



California Public Utilities Commission
505 Van Ness Ave., San Francisco

FOR IMMEDIATE RELEASE

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PRESS RELEASE

Docket #: A.15-05-002

CPUC CONTINUES TO BREAK NEW GROUND FOR SAFETY OVERSIGHT IN UTILITY RATE CASES

SAN FRANCISCO, August 18, 2016 - The California Public Utilities Commission (CPUC) today continued its efforts to revitalize and modernize its approach to safety by adopting a model to evaluate risk assessment and mitigation in utility rate cases.

In December 2014, the CPUC revised the utility General Rate Case process to provide the CPUC and intervenors with a transparent look into the various safety related risks that face the energy utilities and how the utility intends to manage, mitigate, and minimize such risks over the three-year rate case period. The two new procedures adopted by the CPUC were the Safety Model Assessment proceeding and the Risk Assessment and Mitigation Phase.

Today's decision in the Safety Model Assessment proceeding adopts on an interim basis a uniform way to evaluate risk in a rate case and to connect spending on safety to the expected level of risk reduction.

“We will never leave behind our task of enforcing compliance with recognized safety standards,” vowed CPUC President Michael Picker, who is assigned to the Safety Model Assessment proceeding. “The challenge here is how to measure additional investments, how to target the most important improvements, and to identify which of the many choices that are best given the limits on expenditures that ratepayers can afford.”

The methodology, developed by Electric Power and Research Institute (EPRI), is expected to improve upon the utilities' existing risk evaluation models. The EPRI model takes into account the condition of utility assets and the probabilities of failure in order to calculate a risk score. A risk



score is proportional to the probability of failure and consequences of failure. The model facilitates calculation of risk reduction to help prioritize spending based on its cost effectiveness in reducing risks.

“This new tool does not displace our visionary goal of zero incidents,” said President Picker. “Our challenge, and the utility challenge, is to keep that long-range vision in the forefront. With attention to the corporate governance of safety, these risk-based expenditure models can help us to build that vision into our General Rate Case processes.”

Today’s decision orders the utilities to test the model using real world problems, and to hold workshops to vet foundational elements of the model. In the longer term, the CPUC will address the concept of “risk tolerance” as a way to understand the trade-offs between safety and affordable rates.

“Today’s decision adopts a first in the nation model of identifying top utility safety risks based on transparent data and informed operator expertise,” said Commissioner Catherine J.K. Sandoval. “We will use this information to prioritize and track the proper level of investment and continuous improvement of critical electric and natural gas infrastructure and operations.”

The goals of each successive Safety Model Assessment proceeding will evolve and become more sophisticated over time with a goal of making the utility models as uniform as possible. The first test of the model will be in the 2018 San Diego Gas & Electric/Southern California Gas Company rate case, in which a Risk Assessment Mitigation Phase application will be filed in the Fall.

The proposal voted on is available at

<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&docid=165862363>.

For more information on the CPUC, please visit www.cpuc.ca.gov.

###