Decision 16-06-005 June 9, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities.	Rulemaking 13-11-006 (Filed November 14, 2013)

DECISION ADDRESSING THE PETITION FOR MODIFICATION OF DECISION 14-12-025 REGARDING ADDING AN ADDITIONAL ATTRITION YEAR

Summary

In connection with a settlement agreement that San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), and the Office of Ratepayer Advocates are seeking adoption of in the general rate case (GRC) applications of SDG&E and SoCalGas in Application (A.) 14-11-003 and A.14-11-004, these three parties filed a joint petition to modify Decision (D.) 14-12-025 in this Rulemaking. The moving parties request that D.14-12-025 be modified to change the length of the GRC cycle from three to four years.

For the reasons stated below, the joint petition to modify D.14-12-025 is denied.

1. Background

In Decision (D.) 14-12-025, the Commission incorporated a risk-based decision-making process into the Rate Case Plan (RCP) for the energy utilities' General Rate Cases (GRCs). The Commission retained the three-year GRC cycle in D.14-12-025, instead of adopting a four-year GRC cycle as some of the parties

had requested. In retaining the three-year GRC cycle, the Commission stated in D.14-12-025 at 40:

> The three year cycle will minimize overlapping GRCs so long as the RCP schedule is followed. We recognize, however, that there are oftentimes other circumstances or events that interfere with the timely proceeding of GRCs. The assigned Commissioner and ALJ shall have the discretion to alter the schedule as may be needed. Should the [Safety Model Assessment Proceeding (S-MAP), Risk Assessment Mitigation Phase (RAMP)], and GRC processes pose scheduling conflicts, we may need to revisit the need for a four-year rate cycle.

As part of the motions filed in the Test Year 2016 GRC applications of San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) in Application (A.) 14-11-003 and A.14-11-004, SDG&E, SoCalGas, and the Office of Ratepayer Advocates (ORA) filed a joint motion to adopt a settlement agreement in those GRC applications.

The settlement agreement proposes that the GRC cycle in A.14-11-003 and A.14-11-004 be for a period of four years (Test Year 2016, and the attrition years of 2017, 2018 and 2019), instead of a three-year GRC cycle (Test Year 2016, and the attrition years of 2017 and 2018.) The settlement agreement also proposes that the escalation factor for attrition year 2019 be set at 4.3%. The settlement agreement further provides that this agreement is contingent upon: (1) Commission adoption of the Settlement Agreement Regarding SDG&E's Test Year 2016 GRC Revenue Requirement, Including Attrition Years 2017 and 2018, and the Settlement Agreement Regarding SoCalGas' Test Year 2016 GRC Revenue Requirement, Including Attrition Years 2017 and 2018, that were filed in A.14-11-003 and A.14-11-004; and (2) Commission adoption of four-year GRC cycles for all the major California investor-owned utilities, and that such relief

will be requested in a petition for modification of the Commission's RCP in Rulemaking (R.) 13-11-006, or by an appropriate procedural mechanism.

On September 11, 2015, SDG&E, SoCalGas, and ORA (moving parties) filed a joint petition for modification of the GRC cycle length contained in D.14-12-025.

Five responses in opposition to the joint petition for modification were filed.[1] On December 3, 2015, the moving parties filed a joint reply to the five responses.

2. Discussion

The issue before us in this proceeding is whether the three-year GRC cycle that was retained in D.14-12-025, should be changed to a four-year GRC cycle.

In their joint petition to modify D.14-12-025, the moving parties contend that two of the benefits of changing the GRC cycle to four years is (1) that it will minimize the potential of delays in the GRC proceedings; and (2) that it will achieve a more efficient use of the resources of the Commission and the moving parties by managing the increase in workload due to the work resulting from integrating the new regulatory requirements of the S-MAP and RAMP processes into the RCP. The moving parties also point to the delays in the last GRC proceedings of SDG&E and SoCalGas, and in other GRCs.

The moving parties contend that lengthening the GRC cycle will minimize regulatory delay, which will avoid the impact of the timing of work and capital projects, and will reduce rate shock and result in greater rate stability. The

[1] The five responses were filed by the following: (1) Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE); (2) Coalition of California Utility Employees; (3) Energy Producers and Users Coalition; (4) Southern California Generation Coalition; and (5) The Utility Reform Network, and the Utility Consumers' Action Network.

moving parties also point out that the Commission has previously adopted rate case terms longer than the traditional three-year cycle.

The responses to the petition for modification oppose modifying the GRC cycle length to four years for the following reasons: (1) D.14-12-025 was adopted only recently, and the Commission considered and rejected the same arguments to change the GRC cycle length from three to four years; (2) the moving parties fail to provide adequate justification for the requested relief, and none of the moving parties' justifications is new or a change from when D.14-12-025 was adopted; (3) the issue is not ripe for consideration because the S-MAP and RAMP processes have not yet been incorporated into the GRC process; (4) postponing the RAMP process by one year would be inappropriate given the intent in D.14-12-025 to adopt the risk-based decision-making framework; (5) the three-year GRC cycle provides for regular consideration of the utility's revenue requirement, and prevents rate instability resulting from the inaccuracy of attrition year ratemaking; (6) the proposed change to a four-year GRC cycle would do very little to mitigate the overlap between the GRC proceedings, and instead disrupt the synchronization of the GRC applications; (7) moving to a four-year GRC cycle would conflict with Public Utilities Code § 314.5 which requires an audit of the utilities on a triennial basis; and (8) moving to a four-year GRC cycle would affect the GRC cycles of PG&E and SCE.

In the moving parties' reply to the responses, they contend that the relief requested is timely because the Commission is already experiencing budget reductions, resource constraints, and docketing delays. As for inaccurate or unstable rates resulting from an additional attrition year adjustment, the moving parties point out that the Commission approved a four-year GRC cycle in D.13-05-010. With respect to the auditing requirement in Public Utilities Code

§ 314.5, the moving parties contend there is no conflict because the triennial audits are not required to be performed as part of the utility's GRC.

We have considered the request of the moving parties to change the three-year GRC cycle that was adopted in D.14-12-025 to a four-year GRC cycle. We have also considered all of the pleadings filed in connection with the September 11, 2015 petition for modification of D.14-12-025. We are not persuaded by the moving parties' showing that lengthening the GRC cycle from three to four years is needed at this time. Our reasons to maintain the status quo are based on two reasons.

First, the intent behind D.14-12-025 was to adopt a risk-based decision-making process into the RCP to place an emphasis on assessing safety risks, and to manage, mitigate, and minimize such risks. As stated in D.14-12-025 at 16, "By adopting the risk-based decision-making framework …, we are placing safety as a top priority in the GRC proceedings of the energy utilities that come before us." Extending the GRC cycle by an additional year will delay the time for the Commission and interested parties to incorporate the RAMP process in future GRC filings of the energy utilities, and to learn from the early RAMP filings.

Second, the moving parties have not presented any new reasons as to why we should change the GRC cycle from three to four years. The Commission in D.14-12-025 previously considered and rejected the arguments for a four-year GRC cycle, instead of a three-year cycle. The Commission also stated in D.14-12-025 at 40 that "Should the S-MAP, RAMP, and GRC processes pose scheduling conflicts, we may need to revisit the need for a four-year rate cycle." Since the S-MAP applications have not yet been resolved, and the first RAMP has not yet been filed, it is premature "to revisit the need for a four-year rate cycle."

Based on the above reasons, the joint petition of the moving parties for modification of the GRC cycle length in D.14-12-025 is denied.

However, we think it is appropriate to explore the GRC cycle length further in the context of timely processing all of the recurring major rate-related proceedings, such as the GRCs, cost allocation proceedings, and PG&E's gas transmission and storage proceeding, in addition to the added processes of the S-MAP and RAMP. All of these proceedings require extensive effort and resources by Commission staff and the parties. Due to the number of recurring proceedings, and the limited resources, it is important to examine this issue in light of the need to process these proceedings in a manner that results in a smoother workload flow, and the processing all of these proceedings in an efficient and timely manner.

To that end, the Energy Division will be directed to hold a workshop within six months to address the pertinent issues that are involved in moving to a longer GRC cycle, and to provide a workshop report on whether a longer GRC cycle is worth pursuing.

As there are remaining issues to consider, as noted in Ordering Paragraph 8 of D.14-12-025, as well as the workshop, this proceeding remains open.

3. Comments on Proposed Decision

The proposed decision of Commissioner Florio in this matter 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. Opening joint comments were filed on May 19, 2016 by SDG&E, SoCalGas, and ORA, which were subsequently amended on May 24, 2016. Reply comments were separately filed on May 24, 2016 by the Coalition of California Utility Employees, and by The Utility Reform Network.

The opening and reply comments to the proposed decision have been reviewed and considered. Additional language has been added to have the Energy Division hold a workshop to explore whether longer rate case cycles are needed.

4. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and John S. Wong is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. In D.14-12-025, the Commission incorporated a risk-based decision-making process into the RCP for the energy utilities' GRCs.

2. D.14-12-025 retained the three-year GRC cycle, instead of adopting a four-year GRC cycle.

3. A joint motion was filed in A.14-11-003 and A.14-11-004 to adopt a settlement agreement that would extend the Test Year 2016 GRC cycle from three to four years, and that the escalation factor for attrition year 2019 be set at 4.3%.

4. The settlement agreement to the joint motion contains two contingencies, one of which requires that the Commission adopt the four-year GRC cycle as requested in the September 11, 2015 petition to modify D.14-12-025.

5. The intent behind D.14-12-025 was to adopt a risk-based decision-making process into the RCP to place an emphasis on assessing safety risks, and to manage, mitigate, and minimize such risks.

6. Extending the GRC cycle by an additional year will delay the time to incorporate the RAMP process in future GRC filing of the energy utilities, and to learn from the early RAMP filings.

7. The moving parties have not presented any new reasons as to why the GRC cycle should be changed from three to four years.

Conclusions of Law

1. In D.14-12-025, the Commission considered and rejected the arguments for a four-year GRC cycle, instead of a three-year cycle.

2. Since the S-MAP applications have not yet been resolved, and the first RAMP has not yet been filed, it is premature to revisit the need for a four-year rate cycle.

3. The Commission's Energy Division should be directed to hold a workshop within six months to explore options, including moving toward a longer GRC cycle, to facilitate the timely completion of GRC and related proceedings, and to provide a report following the workshop.

4. The joint petition to modify D.14-12-025 should be denied.

O R D E R

1. The October 22, 2015 Joint Petition of San Diego Gas & Electric Company, Southern California Gas Company, and the Office of Ratepayer Advocates to modify Decision 14-12-025 to change the general rate case cycle length from three to four years, is denied.

2. The Commission's Energy Division shall hold a workshop within six months of today's date to explore options, including moving toward a longer general rate case (GRC) cycle, to facilitate the timely completion of GRC and related proceedings, and to provide a report following the workshop.

3. This proceeding remains open to consider the workshop and other miscellaneous changes to the Rate Case Plan.

This order is effective today.

Dated June 9, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners