

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**8-08-17
02:37 PM

August 8, 2017

Agenda ID #15908
Ratesetting

TO PARTIES OF RECORD IN APPLICATION (A.) 14-11-003 AND A.14-11-004:

This is the proposed decision of Administrative Law Judge (ALJ) John S. Wong and ALJ Rafael L. Lirag. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's September 14, 2017 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ DARWIN E. FARRARDarwin E. Farrar,
Acting Chief Administrative Law Judge

EDF:avs

Attachment

Decision PROPOSED DECISION OF ALJ WONG AND ALJ LIRAG
(Mailed 8/8/2017)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2016.

Application 14-11-003
(Filed November 14, 2014)

And Related Matter.

Application 14-11-004

**DECISION REGARDING JOINT PETITION FOR MODIFICATION OF
ELECTRIC RELIABILITY STANDARDS OF DECISION 16-06-054****Summary**

On May 24, 2017, a joint petition was filed by San Diego Gas & Electric Company (SDG&E) and the Coalition of California Utility Employees (CCUE) requesting modification of the electric reliability standards adopted in Decision (D.) 16-06-054 (Joint Petition). Specifically, the Joint Petition requests the elimination of the performance-based ratemaking mechanism for SDG&E's electric reliability throughout the Test Year (TY) 2016 General Rate Case (GRC) cycle beginning January 1, 2016, and for 2019. If this request is denied, the Joint Petition alternatively requests that the target values for System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) be modified to fairly reflect recent changes in SDG&E's operating procedures.

Today's Decision denies the requests made in the Joint Petition. The requested modification to eliminate the performance-based ratemaking (PBR) mechanism for SDG&E's electric reliability throughout the TY 2016 GRC cycle beginning January 1, 2016, and for 2019, is denied. Likewise, the alternative request to modify the SAIDI and SAIFI target values and target year set forth in D.16-06-054 and to eliminate the PBR mechanism after the TY 2016 GRC cycle, is also denied.

1. Procedural Background

In Decision (D.) 16-06-054¹ which addresses the test year 2016 General Rate Case (GRC) application of San Diego Gas & Electric Company (SDG&E), the Commission adopted the five settlement agreements included in the September 11, 2015 "Joint Motion For Adoption of Settlement Agreements Regarding San Diego Gas & Electric Company's Test Year (TY) 2016 GRC, Including Attrition Years 2017 and 2018."

However, the SDG&E Settlement Comparison Exhibit shows that no agreement was reached on electric reliability performance measures. Thus, the Commission granted SDG&E's request in Application 14-11-003, to continue using the same four reliability indices for SDG&E's TY 2016 GRC cycle that were approved in D.14-09-005.² These four reliability indices are System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), Worst Circuit SAIDI, and Worst Circuit SAIFI. The Office of

¹ D.16-06-054 became effective on June 23, 2016.

² D.14-09-005 was issued in response to a joint petition for modification of D.13-05-010 that SDG&E and CCUE filed and set forth the electric reliability performance measures for SDG&E's 2012 GRC.

Ratepayer Advocates (ORA) did not object to SDG&E's proposal for the electric reliability performance measures.

On May 24, 2017, SDG&E and the Coalition of California Utility Employees (CCUE) filed a joint petition for modification of the electric reliability standards adopted in D.16-06-054 (Joint Petition). No party filed a response to the Joint Petition.

2. Discussion

The Joint Petition seeks to modify Section 6.2.1.20³ of D.16-06-054 concerning SDG&E's electric reliability performance measures, and is timely filed pursuant to Rule 16.4(d) of the Rules of Practice and Procedure.⁴ Specifically, the Joint Petition seeks to eliminate the Performance Based Ratemaking (PBR) mechanism for SDG&E's electric reliability throughout the TY 2016 GRC cycle beginning January 1, 2016, and for 2019. This includes elimination of the four reliability indices identified above.

The Joint Petition explains that the evidentiary record demonstrates that SDG&E already devotes substantial resources to maintain and improve reliability of its electric system. The Joint Petition also points out that SDG&E has substantially modified its practices and investments to reduce the risk of wildfire making the additional PBR mechanism superfluous to these efforts. Lastly, the Joint Petition notes that while some of SDG&E's intensified wildfire risk avoidance activities improve reliability, other changes adversely affect the

³ D.16-06-054 at 64 to 66.

⁴ Rules 16.4(d) requires that a petition for modification be filed within one year of the effective date of the decision. In this case, the Joint Petition filed on May 24, 2017 was filed within one year of the effective date of D.16-06-054 which became effective on June 23, 2016.

reliability metrics upon which the PBR mechanism is based and so the PBR mechanism runs the risk of incentivizing SDG&E to prioritize reliability over safety.

As an alternative to elimination of the PBR mechanism in this GRC cycle, the Joint Petition requests to modify target values for SAIDI and SAIFI to fairly reflect recent changes in SDG&E's operating procedures as described above. Specifically, the Joint Petition proposes to set a 2016 target value of 66 minutes for SAIDI (instead of 60 for 2015) and a 2016 target value of 0.55 outages for SAIFI (instead of 0.51 for 2015) with annual improvement factors to be applied beginning in 2017 until the end of the TY 2016 GRC cycle when the PBR mechanism will be eliminated.

While we do not necessarily disagree with some of the points raised by the joint petitioners in support of their requests, we find that these arguments on their own and as presented in the Joint Petition are insufficient to merit elimination of the PBR mechanism or to change the target values and target year for SAIDI and SAIFI in this GRC cycle and for 2019. The Joint Petition does not contain enough information and supporting evidence to fully substantiate and support arguments raised and do not provide sufficient information regarding the effect of removing the PBR mechanism or changing target values in SDG&E's TY 2016 GRC.

These substantive requests should have been raised in SDG&E's 2016 GRC application to afford other parties and the Commission as well, the opportunity to carefully review and analyze the request, examine the information presented, conduct discovery, cross examine any sponsoring witnesses, present comments and legal arguments, etc. Moreover, several of the arguments raised allege factual information that needs to be proved or disproved in evidentiary hearings.

Lastly, the Joint Petition raises timing issues relative to the request for elimination of the PBR mechanism during the TY 2016 cycle or in the alternative, after the end of the TY 2016 cycle, and we find these requests to be more appropriately raised in SDG&E's next GRC filing instead of midway in its current GRC cycle.

Therefore, we conclude that the request in the Joint Petition to eliminate the PBR mechanism throughout the TY 2016 GRC cycle beginning January 1, 2016, and for 2019, should be denied. Likewise, the alternative request to modify SAIDI and SAIFI target values and target year set forth in D.16-06-054 and eliminate the PBR mechanism after the TY 2016 GRC cycle, should also be denied.

3. Comments on the Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) John S. Wong and ALJ Rafael L. Lirag in these matters was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____ by _____, and reply comments were filed on _____ by _____.

4. Assignment of Proceeding

Michael Picker is the assigned Commissioner and John S. Wong and Rafael L. Lirag are the assigned ALJs in this proceeding.

Findings of Fact

1. The SDG&E Settlement Comparison Exhibit shows that no agreement was reached on electric reliability performance measures.
2. The Commission adopted the same four reliability indices for SDG&E's TY 2016 GRC cycle that were approved in D.14-09-005.

3. The Joint Petition was filed on May 24, 2017.
4. No responses to the Joint Petition were filed.
5. The Joint Petition seeks to modify Section 6.2.1.20 of D.16-06-054 by eliminating the PBR mechanism for SDG&E's electric reliability throughout the TY 2016 GRC cycle beginning January 1, 2016, and for 2019.
6. As an alternative, the Joint Petition requests that target values for SAIDI and SAIFI be modified to fairly reflect recent changes in SDG&E's operating procedures, to set target values for 2016 instead of 2015, and to eliminate the PBR mechanism after the TY 2016 GRC cycle.
7. The Joint Petition presented several arguments and allege factual information in support of elimination of the PBR mechanism.
8. The Joint Petition raises timing issues relative to the request to eliminate the PBR mechanism.

Conclusions of Law

1. The Joint Petition was timely filed.
2. The arguments raised in the Joint Petition are insufficient to merit elimination of the PBR mechanism and change target values in this GRC cycle and for 2019.
3. The Joint Petition does not contain enough information and evidence to fully substantiate the arguments raised regarding elimination of the PBR mechanism or to change target values in this GRC cycle and for 2019.
4. Elimination of the PBR mechanism or changes to SAIDI and SAIFI target values should have been raised in SDG&E's TY 2016 GRC application to allow parties the opportunity to examine and analyze information, conduct discovery, and to cross examine witnesses.

5. The arguments raised in the Joint Petition in support of elimination of the PBR mechanism and changes to SAIDI and SAIFI target values contain factual allegations that need to be proved or disproved in evidentiary hearings.

6. The request to eliminate the PBR mechanism is more appropriately raised in SDG&E's next GRC filing.

7. The request for modification of D.16-06-054 to eliminate the PBR mechanism for SDG&E's electric reliability throughout the TY 2016 GRC cycle beginning January 1, 2016, and for 2019, should be denied.

8. The alternative request to modify the SAIDI and SAIFI target values and target year and request to eliminate the PBR mechanism after the TY 2016 GRC cycle should be denied.

O R D E R

IT IS ORDERED that:

1. The May 24, 2017 Joint Petition filed by San Diego Gas & Electric Company (SDG&E) and the Coalition of California Utility Employees requesting modification of the electric reliability standards adopted in Decision 16-06-054 is denied. The requested modification to eliminate the performance-based ratemaking mechanism for SDG&E's electric reliability throughout the test year 2016 general rate case cycle beginning January 1, 2016, and for 2019, is denied. Likewise, the alternative request for modification of target values and target year for System Average Interruption Duration Index and System Average Interruption Frequency Index and elimination of the performance-based ratemaking mechanism after the 2016 general rate case cycle, is also denied.

2. Application (A.) 14-11-003 and A.14-11-004 are closed.

This order is effective today.

Dated _____, at San Francisco, California.