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7-11-16  
04:59 PM

**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)
In the Matter of the Application of Pacific Gas and Electric Company (U39E) for Review of its Safety Models and Approaches.	Application 15-05-003 (Filed May 1, 2015)
Application of Southern California Gas Company (U904G) for Review of its Safety Model Assessment Proceeding Pursuant to Decision 14-12-025.	Application 15-05-004 (Filed May 1, 2015)
Application of Southern California Edison Company (U338E), a California Corporation, to Open a 2015 Safety Model Assessment Proceeding.	Application 15-05-005 (Filed May 1, 2015)

**PACIFIC GAS AND ELECTRIC COMPANY'S REPLY COMMENTS ON THE PROPOSED DECISION ADOPTING THE MULTI-ATTRIBUTE APPROACH (OR UTILITY EQUIVALENT FEATURES) AND DIRECTING UTILITIES TO TAKE STEPS TOWARD A MORE UNIFORM RISK MANAGEMENT FRAMEWORK**

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July 11, 2016

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Pacific Gas and Electric Company (PG&E) replies to opening comments filed by the parties on July 5, 2016 on Assigned Commissioner Picker's Proposed Decision (PD) of June 14, 2016.

**I. INTRODUCTION**

The opening comments from other parties -- including the Joint Intervenors -- validate the need for a thorough vetting of the Joint Intervenors' methodology. PG&E opposes the Office of Ratepayer Advocates' (ORA's) position that risks evaluated in the next Risk Assessment and Mitigation Phase (RAMP) should be evaluated at the level of 3 or higher. PG&E agrees that its next RAMP should cover its gas transmission and storage operations.

## II. DISCUSSION

### A. The Comments of the Parties Confirm the Necessity of Vetting the Joint Intervenor's Methodology.

PG&E's opening comments explained the need for a thorough vetting of the Joint Intervenor's methodology.<sup>1/</sup> That need has been validated through the comments of other parties, especially those of the Joint Intervenor's.

The Joint Intervenor's characterize their concerns as "minor,"<sup>2/</sup> yet, the basic problem manifest by their comments is not that simple. The differences in understanding between the Joint Intervenor's, the PD and other parties demonstrate that the Joint Intervenor's methodology is both confusing and not well understood. In the balance of this section, PG&E identifies a number of problems with the Joint Intervenor's approach that have been raised in the comments.

1. On page 2 of the Joint Intervenor's comments, they raise a concern about different names that are used in the PD in describing their methodology. They go on to criticize the PD for using the names interchangeably when, in fact, they describe different types of risk methodologies. However, Joint Intervenor's presentation in the workshop only addressed simplistic examples of individual asset failures, so the PD cannot be faulted for not recognizing or understanding the differences. The only way to rectify this confusion is by more thoroughly analyzing the Joint Intervenor's model in the context of how it could or should evolve for future use.

2. Next, on page 4, the Joint Intervenor's complain that their methodology "should not be characterized as a stepping stone to another model," and assert that their methodology should be adopted now for future use. However, the PD correctly recognized that there needs to be further investigation before a decision can be made about use of future models. This point is

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<sup>1/</sup> PG&E's Comments, p. 7, Section 2.

<sup>2/</sup> Indicated Shippers and the Energy Producers and Users Coalition, p.1.

clearly made in Conclusion of Law 41. The only way to determine if the Joint Intervenors' model could or should qualify for this use is by further comprehensive examination.

3. Mussey Grade Road Alliance (MGRA) in its opening comments states on page 2, "Upon final review, MGRA has realized that there is a fundamental issue with binding the Consequence of Failure (CoF) scale with a range of 0 to 100 (as proposed by the Joint Intervenors), and that doing so may compromise the Commission's intent (and that of Joint Intervenors and UCAN) to create a risk score that is a production of Lof and CoF." MGRA then goes on to state on page 3: "The Commission's goal (as we would understand and agree to it) is to have the utilities move towards developing *absolute* risk scores that can be tied to real values that can be used for optimizing risk reduction techniques. And it is when moving towards this step that establishing a maximum CoF scale will be a hindrance." (Emphasis in original.) PG&E agrees that MGRA has raised a legitimate issue that should be addressed in the context of a thorough vetting of the Joint Intervenors' methodology.

4. On page 5, the Joint Intervenors state: "The PD erroneously concludes that the Joint Intervenor Approach provides a 'quasi-absolute' risk score." The Joint Intervenors then speculate about why the PD's "mischaracterization" appears to be incorrect. As Sempra utilities have shown in their opening comments, there has been no showing that the Joint Intervenor approach can produce an accurate "absolute" risk score.<sup>3/</sup> While the terms "relative" and "absolute" have never been clearly defined in the proceeding, in determining "absolute" risk reduction, it would seem that the objective is to reduce a unit of risk (e.g., customer outages) as opposed to a unitless score. Additionally, the deterministic nature of a unitless risk reduction score associated with a single consequence value in the proposed methodology does not allow

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<sup>3/</sup> Comments of San Diego Gas & Electric Company and Southern California Gas Company on PD Applicatio 15-05-002 and 003, p. 5.

for the uncertainties surrounding events and the impacts. This subject needs to be addressed more fully.

5. On page 6, the Joint Intervenors assert that "(T)he PD should be modified to reflect that the Joint Intervenor Approach takes interactive threats into account." This subject was not addressed during the proceeding and there is no basis for this claim. The ability to evaluate and demonstrate the impact on risks across diverse controls and mitigations was never illustrated in the Joint Intervenor Methodology. Indeed, the only demonstration of the relationships and interaction of risks (threats) was through Dr. Savage's demonstrations during prior workshops. PG&E is developing this capability to address threat interactions, as well as to address the uncertainties surrounding risk management.

**B. ORA Recommendation to Have Sempra Evaluate Level 3 Risks in the Next RAMP Should be Rejected.**

In their comments, ORA contends that the risk level for risks to be included in Sempra's RAMP showing should be at 3 or higher, rather than 4 or higher.<sup>4/</sup> PG&E opposes this request. In making this request, ORA proposes to revise the threshold recommended by the Safety and Enforcement Division (SED). PG&E believes that this threshold should be set in a collaborative manner between the SED and the utility, taking into account the utility's scoring system and the number of risks that would be thereby covered in the RAMP. The number should not create an unmanageable number of risks to analyze in the RAMP. This is the process being followed by SED for Sempra's upcoming RAMP. ORA's recommendation would disturb this process.

**C. PG&E Agrees that its Next RAMP Should Cover its Gas Transmission and Storage Operations.**

In their comments, the Joint Intervenors request the Commission to clarify that PG&E's

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<sup>4/</sup> ORA's Comments, p. 1.

next RAMP should address all of its CPUC-regulated systems.<sup>5/</sup> PG&E agrees. PG&E also agrees that the timing of such a RAMP should be tied to the filing of PG&E's General Rate Cases, not its Gas Transmission and Storage Rate Cases. There is, however, a typographical error in the Joint Intervenors' proposed Conclusion of Law on this point. The deadline for RAMP submittals is "November 30 of the year prior to the GRC filing date"<sup>6/</sup> not September 1, 2017 as the Joint Intervenors recommend. Therefore, the Joint Intervenors' proposed Conclusion of Law should be revised as follows: "The scope of the ~~September 1, 2017~~ RAMP filing by Pacific Gas & Electric Company shall include the gas transmission and storage system."

### III. CONCLUSION

As reinforced by the opening comments of other parties, there is substantial confusion and uncertainty about the Joint Intervenors' proposed methodology. It would be counter-productive to proceed with any sort of "test run" before it is thoroughly vetted. Regarding ORA's contention that the level of risks to be included in Sempra's RAMP showing should be at a level of 3 or higher, PG&E believes that this threshold should be set through a collaborative process between the utility and the SED. PG&E agrees that its next RAMP should cover gas transmission and storage operations, that the timing of the RAMP should be tied to PG&E's GRC, and that the date for filing the RAMP should be on November 30 of the year prior to its GRC filing.

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<sup>5/</sup> The Energy Producers and Users Coalition, Indicated Shippers and The Utility Reform Network, p. 8.

<sup>6/</sup> D.14-12-025, mimeo, p. 41.

Respectfully submitted,

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July 11, 2016