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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

02:55 PM

R2007013

Order Instituting Rulemaking to
Further Develop a Risk-Based
Decision-Making Framework for
Electric and Gas Utilities.

Rulemaking 20-07-013

**ADMINISTRATIVE LAW JUDGES' RULING PROVIDING
PHASE II STAFF PROPOSAL FOR COMMENT**

This ruling seeks comment from interested parties on the attached Staff Proposal addressing Phase II issues in Rulemaking (R.) 20-07-013 (Staff Proposal). Substantial portions of this proposal have already been shared with parties over the past several months during workshops and technical working group (TWG) sessions, with opportunities for informal comment. The Staff Proposal is now being entered into the formal record of the proceeding via this ruling. Parties who wish to provide formal comments in response to this ruling must file and serve them no later than 20 days from issuance of this ruling. Reply comments must be filed and served by no later than five days from the day opening comments are due.

1. Background

The April 13, 2022, *Assigned Commissioner's Scoping Memo and Ruling* sets forth the schedule and issues to be considered for Phase II of this proceeding.

With input from Level 4 Ventures, Inc. (Level 4), a consulting firm retained by the Commission's Safety and Policy Division (SPD) to provide a baseline assessment of the Risk-Based Decision-Making Framework (RDF) adopted in Decision (D.) 18-12-014, SPD Staff have been circulating informal

recommendations, conducting workshops and TWGs, and seeking informal party comments over the past several months. The following is a list of informal activities that were conducted by Level 4 and SPD Staff in preparation for the release of the Staff Proposal attached to this ruling:

- March 3, 2022: Workshop conducted by Level 4 on “Risk Spend Efficiency Assessment Deliverable 2.1: IOU Baseline Assessment” (Baseline Report)¹
- April 20, 2022: Level 4 recommendations presented to TWG for input and discussion
- May 20, 2022: SPD Staff hosted TWG session #2 to discuss Level 4’s recommendation regarding the multi-attribute value function (MAVF) included in the RDF: “With input from the parties involved, the [Commission] should adopt a standard set of parameters/formulas to monetize risk consequences, using standard values from other government agencies or industry sources where possible”
- June 2, 2022: SPD Staff hosted TWG session #3 to discuss Level 4’s “MAVF 3” recommendation: “With input from the parties involved, the CPUC should adopt standard metrics for electric and gas reliability, possibly adjusted for regional characteristics, and all IOUs should then use those metrics when estimating MAVF scores”
- June 16, 2022: SPD Staff hosted TWG session #4 to discuss Level 4’s “Risk Modeling 3” recommendation: “With input from the parties involved, the CPUC should adopt a standard readability factor to be used for RSE calculations”
- June 29, 2022: SPD Staff hosted a second workshop to present the Staff Recommendations and solicit oral and informal written comments.

¹ Level 4, *Risk Spend Efficiency Assessment Deliverable 2.1: IOU Baseline Assessment*, available as of August 4, 2022 at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/reports/deliverable-21iou-baseline-assessmentrevised021722.pdf>.

SPD Staff and the assigned Administrative Law Judges greatly appreciate parties' willingness to provide informal comments, which have helped inform, shape, and improve the Staff Proposal attached to this ruling.

2. Request for Formal Comments

Attached to this ruling is the Staff Proposal and Staff's proposed redlines to the Settlement Agreement adopted in D.18-12-014, *Phase Two Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement with Modifications*.

To help guide parties' and the Commission's review of these materials, parties are requested to organize their comments as follows.

- I. Do you support Staff's proposal to:
 - a. Replace the weighting and ranging of attributes of the multi-attribute value function (MAVF) adopted in D.18-12-014 with a suitable dollar value?
 - b. Value safety consequences with the Department of Transportation's (DOT) Value of Statistical Life (VSL), with an option to choose an alternative in the range from Department of Health and Human Services (HHS)?²
 - c. Value electric reliability with the Interruption Cost Estimate (ICE) Calculator, with an option to substitute with an equivalent or better investor-owned utility (IOU) cost model?³

² Subcomponents of Staff's proposal in this area address: (a) adjusting the DOT VSL for the base year of each IOU's RAMP filing; (b) providing a sensitivity analysis for the benefit-cost ratio impact of an IOU's choice to use an HHS value instead of the DOT VSL value; (c) applying a discount rate of three to seven percent per year to the VSL; and (d) weighing serious injury at .25 of a fatality or using Table 3 in the Staff Proposal to value injury prevention.

³ Subcomponents of Staff's proposal in this area include Staff's recommendation that, if the Commission adopts the ICE model for electric reliability, the large IOUs should be required to participate in the customer survey process needed to incorporate California data in the ICE 2.0 model.

- d. Value gas reliability using the implied value from each IOUs most recent Risk Assessment and Mitigation Phase report, with an option to substitute with an equivalent or better IOU cost model?
- e. Direct Pacific Gas and Electric Company, in 2024, and Southern California Gas Company and San Diego Gas & Electric Company, in 2025, to pilot the environmental and social justice questions outlined in the Staff Proposal?
- f. Edit the Settlement Agreement adopted in D.18-12-014, as outlined in Attachment B to this ruling?
- g. Address topics of risk attitude and tolerance in a subsequent phase of this proceeding?
- II. What advantages in the MAVF approach, if any, could be lost by moving to a cost-benefit approach?
- III. Are there distinct challenges in evaluating risk using dollars compared to a risk score?
- IV. What implementation details would ease the transition to a cost-benefit approach?
- V. Regarding Staff's environmental and social justice (ESJ) recommendation, are there any other specific questions that should be explored in the pilot? Should the Commission require utilities undertaking the ESJ pilot to consult with the Commission's disadvantaged communities advisory group (DACAG) and/or other organizations prior to the utility finalizing its ESJ pilot study plan?⁴ If so, which organizations? Do you have any other suggestions to help shape this pilot?
- VI. Do you have any additional comments on the Staff Proposal that you have not yet provided?

⁴ See Commission DACAG webpage, available as of August 5, 2022 here: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/disadvantaged-communities/disadvantaged-communities-advisory-group>.

Parties should address each subcomponent of Staff's proposal for the topics included in question I. Parties should explain the response provided for each question.

Party comments on the Staff Proposal may be served and filed no later than 20 days from issuance of this ruling. Reply comments may be served and filed no later than five days from the day opening comments are due.

IT IS RULED that:

1. Parties may file and serve comments in response to Attachments A and B of this ruling by no later than 20 days from issuance of this ruling, addressing the questions provided in this ruling, in the order provided.

2. Parties may file and serve reply comments by no later than five days from the day opening comments are due, addressing the questions provided in this ruling, in the order provided.

Dated August 8, 2022, at San Francisco, California.

/s/ CATHLEEN A FOGEL
Cathleen A. Fogel
Administrative Law Judge

/s/ EHREN D SEYBERT
Ehren D. Seybert
Administrative Law Judge