

**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.

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

And Related Matters.

A.15-05-003  
A.15-05-004  
A.15-05-005

**REPLY COMMENTS OF THE ENERGY PRODUCERS AND USERS  
COALITION, THE INDICATED SHIPPERS AND THE UTILITY REFORM  
NETWORK ON PROPOSED DECISION OF COMMISSIONER PICKER**

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THE INDICATED SHIPPERS AND THE UTILITY REFORM NETWORK ON  
PROPOSED DECISION OF COMMISSIONER PICKER**

Pursuant to Commission Rule of Practice and Procedure 14.3, the Energy Producers and Users Coalition, the Indicated Shippers and The Utility Reform Network (Joint Intervenors) submit these reply comments on the Proposed Decision of Commissioner Picker (PD) in this proceeding.

**I. INTRODUCTION AND SUMMARY**

The Joint Intervenors strongly support the PD's adoption of the Joint Intervenor Approach, subject to clarifications proposed in their Opening Comments. The Office of Ratepayer Advocates (ORA) and Utility Consumers' Action Network (UCAN) also generally support the PD. Mussey Road Grade Alliance (MGRA), while continuing to express concerns about treatment of high consequence events, also appears to generally support the PD. Joint Intervenors appreciate Southern California Edison's (SCE) general support for the Joint Intervenor Approach and SCE's willingness to work with Joint Intervenors and other parties to address minor differences.

These views stand in stark contrast to the views expressed by the Sempra Utilities (Sempra) and Pacific Gas and Electric Company (PG&E), who roundly criticize both the PD and the Joint Intervenor Approach, rehashing criticisms they have made previously and which Joint Intervenors have responded to previously in detail.<sup>1</sup> Cast in the most favorable light, their criticisms arise from a misunderstanding of the Joint Intervenor Approach. Viewed in a less favorable light, their criticisms – particularly PG&E's proposal to punt the Joint Intervenor Approach to the next S-MAP – reflect inertia and resistance to progress.<sup>2</sup>

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<sup>1</sup> Reply Comments of the Energy Producers and Users Coalition, the Indicated Shippers, and the Utility Reform Network on the Intervenor Whitepaper, February 26, 2016 ("Joint Intervenor Reply Comments").

<sup>2</sup> Space limitations prevent Joint Intervenors from detailing the numerous mischaracterizations of the Joint Intervenor Approach in the comments and proposed changes to FOFs and COLs presented by the Sempra Utilities, PG&E and, to a lesser extent, SCE.

The Commission should adopt the PD with the minor clarifications identified in the Joint Intervenor's Opening Comments. The PD is a reasonable and measured step toward more mature risk assessment models.

## **II. REPLY COMMENTS**

### **A. Further Clarification of the Joint Intervenor Approach.**

In Opening Comments, Joint Intervenor's identified ambiguity in the PD's characterization of the nature and long-term role of the Joint Intervenor Approach.<sup>3</sup> As Joint Intervenor's understand it, the PD contemplates near-term changes based on key features of the Joint Intervenor Approach, including the use of Multi-Attribute Utility Theory, probabilistic modeling, and mitigation ranking based on quantified risk-spend efficiency. The Joint Intervenor Approach also allows evolution toward comprehensive optimization techniques and greater reliance on observed data.

Nevertheless, the PD's ambiguity gives rise to some of the criticisms raised by Sempra and PG&E. For example, Sempra criticizes the Joint Intervenor Approach on grounds that it does not "allow optimization."<sup>4</sup> This is a misplaced criticism. As Joint Intervenor's have explained, the Joint Intervenor Approach, by itself, is not an optimization method, but a risk *assessment* methodology that measures risk and risk reductions provided by risk management strategies. That said, optimization techniques can be applied to the Joint Intervenor Approach to select a portfolio of mitigations that maximize overall risk reduction at the lowest possible cost.<sup>5</sup>

### **B. The Joint Intervenor Approach Is a Fully Probabilistic Approach.**

Sempra contends that the Joint Intervenor Approach is not a probabilistic approach because it "represents risk as a single number (rather than a distribution conveying a range of consequences)."<sup>6</sup> As the Joint Intervenor's have explained in great

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<sup>3</sup> Joint Intervenor Comments on PD, pp. 4-5.

<sup>4</sup> Comments of San Diego Gas & Electric Company and Southern California Gas Company on Proposed Decision (Sempra Utilities' Comments), FoF 42 at A-6.

<sup>5</sup> Joint Intervenor White Paper (revised Jan. 28, 2016), pp. 31-32.

<sup>6</sup> Sempra Utilities Opening Comments pp. 2-3. Sempra also contends the Joint Intervenor Approach "rolls up" risks, a term which has no statistical meaning.

detail, risk is calculated as an expected value.<sup>7</sup> “‘Risk’ is a probability-weighted outcome, it is a number and distinctly not a random variable.”<sup>8</sup> In other words, risk is a single value, but the value is derived from probability distributions of event likelihoods and event consequences.

**C. The Joint Intervenor Approach Addresses Non-Asset-Based Risks.**

PG&E and Sempra incorrectly suggest that the Joint Intervenor Approach cannot address non-asset-based risks, such as cybersecurity.<sup>9</sup> In fact, the Joint Intervenor Approach addresses non-asset-based risks (e.g., cybersecurity, mylar balloons) in the exact same way it addresses asset-based risks. Adverse events are “risky” because they affect utility assets and operations.<sup>10</sup> If a likelihood of failure, such as a cybersecurity breach, is not related to asset condition, then the hazard rates can still be calculated even though they are not dependent on the condition of assets.

**D. High Consequence Events Can Be Addressed Without Unnecessarily Distorting the Results of a Probabilistic Model.**

SCE, Sempra, and PG&E continue to voice concerns ensuring adequate consideration of high consequence events in the risk assessment process.<sup>11</sup> MGRA also raises this concern in the context of the consequence scales contemplated by the Joint Intervenor approach.<sup>12</sup> No party contends that the utilities should ignore low probability, high consequence events such as major wildfires. The question is whether probabilistic risk assessment models should be distorted to address such events,

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<sup>7</sup> Joint Intervenor Reply Comments at 13-14. See also Charles Feinstein and Jonathan Lesser, “Technical Appendix: Risk Reduction, Probability Distributions, and the Importance of Using Expected Values (“Technical Appendix”),” attached to Joint Intervenor Reply Comments, pp. 2-12.

<sup>8</sup> Technical Appendix, p. 11. See also, Joint Intervenor Reply Comments, pp. 13-14.

<sup>9</sup> PG&E Opening Comments pp. 4-5; Sempra Utilities Opening Comments p. 3.

<sup>10</sup> See White Paper, p. 4, for an example of how the Joint Intervenor Approach would address cybersecurity risks.

<sup>11</sup> SCE Comments p. 8; Sempra Utilities’ Comments at 4; PG&E Comments p. 4.

<sup>12</sup> MGRA Comments, p. 5. Contrary to MGRA, the 0–100 consequence scale does *not* require linear consequence values. Within the interval, scales for different attributes can be anything—linear, logarithmic, discrete, continuous, etc. (White Paper, pp. 17-19). The scaling determines the weights. (Technical Appendix, p. 24).

thereby ignoring the “likelihood of failure” half of the risk equation. Joint Intervenors agree with SED Staff that “the disproportionate emphasis on low probability, high consequence events undermines the comparability of risk scores and defeats the goal of achieving an optimal portfolio of mitigations.”<sup>13</sup> However, the Commission and utilities can choose to deviate from model results, with justification, if necessary to adequately address their concerns with low probability, high consequence events.<sup>14</sup>

### **III. THE RECORD FULLY SUPPORTS THE ADOPTION OF THE JOINT INTERVENOR APPROACH.**

PG&E argues there is not an adequate basis to support adoption of the Joint Intervenor Approach and recommends delaying any decision on its use until the next S-MAP phase.<sup>15</sup> Sempra also opposes the PD’s “order” to replace “working mechanisms with an untested one.”<sup>16</sup> Both utilities mischaracterize the PD in an attempt to avoid changes to their flawed methodologies, which the PD describes in detail.

The PD does not “order” the utilities to immediately implement a multi-attribute, probabilistic, optimized model. Instead, the PD acknowledges the characteristics of the Joint Intervenor Approach that would improve the quality of risk management, and proposes incremental steps toward improvement. Near-term actions include quantification of risk reduction, which the utilities previously acknowledged they are able to do,<sup>17</sup> and a “test drive” of the Joint Intervenor Approach to probabilistic modeling. It recognizes that certain goals -- improved data collection and optimization -- will take time to achieve.

The Joint Intervenors, ORA, UCAN, SCE<sup>18</sup> and MGRA<sup>19</sup> all support a “test drive” of Joint Intervenor probabilistic modeling. The PD contemplates small-scale testing

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<sup>13</sup> PD at 22 (quoting Joint Intervenors Reply Comments on Staff Report at 7-8).

<sup>14</sup> Joint Intervenor Reply Comments, pp. 15-16.

<sup>15</sup> PG&E Comments pp. 7-8, 13.

<sup>16</sup> Sempra Utilities’ Comments at p. 4; PG&E Comments p. 7.

<sup>17</sup> In its opening comments (p. 3), PG&E states its current methodology cannot quantify risk. Previously, PG&E claimed it could quantify risk. “Utilities Comments on Intervenor White Paper,” February 12, 2016, p. 12.

<sup>18</sup> SCE Comments at 1, 9.

following exploration of the process according to a specified schedule.<sup>20</sup> There is no reasonable basis for delaying the testing of an alternative to existing utility relative risk models; indeed, the utilities claim they have already tested probabilistic modeling – the heart of the Joint Intervenor Approach.

#### IV. CONCLUSION

For all of the foregoing reasons, the Joint Intervenors recommend adoption of the PD, subject to the clarifications identified in the Joint Intervenors' Opening Comments on the PD.

Respectfully submitted,

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<sup>19</sup> PD at 165.

<sup>20</sup> PD, Ordering Paragraph 12, at 192.