

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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

Rulemaking 20-07-013
(Filed July 16, 2020)

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**JOINT OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY
(U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON PROPOSED
DECISION OF COMMISSIONER RECHTSCHAFFEN**

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I. INTRODUCTION

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the “Rules” of the “Commission” or “CPUC”), Southern California Gas Company (“SoCalGas”) and San Diego Gas & Electric Company (“SDG&E”) (collectively, the “Companies”) hereby jointly submit their Opening Comments on the November 3, 2022, Proposed Decision of Commissioner Rechtschaffen (“Proposed Decision” or “PD”) in Phase II of the above-captioned proceeding (the “Risk OIR”).¹

SoCalGas and SDG&E appreciate Commissioner Rechtschaffen’s and the Commission Staff’s (“Staff”) efforts toward improving the CPUC’s risk-based decision-making framework (“RDF”) and to make the RDF more readily understood by all interested stakeholders, with the ultimate objective to promote appropriate investment in the safety and reliability of California’s energy infrastructure. The Companies support the PD’s stated intent to support utilities’ efforts to prioritize safety consistent with California Public Utilities Code (“Pub. Util. Code”) § 451.² Section 451 establishes a duty for utilities such as SoCalGas and SDG&E to “furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public,” and to do so at “just and reasonable” rates. The PD also notes that § 321.1(b) requires the Commission to “take all necessary and appropriate actions to

¹ Consistent with Rule 14.3, these Comments focus on errors in the Proposed Decision, propose modifications to Findings of Fact (“FOF”) and Conclusions of Law (“COL”), and are timely filed within 20 days of service of the Proposed Decision. Failure to address any issue in these Opening Comments does not indicate agreement or waiver.

² PD at 5. All statutory references herein are to the California Public Utilities Code unless otherwise stated.

assess the economic effects of its decisions and to assess and mitigate the impacts of its decisions on customer, public, and employee safety.” Thus, both utilities and the Commission have statutory duties to customers, employees and the public to promote safety and to facilitate reliable service. SoCalGas and SDG&E applaud the PD’s apparent recognition of these important duties, by explicitly maintaining flexibility in adopting this newly formed (and still developing, as-yet untested) process.³

SoCalGas and SDG&E are just beginning to examine whether and how the methodology described in the PD will become useful in the Companies’ internal operational decision-making required to meet their statutory duties under § 451. Regarding the Staff Proposal (which the PD largely adopts), SoCalGas and SDG&E’s filed Comments expressed concerns that the new methodology is still largely conceptual, does not address elements integral to a more complete RDF (*e.g.*, risk tolerance and provision for “tail” risks), and requires further clarification of ideas to help advance the Companies’ and the Commission’s shared objectives.⁴ While these concerns remain, SoCalGas and SDG&E appreciate the PD’s apparent recognition that there is still additional work to be done to test and evaluate any newly adopted process.⁵ Without testing and evaluation, it cannot be assumed to what extent the new methodology will be useful (whether for internal or regulatory purposes) in promoting safe and reliable energy service to California, as noted in SoCalGas and SDG&E’s Joint Comments:

The Commission’s RDF additionally should promote the safe and reliable provision of energy service to California. To achieve these goals, additional time and a more thorough evaluation process that test drives new proposals and examines all material issues is needed. In particular, any adopted process should enable careful consideration of how changes to the current process can be

³ *See, e.g.*, PD at 54, Conclusion of Law 14 (“It is reasonable to afford the IOUs the same flexibility to incorporate Risk Attitude and Risk Tolerance into the Cost-Benefit Approach as they would under the current MAVF [Multi-Attribute Value Function] structure”); *see also id.* at 24, 53, COL 7 (“Neither Cost-Benefit Ratios nor RSE [risk-spend efficiency] values are intended to be the sole determinant for decisions made by the Commission on proposed investments by the IOUs in their GRC cycles.”).

⁴ Joint Comments of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) to Administrative Law Judge’s Ruling to Administrative Law Judge’s Ruling Providing Phase II Staff Proposal for Comment at 1 (August 29, 2022) (referred to herein as “Joint Comments”).

⁵ *See, e.g.*, PD at 24 (“shifting to the Cost-Benefit Approach now does not preclude the Commission from considering further refinements to the RDF, in the near future”); *id.* at 26 (“IOUs should be afforded the same flexibility to incorporate Risk Attitude and Risk Tolerance into the Cost-Benefit Approach as they would under the current MAVF structure.”); *see also id.* at 53-4, COL 9 and 14.

implemented and incorporated into Risk Assessment Mitigation Phase (“RAMP”) and General Rate Case (“GRC”) proceedings, and how to incorporate tail risk.⁶

SoCalGas and SDG&E therefore commend the PD’s preservation of flexibility in the new methodology it establishes, which is vital for electric and gas utilities to continue meeting their statutory obligations under the law. Utility management must retain the flexibility and operational decision-making authority to meet its responsibilities to customers, employees and the public under Section 451, regardless of which quantification methodology the IOUs may be required to employ in their risk reporting to the Commission. Just as with the existing multi-attribute value function (“MAVF”), any new methodology will not replace sound judgment and management discretion.

The PD is also commendable for the acknowledgment that RAMP risk reporting may provide only one additional tool or data point to facilitate the Commission’s evaluation of an IOU’s revenue requirement requests. The Commission’s longstanding GRC process conducts a review of cost forecasting in accordance with the Rate Case Plan to set “just and reasonable” rates for specified future years, in accordance with Pub. Util. Code § 451 and CPUC decisions and case law implementing § 451. This is consistent with § 454(a), which provides that a utility must support its revenue requirement changes with evidentiary showings and Commission findings consistent with a utility’s responsibilities set forth in § 451. In interpreting “just and reasonable” rates under § 451, the Commission has long recognized that a utility is entitled the opportunity to recover to all of its reasonable costs and expenses plus a reasonable rate of return in providing that safe and reliable service to the public.⁷ This is also consistent with the United States Supreme Court standard for utility ratemaking as set forth in the seminal *Bluefield* and

⁶ Joint Comments at 1. Further, the PD statement that “Staff’s proposed modifications result in only limited changes ...” remains unproven in the absence of testing. PD at 16.

⁷ See, e.g., D.14-08-011 at 31 (“[T]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of the property devoted to public use[.]”) (citing *Southern California Gas Company v. Public Utilities Commission* (1979) 23 Cal.3d 470, 476); see also D.03-02-035 at 6.

Hope cases.⁸ Under the Commission’s longstanding process, just and reasonable rates reasonably apportion the cost of providing service to a utility’s customers (decided in a GRC Phase 2) and allow the utility to cover its operating and capital expenses (decided in a GRC Phase 1) and earn a fair return on its property devoted to public service (decided in cost of capital cases). Consistent with the above precedent, the PD’s new methodology does not replace (and has not been designed to replace) the Commission’s comprehensive review of cost forecasting to set “just and reasonable” rates for specified future years.

SoCalGas and SDG&E further commend the PD for clarifying that no application of its proposed Cost-Benefit Approach is appropriate prior to the IOUs’ “next respective GRC cycles, beginning with PG&E’s 2024 RAMP application.”⁹ This not only provides the IOUs needed time to examine the methodology, but also precludes premature and inappropriate application of the as-yet untested methodology in ongoing GRC proceedings.

In this context, SoCalGas and SDG&E identify below discrete errors in the PD warranting correction.

II. DISCUSSION

A. **The PD should be modified to accurately incorporate SoCalGas and SDG&E’s position on developing a new RDF document.**

The PD states that “We agree with Staff, the Sempra Companies, and PG&E that we should adopt a new document, entitled the ‘Risk-Based Decision-Making Framework,’ to encapsulate the modifications to the Settlement Agreement adopted here.”¹⁰ This statement responds to the Companies’ request that the Commission not simply adopt proposed redlined edits to the Settlement Agreement:

The process of redlining the Settlement Agreement no longer reflects the agreed-upon terms. Accordingly, the output of this proceeding should not be termed a

⁸ *Bluefield Water Works & Improvement Co. v. Public Service Comm’n*, 262 U.S. 679, 690 (1923) (“Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service are unjust, unreasonable, and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment.”); *Federal Power Comm’n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) (“[I]t is important that there be enough revenue not only for operating expenses but also for the capital costs of the business.”); *see also Railroad Comm’n Cases*, 116 U.S. 307, 341 (1886) (state regulation of public utility rates may not be confiscatory or deny due process).

⁹ PD at 22 and 52 (Conclusion of Law 6).

¹⁰ *Id.* at 47.

version of a “Settlement Agreement.” Moreover, simply making redlines to the existing document without further consideration could lead to unintended consequences as to how different parts of the document interrelate. SoCalGas and SDG&E, as parties to that Settlement Agreement, do not agree to a process of redlining an existing agreed-upon document to adopt a different risk-informed decision-making methodology to be used in future RAMP and GRC filing.¹¹

SoCalGas and SDG&E want to clarify the intent behind this request – that the PD’s “Risk-Based Decision-Making Framework” should in no way be interpreted as representing agreed-upon positions. If the MAVF is to be eliminated, the Commission’s adoption of a new document and a fresh start is an important step toward fostering a more collaborative and less contentious implementation process going forward.

An unfortunate side effect of the adopted S-MAP Settlement Agreement is that creative interpretations of the agreement have been used to suit litigation positions in the S-MAP, RAMP, and GRC context, including claims that RSE calculations should be determinatively used to make funding and managerial decisions. This claim is unsupported by the Settlement Agreement Decision, the law, and Commission precedent interpreting § 451 (as discussed above) – and it sharply contrasts with the Staff Report’s and the PD’s acknowledgement that the Settlement Agreement Decision’s MAVF methodology is of little use for decision-making purposes.¹² As noted in SoCalGas’s and SDG&E’s 2021 RAMP Report, RSEs have been a data point for the Companies to consider, but they are not the deciding factor for mitigation selections, due to various fact-dependent RSE shortcomings such as lack of data, frequency of incidents, reliance on SME judgment, changing conditions, non-asset mitigations, lack of a common view on risk tolerance, and other factors that cannot be captured in an RSE, such as public and Commission priorities.¹³ The PD’s new methodology cannot resolve these shortcomings.

¹¹ Joint Comments at 11.

¹² *See, e.g.*, PD at 19 (“Staff contend that the RSE produced by the MAVF approach has limited usefulness.”); *id.* at 23 (“We concur with Staff that the RSE values produced by the MAVF approach have had limited utility.”); *see also id.* at 53, COL 7 (“Neither Cost-Benefit Ratios nor RSE values are intended to be the sole determinant for decisions made by the Commission on proposed investments by the IOUs in their GRC cycles.”).

¹³ A.21-05-014, SoCalGas and SDG&E’s 2021 RAMP Report, (RAMP-C), Risk Quantification Framework and Risk Spend Efficiency (May 17, 2021) at RAMP-C-34 – RAMP-C-39.

Moreover, as Staff noted in its report, the MAVF set forth in the Settlement Agreement has led to difficulties and disagreements regarding its interpretation.¹⁴ If a new methodology is adopted, a fresh start – *i.e.*, a departure from the Settlement Agreement – is needed to avoid and address the same shortcomings suffered under the MAVF process – including new complications in interpreting the documents. Consistent with this recommendation, the PD should be modified to adopt the RDF in PD Appendix A on an interim basis, while fostering a transparent, collaborative formal process to develop a carefully revised RDF, as shown in proposed corrections to COLs 4 and elimination of COL 5 set forth in the Appendix.

B. The PD should be modified to reflect due process concerns and to promote a fair and transparent process moving forward.

The PD offers a description of the history of this proceeding, including Staff-led events and workshops leading up to the PD’s proposed adoption of the Staff Proposal.¹⁵ This description is incomplete, however, as it does not include a discussion of utility recommendations regarding the workshop process. Notably, there is very little information on the Phase II record of this proceeding to support the PD’s findings and orderings. Rather, the process in this proceeding has largely been conducted off the record, at an unusually expedited pace. In their informal comments, SoCalGas, SDG&E and SCE expressed concerns about this proceeding’s Phase II process that are not reflected in the PD. SoCalGas and SDG&E respectfully request that the PD should reflect these due process concerns and order that the process in conducting future Phase II proceedings be conducted thoughtfully, carefully, and transparently, with ample opportunities to offer comments on the on the record.

For example, SoCalGas and SDG&E’s July 8, 2022 Informal Comments on SPD’s Phase II Recommendations–Workshop #2 stated concerns with the Phase II process:

The swift technical working group (“TWG”) and workshop process utilized thus far has not yet enabled the careful study, vetting and evaluation necessary to ensure the State adequately considers the potential safety, environmental and reliability impacts of the proposals. For example, the recommendations discussed in Workshop #2 were provided to parties twenty minutes prior to the workshop,

¹⁴ Administrative Law Judges’ Ruling Providing Phase II Staff Proposal for Comment (August 8, 2022) at Attachment A, Staff Proposal on Phase II Rulemaking 20-07-013, p. 2, (noting that an “ensuing debate reflected in TURN’s testimony and PG&E’s rebuttal, which disputes TURN’s methodology for conversation of RSE to benefit-cost ratio as well as their alternative MAVF, demonstrates a need for increased clarity in the methods used in the RAMP.” (citation omitted)).

¹⁵ See PD at 5-9.

which did not allow sufficient time for internal review and consideration by subject matter experts. Moreover, the recommendations extended well beyond the scope of what had been discussed in previous TWGs, and therefore, were not previously contemplated. For example, use of a cost-benefit approach to prioritize risk investments was not explicitly discussed at previous TWGs. Workshop #2 was therefore the parties' first exposure to SPD's recommendations, which does not represent a consensus view. SoCalGas and SDG&E share SPD's objective to enhance the State's RDF methodology to make it more readily understood and actionable, and request that SPD follow up with additional workshops to clarify the proposal, enable the parties to ask additional questions after having had additional time to digest the proposal, and carefully consider the safety, reliability and environmental implications of all alternatives.¹⁶

Southern California Edison Company's ("SCE") informal July 8, 2022 Comments stated similar concerns of an apparent "rush to impose new requirements or modifications to the existing Settlement Agreement," noting: "SCE believes that the Commission's record would benefit substantially from additional expert input on what and how to improve the framework."¹⁷ SCE further offered concerns regarding the potential impacts on safety investments of rushing toward a new risk mitigation methodology:

...SCE remains concerned that the current Staff Proposal Recommendations – if adopted by the Commission -- would represent a fairly significant overhaul of the current risk framework as prescribed in the Settlement Agreement. This potential overhaul is based on an extremely condensed timeline of technical working groups (TWGs), where parties did not have the opportunity to provide informal or formal comments and, critically, without any piloting, "test-driving," or prototyping any of the recommendations. Any significant overhauls to the Settlement Agreement could have material impacts to risk modeling and potentially to the scope and scale of mitigations designed to keep the public and IOU workers safe. Thus, any potential changes should not be taken lightly.¹⁸

SoCalGas and SDG&E share SCE's serious concerns. If the PD is adopted, the Companies must take SPD and the Commission at their word that the *intent* of the proposed new methodology offers "limited" and "incremental" changes.¹⁹ However, (1) there is nothing on the record that demonstrates the change will be "limited" or "incremental," and (2) without a

¹⁶ SoCalGas and SDG&E's Informal Comments on Safety Policy Division Phase II Recommendations – Workshop #2 (July 8, 2022) (SoCalGas and SDG&E July 8 Informal Comments) at 2-3.

¹⁷ Southern California Edison Company's Informal Comments Regarding Phase II Workshop Number 2 (July 8, 2022) at 4.

¹⁸ *Id.* at 2-3 (footnotes omitted).

¹⁹ *See, e.g.*, PD at 16 and 25.

provision to test-drive the proposed framework, the magnitude of change to the RDF remains to be seen. Going forward, SoCalGas and SDG&E respectfully request procedural safeguards that offer more opportunities for full utility participation – allowing adequate time to digest new proposals and to comment formally, on the record. In doing so, it is also important for the Commission and SPD to recognize that § 451 places responsibility squarely on utilities to “furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.” No other entity bears statutory responsibility in this regard. Thus, allowing for full utility participation and weigh-in – with appropriate weight given to utilities’ input on proposals that will impact their statutory responsibilities to provide safe and reliable service – is essential to the process.

As also noted in SoCalGas’s and SDG&E’s July 8, 2022 Informal Comments, the Commission has past examples of transparent, on-the-record workshop collaboration, allowing for utility proposals and input:

While SoCalGas and SDG&E believe all parties can agree the current methodology is not perfect, it was adopted by the Commission through a Settlement Agreement, which was formed and negotiated through a collaborative process over several years, with careful vetting and several rounds of written feedback from the interested stakeholders. For example, the Safety Model Assessment Proceeding (“S-MAP”) Phase 2 proceeding began in December 2016, with a final decision issued in May of 2019. The S-MAP Phase 2 proceeding process also included test drives of the new methodology that was being considered, to fully vet and identify potential issues. While a careful process for review and consideration need not take three years, the Commission and Staff should take the time necessary to carefully consider all proposals to modify the existing process with sufficient care and thoroughness to identify and assess the potential safety, environmental and reliability implications. A lack of sufficient time to transparently analyze proposals could lead to unintended negative consequences that do not serve to advance the overall objective to enhance the safety and reliability to California’s energy infrastructure.²⁰

For all of these reasons, SoCalGas and SDG&E propose that the PD be modified to reflect the due process concerns stated in informal comments in this proceeding. The PD should

²⁰ SoCalGas and SDG&E July 8 Informal Comments at 3. Similarly, in its Comments on the Staff Proposal, SCE requested additional processes that would allow for formal comments, additional workshops and technical working groups, and efforts to collaborate before a proposed decision implementing a new process. *See, e.g.*, Southern California Edison Company’s Opening Comments on Staff Proposal Addressing Phase II Issues (August 29, 2022) at 4-5.

also order that the process in conducting a future phase of this proceeding be conducted transparently, collaboratively, and in accordance with due process principles, with ample opportunities to analyze and test information and offer fully developed comments on the on the record. New language supporting this recommendation is proposed in the Appendix.

C. The PD should be modified to correct statements that are not supported by the law and the record.

SoCalGas and SDG&E also propose the following corrections to errors in the PD, to reflect consistency with the law and the record:

1. The PD’s Conclusion of Law 11 should be corrected.

SoCalGas and SDG&E agree with the PD’s statement that “[n]either Cost-Benefit Ratios nor RSE values are intended to be the sole determinant for decisions made by the Commission on proposed investments by the IOUs in their GRC cycles.”²¹ Despite this clear (and correct) statement, the PD contains additional language in Finding of Fact 11 that could be misinterpreted inconsistently and is unsupported by the record. There has been no showing in this proceeding that Cost-Benefit Ratios are “central to the evaluation of risk mitigations,” as FOF 11 would state, and this language should be removed. Proposed edits to correct this error and to eliminate vague and unnecessary language that could be misinterpreted is shown in this Appendix.

2. The PD’s language regarding the Value of a Statistical Life (“VSL”) should be corrected.

On page 32, the PD’s states: “... the use of weights and ranges in the current MAVF approach has at times produced unreasonable ‘implied VSLs’ in utility RAMP filings.” The reference to reasonableness in this statement should be eliminated, as no utility RAMP filing or result is under review in this case, and there is no record here to support a Commission conclusion regarding whether a utility’s “implied VSL” – which may be under consideration in another Commission proceeding – is or is not reasonable. As the PD states, any “VSL” deduced under the MAVF methodology is implied, coming as a result of the decisions made regarding weights and ranges, and there has been no examination or testing of such decisions or results in this proceeding. SoCalGas and SDG&E therefore propose modifications to correct this error in the Appendix.

²¹ PD at COL 7.

3. The PD’s language regarding Section 451 should be corrected.

The PD’s Conclusion of Law 3 states: “Public Utilities Code Section 451 requires the Commission to ensure that electric and gas utilities adopt just and reasonable rates.” However, Section 451 – which is located in the chapter of the Public Utilities Act governing the “Rights and Obligations of Public Utilities” – solely enumerates duties that the law places on public utilities. As noted above, § 451 establishes that utilities alone bear the statutory responsibility to “furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public” and to do so at “just and reasonable” rates. In interpreting “just and reasonable” rates under § 451, the Commission has long recognized that a “utility is entitled to all of its reasonable costs and expenses” in providing safe and reliable service to the public,²² consistent with longstanding legal precedent. Section 454(a) requires utilities to support their revenue requirement changes with evidentiary showings and Commission findings that the rate is justified.

Further, the PD should be revised to reflect the fact that § 451 assigns responsibility for safe and reliable service *only* to utilities, and only utilities shoulder the risks under consideration in this proceeding, under the law. Although technical working groups may examine issues related to Risk Attitude, Risk Tolerance, uncertainty, and tail risks in the RDF, only utilities bear the risks, and only utilities under law bear the operational responsibility for managing those risks.

Particularly in light of the history of contention and confusion on the law regarding these issues, the Commission should take this opportunity to modify the PD’s Conclusions of Law to reflect the applicable ratemaking legal precedent and framework, within which any adopted RDF must be harmonized and interpreted. Proposed modifications to this effect are included in the Appendix, including proposed new COLs, modifications to clarify the law, and modifications to eliminate unnecessary language and/or the suggestion that technical working groups may decide issues on a utility’s behalf regarding the provision of safe and reliable service that § 451 has assigned squarely to utilities.

²² D.03-02-035 at 6; *see also* D.14-08-011 at 31 (“[T]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of the property devoted to public use[.]”).

4. The PD’s language regarding the Interruption Cost Estimate (“ICE”) Calculator should be modified.

The PD, if adopted, would direct utilities to use the most current version of the Lawrence Berkeley National Laboratory Interruption Cost Estimate (“ICE”) Calculator to determine a standard dollar valuation of electric reliability risk for the Reliability Attribute.²³ The PD would also authorize utilities to use a different dollar valuation for electric reliability risk to that included in the ICE Calculator if they prefer.²⁴ The PD would require that a utility must provide an analysis comparing the results using its preferred electric reliability risk dollar valuation model to the results using the ICE Calculator, if an alternative is chosen.²⁵ The PD notes Staff’s acknowledgement that the ICE Calculator is still in development and “is currently unable to accurately calculate the impacts from outages lasting longer than sixteen hours,” and Staff’s recommendation that “the Commission direct the IOUs to participate in the development of the ICE 2.0 Calculator to make the calculator more applicable.”²⁶ The PD also agrees with parties’ comments on the Staff Proposal that “there are limitations to use of the ICE Calculator with regards to PSPS and that the proper quantification of PSPS risk and Benefits should be explored further in a future phase of this proceeding or in a successor proceeding.”²⁷

SDG&E agrees with the PD’s statements expressing concerns regarding the ICE Calculator’s accuracy and suitability for use in real-world applications, in its current form. As SDG&E has previously noted, the ICE Calculator is unproven and will require thorough and company-specific analysis and undetermined additional technical alignment, funding, time, and human resources to assess its accuracy and practical usefulness for quantifying electric reliability risk.²⁸ SDG&E’s wildfire mitigation and engineering competencies must be consulted to fully inform refinement of ICE Calculator outputs during the ICE 2.0 survey period and to inform SDG&E’s use of alternative reliability measures in its filings.

²³ PD at 35.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* at 29.

²⁷ *Id.* at 36.

²⁸ *See* Joint Comments at 10.

Given this uncertainty and the continuing development of the ICE Calculator, which Staff and the PD acknowledge, SDG&E believes it is premature for the PD to require utilities to use it as a first choice in their RAMP filings. Rather, at this stage of the ICE Calculator's development, it should be but one choice available to utilities in developing their RAMP report. Proposed edits to correct the relevant language is shown in the Appendix.

III. CONCLUSION

For all of the reasons set forth above, the Commission's final decision in this proceeding should be corrected as set forth above and in the Appendix.

Respectfully submitted this 23rd day of November 2022.

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APPENDIX

Proposed Corrections to Findings of Fact and Conclusions of Law

Proposed Corrections to Findings of Fact

11. As with the RSE values produced by the MAVF approach, Cost-Benefit Ratios are ~~central to the evaluation of~~ used to evaluate risk mitigations but ~~need not be~~ are not the only consideration in the final selection of Mitigations.
13. ~~Requiring the IOUs to use the LBNL ICE Calculator to determine a standard dollar valuation of electric reliability risk offers a first step towards solving the quantification and dollar valuation challenge of the Reliability Attribute while increasing clarity, transparency, and usefulness.~~

Proposed Corrections to Conclusions of Law

3. Public Utilities Code Section 451 establishes a duty for gas and electric utilities to “furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public,” and to do so at “just and reasonable” rates. ~~requires the Commission to ensure that electric and gas utilities adopt just and reasonable rates.~~

Proposed New COL 1:

Section 454(a) requires utilities to support their revenue requirement changes with evidentiary showings and Commission findings that the rate is justified.

Proposed New COL 2:

In determining whether a rate is “just and reasonable” in accordance with § 451, the Commission has long recognized that a utility is entitled to the opportunity to recover its reasonably incurred costs plus a reasonable rate of return, in return for providing safe and reliable service to the public, consistent with longstanding legal precedent.

4. The Commission should adopt the RDF in PD Appendix A on an interim basis, while fostering a transparent, collaborative formal process to develop a carefully revised RDF. ~~revise the Settlement Agreement adopted in the SA Decision and adopt the resulting “Risk-Based Decision Making Framework,” appended to this decision in Appendix A.~~
5. ~~The Commission should require IOUs to implement the Cost Benefit Approach in the RDF by implementing a dollar valuation of Attributes as described in this decision.~~
9. The Commission should ~~authorize the RDF TWG established in D.21-11-009~~ facilitate a

transparent, collaborative process that allows for formal comments and recognizes that utilities alone bear § 451 responsibility to provide safe and reliable service, to: (a) inform the utilities' prepare and propose recommendations regarding application of Risk Attitude, Risk Tolerance, uncertainty, and tail risks in the RDF; and (b) explore ways to identify a suitable standard that could be used for establishing a dollar valuation for gas reliability; and (c) explore if there is a need for, and, if so, recommend a formal process for authorizing exceptions to the recommended standard dollar valuations for consideration later in this proceeding.

13. ~~The Commission should require the IOUs to adopt the~~may use of the LBNL ICE Calculator to determine a standard dollar valuation of electric reliability risk for the Reliability Attribute in Risk Assessment Mitigation Phase filings.

Proposed Corrections to Text

PD at 32:

~~First, the change is warranted because the use of weights and ranges in the current MAVF approach has at times produced unreasonable "implied VSLs" in utility RAMP filings.~~

PD at 34:

~~We direct the~~The IOUs to may use the most current version of the LBNL ICE Calculator to determine a standard dollar valuation of electric reliability risk for the Reliability Attribute in Risk Assessment Mitigation Phase filings.