



FILED

3-22-16

CEK/ek4 3/22/2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

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

And Related Matters.

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

ADMINISTRATIVE LAW JUDGE'S RULING ENTERING STAFF EVALUATION REPORT ON RISK EVALUATION MODELS AND RISK-BASED DECISION FRAMEWORKS INTO THE RECORD AND SEEKING COMMENTS

Background

According to the September 9, 2015, Scoping Memo in consolidated proceedings A.15-05-002, et al., referred to as the first "Safety Model Assessment Proceeding" (S-MAP)¹, the Assigned Commissioner directed the Commission's Safety and Enforcement Division (SED) to prepare an independent evaluation report (Staff Evaluation or Report) on the risk assessment models and risk management approaches as presented in the applications filed on May 15, 2015, by Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), and the two Sempra Utilities companies, Southern California Gas Company (SoCalGas), and San Diego Gas & Electric Company (SDG&E).

¹ See original utility applications filed May 1, 2015: A.15-05-002 "Application of San Diego Gas & Electric Company for Review of its Safety Model Assessment Proceeding Pursuant to Decision 14-12-025"; A.15-05-003 "In the Matter of the Application of Pacific Gas and Electric Company for Review of its Safety Models and Approaches"; A.15-05-004 "Application of Southern California Gas Company for Review of its Safety Model Assessment Proceeding Pursuant to Decision 14-12-025"; and A.15-05-005 "Application of Southern California Edison Company, a California Corporation, to Open a 2015 Safety Model Assessment Proceeding."

According to the Scoping Memo, this Staff Evaluation Report was to be completed by January 2016:

Following the conclusion of four workshops between August and December 2015, SED will publish a Staff Report that will evaluate whether a particular risk assessment and risk management approach or model that a utility is using, or a variant of an alternative model, can be used as a basis for each energy utility's Risk Assessment Mitigation Phase (RAMP) filing in its respective General Rate Case (GRC).²

In addition, the Scoping Memo also directed SED to coordinate activities of a "Lexicon Working Group," comprised of utility representatives, parties, and stakeholders formed to establish a list of terms that will foster the development of a risk-based decision making framework. Parties concur that having a common understanding of terms will be useful in accomplishing S-MAP and RAMP objectives.³

As stated in the Scoping Memo and reiterated in this Ruling, "respondents and parties will have an opportunity to comment on the report and a proposed decision (PD) will be issued that incorporates the results of the four workshops, and SED report consistent with scoping memo objectives."⁴

Following the issuance of the Scoping Memo, it should also be noted that any proposed "interim" PD (originally anticipated May 2016) will also incorporate the results of parties' formal comments filed and served in this

² Scoping Memo at 10.

³ Scoping Memo at 11.

⁴ Scoping Memo at 10-11.

proceeding, which have already been entered into the record for this proceeding, including, but not limited to:⁵

1. Pre- and Post-Prehearing Conference (PHC) statements dated July 20, 2015 and August 10, 2015;
2. "Safety and Enforcement Division Staff White Paper on as Low as Reasonably Practicable (ALARP) Risk-informed Decision Framework Applied to Public Utility Safety," dated December 24, 2015;
3. "Combined Utilities (San Diego Gas & Electric Company, Southern California Gas Company, Southern California Edison Company, Pacific Gas and Electric Company) S-MAP Uniformity Report Prepared for Discussion at December 4, 2015 S-MAP Workshop," dated December 1, 2015;⁶ and
4. "Intervenor Perspective Regarding an Improved Methodology to Promote Safety and Reliability of Electric and Natural Gas Service in California," prepared for the [fifth] S-MAP Workshop January 25, 2016, by Charles D. Feinstein, Ph.D. and Jonathan A. Lesser Ph.D. on behalf of The Utility Reform Network/Indicated Shippers/Energy Producers and Users Coalition," revised January 28, 2016.⁷

Items 3 and 4 above were not included as deliverables in the original scoping memo. So fulfilment of these and related activities (e.g., formal

⁵ Development of preliminary performance metrics for Phase 1 of this proceeding is still pending and subject to formal review by parties. Scoping Memo at 7.

⁶ Formal comments also included parties' responses to Scoping Memo Question 13 pertaining to "what constitutes an interim and long-term plan to migrate from relative risk scoring for prioritizing tasks to a more quantitative method for optimized risk mitigation?" Scoping Memo at 7.

⁷ Not all of the content in formally filed comments on the Docket Card is necessarily reflected in the subject Staff Evaluation Report.

comments and a fifth workshop) contributed to some unanticipated delays in the proceeding.

Purpose and Objectives of S-MAP

According to Decision (D.) 14-12-025,⁸ the twin purposes of S-MAP are to: 1) allow parties to understand the models the utilities propose to use to prioritize programs/projects intended to mitigate risks; and 2) allow the Commission to establish standards and requirements for those models.

Based on the directives in D.14-12-025, the S-MAP is expected to accomplish several objectives:⁹

- Undertake a comprehensive analysis of each utility's risk-based decision making approach;
- Compare the different approaches that each energy utility may use;
- Detect whether there are common elements among the approaches and models that they use; and
- Assess whether elements of one utility can be adapted for use by the other utilities.

Comments on Staff Evaluation Report

The Staff Evaluation Report is attached to this Ruling as Attachment 1. Keeping Scoping Memo purposes and objectives in mind, overall comments in response to the Staff Evaluation, of not more than 30 pages, may be filed and served no later than Monday, April 11, 2016. Replies in response to comments, of not more than 15 pages, may be filed and served no later than Monday, April 25, 2016. In your comments, you may refer to previously filed and served formal

⁸ See "Decision Incorporating a Risk-Based Decision-Making Framework into the Rate Case Plan and Modifying Appendix A of Decision 07-07-004," issued December 9, 2014.

⁹ D.14-12-025 at 27.

comments, but do not necessarily need to repeat them in complete detail.

However, if you have altered any previous positions based on new information and/or insights gained from the Staff Evaluation, please be sure to highlight them as altered positions.

In your response, please cover the following (and provide relevant cites and sources of authority as appropriate.)

- 1) Does SED Staff's Evaluation provide an accurate and complete characterization of Application 15-02-002, et al. utility applications and relevant background rate case experience? Please explain.
- 2) Do you agree with SED Staff's overall 16 Findings and 11 Recommendations? Why or why not?
- 3) Specific to the RAMP Guidance section of the Staff Evaluation, are the proposed structure and components of the RAMP adequate for an initial filing in November 2016? Is there additional guidance or other requirements that the Commission should consider adopting?
- 4) Following up activities of the Risk Lexicon Working Group activities, do you agree with SED Staff's proposed Risk Lexicon? Why or Why not?
- 5) If not addressed in 1) above, what *more* can be specifically done in this *first* expedited S-MAP (Phase 1) to enable the Commission to establish standards and requirement on existing models and/or adopt current elements of one utility for use by another utility? Should the Commission impose greater conformity among the utilities' risk scoring

models and risk-based decision frameworks? If so, when (e.g., first or second phase of First S-MAP; or Second S-MAP) and how should the Commission consider these potential changes?

IT IS RULED that:

1. The California Public Utilities' Commission's "Safety and Enforcement Division Evaluation Report on Risk Evaluation Models and Risk-based Decision Frameworks in A.15-05-002, et al.," dated March 21, 2016, is accepted into the record for this proceeding as Attachment 1.

2. Initial comments of not more than 30 pages in response to this ruling may be filed and served no later than April 11, 2016.

3. Reply comments of not more than 15 comments in response to comments may be filed and served no later than April 25, 2016.

4. Due to delayed and/or additionally required deliverables/workshops in order to achieve proceeding objectives, I modify the schedule for Phase 1 of Application 15-05-002. I anticipate issuing the proposed decision targeted to be considered by the Commission in June or July 2016.

Dated March 22, 2016, at San Francisco, California.

/s/ COLETTE E. KERSTEN

Colette E. Kersten
Administrative Law Judge