expert judgment should be eliminated or ignored. An ideal methodology would pair data with subject matter expertise to complement each other where appropriate. However, judgment cannot replace data when prioritizing and mitigating risk on a systematic basis. In support of the effectiveness of their current risk frameworks, the utilities' comments describe their models as "intuitively correct"<sup>12</sup> in categorizing "catastrophic pipeline failure, wildfire, catastrophic substation failure, etc." as top safety risks and that "the existing models produce a reasonable list of top safety risks that 'pass the sniff test'."<sup>13</sup> ORA agrees that this list may include many of the top safety risks and that comparing these risks to (for example) financial or minor injury risks would indeed "pass the sniff test." However, the importance of a risk framework is that it provides risk measurement and mitigation comparisons across the entire spectrum of risks. The risk of a catastrophic pipeline failure may deserve more attention than a trip and fall accident,<sup>14</sup> but most comparisons are not so simple. An appropriate risk framework must consider "mid-range" risks as well, for example the relative importance of preventing one death versus a certain number of major injuries, or a certain number of minor injuries versus another number of major injuries.<sup>15</sup> Such weightings cannot be determined by intuition or common sense. They require data and quantification. Similarly, the task of measuring and mitigating "fat-tail risks"<sup>16</sup> (wildfires, earthquakes, etc.) is extremely difficult for any methodology but would be even more difficult (and contentious) if done solely on intuition and judgment.

ORA acknowledges that the utilities are not advocating a framework based solely on judgment; however, validating a framework by whether it seems "intuitively correct" is insufficient. Any models or methodologies should be soundly data-based and data-driven.

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<sup>12</sup> Combined Utility Opening Comments, p. 17.

<sup>13</sup> Combined Utility Opening Comments, p. 17.

<sup>14</sup> Although of lower probability.

<sup>15</sup> ORA notes that PG&E in materials supporting Application 13-12-012, or provided through discovery, does have some metrics based on a P50 (average) event, rather than the more extreme and less probable P95 (extreme but plausible) events.

<sup>16</sup> See MGRA Opening Comments, pp. 5-7.

**D. Any Methodology Should Be Uniform Across Utilities**

As noted in ORA’s Opening Comments,<sup>17</sup> any chosen methodology should be applied uniformly across utilities. While 100% uniformity is potentially unachievable, the adopted timeline should incorporate the goal of as much uniformity as possible (see Section III.B above). ORA looks forward to working with all parties to remove obstacles to a common methodology.

**IV. CONCLUSION**

ORA appreciates the opportunity to provide Reply Comments on the Joint Intervenor’s White Paper and the SMAP Workshop and looks forward to continuing to participate in the SMAP proceeding.

Respectfully submitted

/s/ TRACI BONE

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<sup>17</sup> ORA Opening Comments, pp. 6-7.