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ATTACHMENT A

R.20-07-013 Track 4 Staff Proposal

The *Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities,* Rulemaking (R.)20-07-013 provides the framework for four tracks. The *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo) issued November 2, 2020[1] defined questions for each track to consider. The California Public Utilities Commission (CPUC) Energy Division Staff provides the following proposal to address the questions associated with small and multi-jurisdictional utilities (SMJUs, comprising Bear Valley Electric Service (BVES), PacifiCorp, Liberty Utilities, and Southwest Gas) presented in phase 1 Track 4 of the Scoping Ruling.

Background

Decision (D.) 19-04-020[2], issued April 24, 2019, found that it is reasonable to adopt SMJU-specific risk spend accountability report (RSAR) requirements and determined the SMJUs should file their annual RSAR in the applicable General Rate Case (GRC) proceeding in which the funding for the risk mitigation activities was authorized and in the current or the most recent GRC at the time of its filing.[3] Attachment 2 of D.19-4-020 also included RSAR Guidance for Investor-Owned Utilities (IOUs) and SMJUs. Attachment 3 contained a voluntary agreement between CPUC Safety Enforcement Division and the four SMJUs (Voluntary Agreement). The Voluntary Agreement provides an outline for a risk management process to be included in the GRC rather than a separate Risk Assessment Mitigation Phase proceeding prior to the GRC proceeding as required for the larger IOUs.

D.19-08-027[4] updated BVES's RSAR filing requirement as an information only Tier 1 advice letter due on March 31 each year.

Track 4 Scope

The Scoping Memo[5] provided questions unique to SMJUs under Phase 1 Track 4. The Track 4 questions are:

a. Should the Commission review the SMJU Voluntary Agreement included in D.19-04-020 and consider refinements?

b. Should the Commission formally adopt the SMJU Voluntary Agreement?

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[1] Scoping Ruling Filed November 2, 2020
https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M349/K872/349872437.PDF
[2] D.19-04-020 in A.15-05-002, 003, 004, and 005.
https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M288/K389/288389255.PDF
[3] D.19-04-020 p 59, Finding of Fact 36.
[4] D.19-08-027 in A.17-05-004
https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M311/K496/311496182.PDF
[5] R.02-07-013 Order Instituting Rulemaking issued November 2, 2020
https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M349/K872/349872437.PDF

c. Should the Commission adopt RAMP, RSAR or other requirements for SMJUs, including RSAR requirements for SMJU GRC applications resolved through Settlement Agreements? If the Commission adopts RSAR or other new requirements for SMJUs, what elements should be included?

Public Outreach

Public Workshop

An initial workshop, noticed to the public via the R.20-07-013 service list, was held on November 22, 2021[6] to address the Phase 1 Track 4 questions. Southwest Gas and BVES presented on how the utilities have applied the risk-based decision-making framework. Both presentations showed how each utility is moving beyond the Voluntary Agreement 7 x 7 matrix and, in some cases, have adopted a probabilistic approach.

Written comments on the workshop were received from Public Advocates Office and Ellison Schneider Harris Donlan (ESHD), representing the SMJUs. Public Advocates Office encouraged the refinement and formal adoption of the Voluntary Agreement. Public Advocates suggested a requirement to implement a "more probabilistic method where feasible" for all GRCs submitted six months after adoption of the proposed requirement. Public Advocates also recommended adopting some improvements from R.20.07-013 Track 3. ESHD suggested that since the SMJUs were already moving beyond the voluntary agreement, further refinement or adoption is not required and the SMJUs plan to collaborate and coordinate on RSAR issues to help provide information to the Commission.

Technical Working Group

A staff proposal in Track 3 of this proceeding issued on April 13, 2022[7] recommends refinements to the RSAR for the larger IOUs which may be applicable to the SMJUs. A follow-up technical working group was held to discuss applicable changes to the SMJU RSAR reporting. A technical working group meeting was noticed to the attendees of the public workshop and held on March 29, 2022, with comments due on April 19, 2022. The Working Group provided a preview of the Track 3 filings and discussions on RSARs changes applicable to SMJUs.

Public Advocates supported the inclusion of a spreadsheet format and the multi-year tracking throughout the GRC cycle. Public Advocates recommended extending the SMJU RSAR to include units, an RSAR Action Plan for incomplete safety and reliability work, and the adoption of Safety and Performance Metrics for SMJUs. EHSD, representing the SMJUs, provided comments generally supporting improvements in the RSAR, but highlighted the need for the requirements to be clearly defined and the challenge of tracking costs outside of a specific GRC-identified program. EHSD stated that additional cost tracking would require changes to the accounting system of the SMJUs and could not be achievable retroactively.

Staff Response to Party Proposals

This staff proposal recommends the addition of units and the submittal of the RSAR data in a spreadsheet. An RSAR Action Plan would prove excessive at this point when the next RSAR is due within a year and under the staff recommendations will include cumulative spending and forecasting. The

[6] Track 4 Workshop was recorded and is available on YouTube https://youtu.be/eOkm6tGDanc.
[7] Track 3 Staff proposal in Appendix A: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M467/K577/467577874.PDF

CPUC has other regulatory compliance strategies available if safety and reliability projects are not completed and staff believes additional action is required. Staff believes that Safety and Performance Metrics may be extended to SMJUs in the future but believes further refinement in a later phase of this proceeding and implementation by the larger IOUs may provide more clarity in this area. The Staff proposal recognizes the difficulty of implementing new tracking systems and includes a schedule for implementing the new RSAR requirements following the next GRC to provide the SMJUs time adjust their accounting system.

Staff Recommendations

Adopt or Modify Voluntary Agreement

The Voluntary Agreement currently provides informational requirements for SMJUs to address risk in their GRCs and SMJUs have demonstrated they are moving beyond the minimum requirements. The Office of Energy Infrastructure Safety reviews investor-owned utilities' Wildfire Mitigation Plans (WMPs) which provide analysis of wildfire risk and develop mitigations that represent a significant portion of safety, reliability, and maintenance (SRM) spending. Other tracks in R.20-07-003 are currently refining the risk calculation procedures for the larger IOUs and, as those are further refined, additional opportunities to refine risk assessment for SMJUs may become apparent and addressed later.

Staff Recommendation:

Additional refinements of the Voluntary Agreement are not required at this time. Further refinement of Safety and Performance Metrics in Phase II or III of this proceeding may allow for adoption by SMJUs.

SMJU RSAR Refinements

RSAR requirements previously applied to the larger IOUs and improvements to the RSAR presented in Track 3 are directly applicable to the SMJUs and will improve transparency and accountability.

Below is an example table for RSAR reporting that includes the proposed changes to the RSAR data table for the SMJUs. When presented in an electronic form each data row should be continuous. Example tables are divided into four sections for presentability.

Project Information

A	B	C	D	E	F
Type	Line of Business	Spending Category	Roll-up	Project Life (years)	Project Year
O&M Expense	Line of Business	Level 1 to Level n	yes/no	On-going	annual
Capital	Line of Business	Level 1 to Level n	yes/no	n	i^{th} year

A. **Type** is either O&M Expense or Capital
B. **Line of Business** is highest level in the hierarchy and is defined by the utilities business practices. Examples include Gas Distribution or Electrical Generation.

C. **Spending Category** can be multiple columns depending on the utilities cost category hierarchy. A spending category can be used to identify WMP mitigations. The lowest level in the hierarchy and can be a specific mitigation, SRM program, or a non-SRM category.
D. **Roll-up** is "yes" if the program cost is unique to other line items and when rolled up it will sum to the level above. If a spend category is not unique to a defined to other spending category but is required to be tracked (such as a WMP mitigation program) it is marked "no" indicating that the cost will not be included in a roll-up.
E. **Project life** could be an integer of years, as is common with capital projects, or continuous as is common with on-going O&M projects
F. **Project Year** is to identify how many years into a program at the reporting year. This provides insight for projects that may extend beyond the GRC cycle, such as large capital construction projects or projects that have carried over from previous GRC cycles.

Cost Information

G				H	I				J	K	L
Imputed Cost				Imputed Cost to Date ($)	Actual Cost				Actual Cost to Date ($)	Cost Difference ($)	Percent Variance
Year 1	Year 2	Year 3	Year 4		Year 1	Year 2	Year 3	Year 4			
$	$	$	$	$	$	$	$	$	$	$	%

G. **Imputed Cost** is the cost imputed for each year in the GRC.
H. **Imputed Cost to date** is the sum of all the imputed costs up to the reporting year.
I. **Actual Cost** is the actual spend for each year in the GRC.
J. **Actual Cost to Date** is the sum of all actual costs up to the reporting year
K. **Cost Difference** is the difference of Actual Cost to Date and Imputed Cost to Date (J-H). Overspend to be reported as positive. Underspend to be reported as negative
L. **Percent Variance** is K/H

Work Unit Information

M	N				O	P				Q	R	S
Work Unit Type	Imputed Units				Imputed Units to Date	Actual Units				Actual Units to Date ($)	Unit Difference	Percent Variance
	Year 1	Year 2	Year 3	Year 4		Year 1	Year 2	Year 3	Year 4			
Type of unit	n	n	n	n	n	n	n	n	n	n	n	%

M. **Units Type** is type of work being tracked. Examples include miles of pipeline or number of inspections. If no units are tracked the explanation of why no units are should be provided here.
N. **Imputed Units** are the units imputed for each year in the GRC.
O. **Imputed Units to date** is the sum of all the imputed units up to the reporting year.
P. **Actual Units** are the actual units completed for each year in the GRC.
Q. **Actual Units to Date** is the sum of units for all GRC years
R. **Unit Difference** is the difference of Actual Units to Date and Imputed Units to Date (Q-O). Additional units to be reported as positive. Shortfall of units to be reported as negative

S. Percent Variance is R/O

Project Status

U	V	W			X
Cost Variance Explanation	Unit Variance Explanation	Forecast			Status
		Scope	Schedule	Budget	
Text	Text	U, T, O	U, T, O.	U, T, O	proceeding as planned, deferred, canceled, emergent, expanded

U. Cost Variance Explanation is a discussion on the causes of the variance threshold exceedance. For example, an underspend could be delayed due to permitting or a global pandemic.

V. Unit Variance is a discussion on what caused the unit variance. An example could be a new regulation requiring more inspection. In such cases the regulation should be cited.

W. Forecast is predicted for scope, schedule, and budget and is defined as Under, Target, or Over (U, T, or O). A program could be below the variance threshold for units in the first years of a GRC cycle but still on target to catch-up with the total units for the GRC cycle. Similarly, a program could show overspend in the early years the GRC due to equipment purchases but could be forecasted as on-target for budget because of reduce spending the remaining years in the cycle.

X. Status is a function of five choices: Proceeding as planned, deferred, canceled, expanded, or emergent. Proceeding as planned indicates no change from the original imputed cost or units, but the forecast could still be over budget and over schedule. An expanded program will be over scope but could still be on schedule. An emergent program can be on target if scope, schedule, and budget are identified in a balancing account.

Staff Recommendations:

Staff recommend the CPUC further update and refine D.19-04-020 and *allow*:

1. SMJU RSAR schedule changes to be at the discretion of the ED Director and questions or requests for changes be directed to the ED Director by April 1.
2. Energy Division to provide the SMJU RSAR Review by November 1 of each year.

Consistent with the Track 3 staff proposal[8] recommending refinements to the RSAR for the larger IOUs, Staff recommend CPUC further update and refine D.19-04-020 and D.19-08-27 to *require* SMJUs to do the following:

3. File the RSARs annually by May 1. File the RSAR in:
    a. the most recent GRC proceeding;
    b. the GRC proceeding where costs are imputed; and
    c. with the Energy Division to: energydivisioncentralfiles@cpuc.ca.gov.

[8] Track 3 Staff proposal in Appendix A:
https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M467/K577/467577874.PDF

4. File imputed costs for all years in the GRC cycle for all spending categories[9] and SRM programs[10] within six months of the adoption of a GRC revenue requirement, including for GRC applications approved via Settlement Agreement or the first RSAR related to a new GRC, whichever comes first. Associate each spending category or SRM program with a major line of business.
5. Report units for each RSAR SRM program. If no units are available provide explanation for not tracking units.
6. Provide variance explanation if variance is greater than +/- 15 percent of the imputed cost or units.
7. Track annual and cumulative costs and annual and cumulative work units through the entire GRC cycle.
8. Forecast SRM program scope, schedule, and budget for the GRC cycle.
9. Identify SRM program status as proceeding as planned, canceled, deferred emergent, or expanded.
10. Report all costs, not only SRM costs. Non-SRM programs do not require units or variance explanations. The roll-up of O&M expense and Capital programs should represent the total direct costs for each type of spend for the year.
11. Support each RSAR filing with an electronic submittal of RSAR tables as a single table.
12. Clearly identify WMP programs in the GRC applications and track through the RSAR.

(END OF ATTACHMENT A)

[9] Spending categories should be a subset of a major line of business to allow further breakdown of activities to facilitate tracking and are intended align with the utilities cost tracking or specific programs identified in the GRC or WMP.

[10] SRM programs are one or more mitigations activities that may span across spending categories, be a subset of a spending category, or be a spending category. If a SRM program spans across spending categories, it should be identified as duplicative to preventing rolling up into the identified spending category.