

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**

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September 25, 2023

**Agenda ID #21897**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 22-05-013:

This is the proposed decision of Administrative Law Judge Rafael L. Lirag. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 2, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:jnf

Attachment

Decision PROPOSED DECISION OF ALJ LIRAG (Mailed 9/25/2023)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) Regarding 2022 Risk Assessment Mitigation Phase.	Application 22-05-013
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**DECISION CLOSING RISK ASSESSMENT MITIGATION PHASE****Summary**

Today's decision closes Southern California Edison Company's (SCE) 2022 Risk Assessment Mitigation Phase (RAMP) proceeding. This RAMP proceeding informs SCE's Test Year (TY) 2025 General Rate Case (GRC) proceeding which was filed on May 12, 2023 (Application (A.) 23-05-010) and is currently ongoing as of the date of this decision.

SCE filed its RAMP submission pursuant to the procedures set forth in Decision (D.) 14-12-025, D.16-08-018, and the settlement agreement adopted in D.18-12-014. The RAMP submission presents SCE's enterprise-wide risks, risk model, risk spend efficiency methodology, and plans to mitigate these risks.

The Commission's Safety Policy Division (SPD) prepared an evaluation report and parties to the proceeding were given an opportunity to comment on both SCE's RAMP submission and SPD's Evaluation report. SPD and intervenors identified deficiencies and areas for improvement such as the need for increased granularity in presenting data, including other factors that impact risk such as

weather and wildfire smoke, the correct application of discount rates in Risk Spend Efficiency scores, SCE's Multi-Attribute Value Function calculations, and the impact of Public Safety Power Shutoff events.

The RAMP submission and comments and recommendations from SPD and parties inform SCE's TY 2025 GRC and incorporate SCE's consideration of these comments and recommendations. SCE's consideration and integration of these comments and suggestions into its safety-related proposals in A.23-05-010 complete this RAMP process, and no further action in this proceeding is required.

Approval of SCE's proposed mitigations to its safety risks as well as proposed costs shall be addressed in A.23-05-010. Any deficiencies and shortcomings that may still exist following integration of RAMP proposals and party comments into the GRC shall factor into whether the RAMP proposals and its associated costs shall be authorized. Issues relating to noncompliance with the settlement agreement adopted in D.18-12-014 should be raised in the next or appropriate phase of the Safety Model Assessment Proceeding.

For its next RAMP filing, SCE should continue to collaborate with SPD in order to identify areas for improvement and steps that will continue to increase transparency of SCE's assessment and analysis of its key safety risks and proposed mitigations.

This proceeding is closed.

## **1. Background**

On May 13, 2022, Southern California Edison Company (SCE) filed Application (A.) 22-05-013 to submit its Risk Assessment and Mitigation Phase (RAMP) submission pursuant to Decision (D.) 20-01-002.

SCE's RAMP submission presents the company's enterprise-wide risks as well as its Risk Model, Risk Spend Efficiency (RSE) Methodology, Safety Culture, and Compensation Policies.

According to SCE, the RAMP submission follows the requirements set forth in D.14-12-025, D.20-01-002 and other Commission guidance concerning RAMP.

The Commission's Safety Policy Division (SPD) is required to review SCE's RAMP submission and issue an evaluation report. Parties shall then be given an opportunity to file comments on both SCE's RAMP submission and SCE's evaluation report. The RAMP filing and comment process shall then form the basis of SCE's assessment and proposed mitigations for its safety risks in its next General Rate Case (GRC) filing.<sup>1</sup>

Responses to the application were filed by Small Business Utility Advocates (SBUA) and Mussey Grade Road Alliance (MGRA) on June 13, 2022.

Protests were filed by the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) on June 20, 2022.

SCE filed a Reply to the Protests and Responses on June 30, 2022.

A prehearing conference (PHC) was held on August 15, 2022 to discuss the scope, schedule, and other procedural matters. At the PHC, parties were directed to file briefs concerning specific sub-issues discussed during the PHC.

Briefs were filed by SCE, Cal Advocates, and MGRA on August 22, 2022. SCE filed a Reply Brief on September 1, 2022.

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<sup>1</sup> SCE's next GRC application being referred to is SCE's Test Year 2025 GRC which was filed on May 12, 2023 (A.23-05-010).

On September 19, 2022, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope of issues and procedural schedule.

On November 10, 2022, SPD served its evaluation report of SCE's RAMP submission.

On December 9, 2022, Comments to SCE's RAMP Report and SPD's evaluation report were filed by TURN, Cal Advocates, MGRA, and SBUA. SCE filed Comments to SPD's evaluation report also on December 9, 2022.

Reply Comments were filed by SBUA on December 30, 2022. TURN, MGRA, and SCE filed their Reply Comments on January 4, 2023.

On May 12, 2023, SCE filed its TY 2025 GRC proceeding.<sup>2</sup>

On July 24, 2023, the assigned Administrative Law Judge (ALJ) issued a ruling requiring additional information. SCE filed a Response to the ruling on August 14, 2023.

On July 25, 2023, the assigned ALJ issued a ruling including SPD's evaluation report into the record of the proceeding.

On August 31, 2023, SCE filed a Motion to Close the Proceeding. TURN filed a Response on September 15, 2023.

This proceeding is deemed submitted on September 15, 2023 upon the filing of TURN's response to the motion to close the proceeding.

## **2. The RAMP Process**

Under the procedures adopted in D.14-12-025 and later modified in D.16-08-018 and D.18 12 014, SCE is required to file its RAMP submission to the Commission in 2022. The RAMP was initially required to be filed as a request for

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<sup>2</sup> A.23-05-010.

an Order Instituting Investigation but was later amended by D.20-01-002 to be filed as an application. Additional requirements relevant to RAMP applications became effective in 2021 with the adoption of D.21-11-009.<sup>3</sup> This latest decision provided more specific requirements for RAMP applications including adoption of Safety Operational Metrics, cost of foundational programs, and establishment of a technical working group led by SPD.

SPD will then review SCE's RAMP submission and issue an evaluation report. Parties to this proceeding will then have the opportunity to comment on both the utility's RAMP submission and SPD's evaluation report. The RAMP filing and comment process will then form the basis of SCE's assessment of its safety risks in its Test Year (TY) 2025 GRC application.

The latest Safety Model Assessment Proceeding (S-MAP) application and requirements for this RAMP application were adjudicated in D.16-08-018. Among other things, D.16-08-018 adopted on an interim basis a multi attribute approach, which potentially relies on utility equivalent features, to implement the use of probabilistic modeling to assess and manage risks. In addition, D.16-08-018 adopted guidelines for what the RAMP submissions should include, as well as an evaluation method to evaluate PG&E's RAMP submission, and a list of the ten recommended RAMP components.

D.18-12-014 adopted a settlement agreement which approved a standardized risk-based decision-making model that utilities are required to employ in RAMP and GRC filings. The settlement agreement provided minimum required elements for risk and mitigation analysis leading to a more uniform and quantitative risk-based decision-making framework. The settlement

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<sup>3</sup> D.21-11-009 is the decision addressing Phase 1 issues in R.20-07-013 which is the current S-MAP application.

agreement also provides enhancements to the Multi-Attribute Value Function (MAVF) analysis and the 10 major components of RAMP.<sup>4</sup>

Finally, D.20-01-002 provided modifications to the timing for utilities' GRCs and RAMP filings as well as requiring the filing of RAMP submissions as applications.

The RAMP process continues to be refined and the current S-MAP proceeding, R.20-07-013 will build on requirements for the utility risk assessment and mitigation framework adopted in the previous S-MAP proceeding.<sup>5</sup> Phase 1 of R.20-07-013 adopted new safety performance metrics and modified transparency guidelines but these changes are not applicable to this proceeding. Phase 2 of the current S-MAP is ongoing.

### **3. SPD Report and Comments by Parties**

#### **3.1. SPD's Evaluation report**

SPD performed an evaluation of SCE's RAMP submission and served a copy of its evaluation report on November 10, 2022. SPD also conducted a post-evaluation report workshop on November 29, 2022 which was attended by parties in this proceeding. As noted by SPD, this RAMP is SCE's first RAMP wherein the terms of the S-MAP Settlement Agreement apply. SPD's evaluation report focused on whether SCE's RAMP submission complied with the relevant Commission decisions on what the RAMP submission should include and areas where utility risk management practices were deficient or can be improved.

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<sup>4</sup> The Phase 2 decision in the S-MAP proceedings was issued on April 25, 2019, in D.19-04-020. This decision provided updated guidelines, but the focus of the decision was on the Risk Spending Accountability Reports and safety performance metrics.

<sup>5</sup> A.15-05-002

At a high level, SPD's evaluation report found that the RAMP submission was missing RSE calculations for compliance-related mitigation activities, utilized an unjustified discount rate for implementing incremental mitigation costs, utilized a high Value of Statistical Life (VSL), lacked detail or explanation for the extent of selected mitigations, lacked transparency related to models using machine learning techniques, used oversimplified risk bowties, and lacked granularity in the presentation of SCE's risk analysis.

SPD cited more specific deficiencies and areas for improvement in the different chapters of its evaluation report covering various risk topics such as wildfire, Public Safety Power Shutoff (PSPS), contact with energized equipment risk, underground equipment risk, physical and cyber security, seismic events risk, hydro dam failure, climate change, and transmission and substation assets risk.

### **3.2. Comments on RAMP Submission and SPD Report**

Parties to the proceeding filed comments to the RAMP Report and the evaluation report conducted by SPD. These comments and PG&E's consideration of these comments in its GRC filing form an integral part of the RAMP process.

TURN disagrees with the discount rates applied to the RSE values for risk reductions and costs TURN recommends using SCE's weighted average cost of capital (WACC) as the discount rate for both RSE risk reductions and costs instead of the 10 percent value used by SCE. TURN also believes that the justifications for risk mitigation activities are insufficient. Regarding SCE's MAVF calculations, TURN agrees with SPD that the MAVF calculations are excessive, and the relative weights and ranges must be recalibrated to achieve a more realistic value of a statistical life (VSL). TURN also recommends a year-by-



year breakdown of RSEs and that RSEs be recalculated to include other considerations such as egress-related risks.

Cal Advocates recommends that SCE's GRC filing evaluate SCE's risk management processes for potential improvements to address and prevent safety and reliability incidents and assess the risk of deferred or incomplete safety work and include programs to mitigate this risk.

MGRA states that SCE's risk modeling contains several deficiencies such as the lack of wind dependency in ignition models, not capturing extreme weather impacts, the limitations to the Technosylva consequence modeling<sup>6</sup>, and the correlation between ignition and consequence. MGRA also recommends using power laws to model catastrophic events and including the impacts of wildfire smoke PSPS in SCE's risk modeling.

SBUA agrees with SPD regarding more appropriate tranche granularity and recommends that RSE calculations should not be the sole factor in determining the reasonableness of mitigations. SBUA also suggests that PSPS impacts should be categorized by the number and type of customer. In addition, SBUA states that SCE should specifically target small businesses in its resiliency equipment rebate programs. SBUA also suggests that the Commission clarify whether RSE scores should be made for compliance-related activities.

SCE provided comments to SPD's evaluation report and comments from intervenors. SCE agrees with SPD's recommendation to have dual discount rates for costs and benefits but disagrees with TURN that the discount rate for costs and benefits should be the same. SCE disagrees with SPD's proposal regarding ignition risk and that it has decoupled its wildfire mitigation planning from risk

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<sup>6</sup> Technosylva is a wildfire science company that specializes in solutions for wildfire protection planning, risk analysis, simulation modeling, and operational response.

scores. SCE also disagrees with the recommendation from SPD and certain parties to include wildfire smoke in its risk modeling. SCE also states that PSPS events have different impacts on different customers and considers this aspect in its risk assessment. SCE also says it has reasonable grounds for excluding RSE scoring of compliance-based activities and that the estimated spending for cybersecurity risk mitigations should be determined in its GRC proceeding. It also believes that its MAVF calculations are compliant with the S-MAP settlement agreement. However, SCE states that it will explore alternative methods of presenting data on wildfire risks that are more granular such as presenting risk analysis at the structure or circuit segment level. SCE also states that several issues raised by Cal Advocates such as assessment of risk and development of an action plan for overdue, deferred, or incomplete safety work are outside the scope of this RAMP. Finally, SCE states that SPD and TURN misinterpret the language in the S-MAP Settlement Agreement concerning explanations for the scope and pace of proposed mitigations.

#### **4. Integration of RAMP with TY 2023 GRC**

In its RAMP submission, SCE provided a description of its top safety risks, and explains how SCE analyzes and prioritizes each risk for the years 2025 to 2028. SCE then provides how it proposes to mitigate each of these safety risks.

SCE's TY 2025 GRC filing on May 12, 2023 includes RAMP-related forecasts and spending for the TY 2025 GRC cycle. The RAMP activities are embedded in various GRC activities such as SCE's Overhead Conductor Program, External Communications, Employee and Contractor Safety, and many other GRC topics. The programs and spending for safety and risk mitigation activities form part of SCE's GRC application and these shall be reviewed, evaluated, and authorized in SCE's TY 2025 GRC proceeding.

In its August 14, 2023 Response to the assigned ALJ ruling, PG&E submitted a roadmap that provides the specific TY 2025 GRC exhibit and volume where each RAMP control or mitigation is discussed. The roadmap also provides a financial reconciliation between the RAMP and GRC. In addition, SCE also provided the testimony locations where all of comments from intervenors in this proceeding were addressed.

SCE's GRC testimony and workpapers contain an assessment of its RAMP risks, proposed controls and mitigations, and explanations how these will mitigate risk and incorporate feedback from the RAMP process. The testimony also contains the requested amounts and forecast of costs to implement the RAMP controls and mitigations as well as addressing issues raised by parties. For example, recommendations by Cal Advocates concerning asset management appear to be included or addressed in SCE's Enterprise Risk Management program testimony.

The integration of feedback, findings, and lessons learned from the RAMP process into the TY 2025 GRC completes the RAMP process described in D.14-12-025 and D.16-08-018. The various RAMP-related testimonies and workpapers as well as the reasonableness of the proposed controls and mitigations and costs shall be reviewed in SCE's TY 2025 GRC, A.23-05-010. The reasonableness of the proposed mitigations and corresponding costs will be reviewed in the GRC and must be supported by the record of that proceeding before any authorization can be granted.

As discussed in the preceding section, SPD and other parties identified deficiencies in SCE's RAMP submission during the comment process of the proceeding. However, the RAMP process does not afford the Commission the

time to address these changes in this proceeding. Instead, SCE is required to incorporate the feedback from SPD and parties into its GRC filing.

SCE is not required by the current RAMP process to agree with all of the recommendations made by SPD and parties but must carefully consider these recommendations. For example, SCE did not implement some of the recommendations made concerning PSPS. However, the deficiencies identified by parties may ultimately impact authorization of the programs proposed and amounts authorized for RAMP-related forecasts in SCE's GRC application. The deficiencies identified in this RAMP may also be raised by parties in SCE's GRC proceeding.

For disagreements relating to the interpretation of specific terms in the S-MAP Settlement Agreement, we find that these are more appropriately addressed in SCE's next S-MAP or appropriate phase of S-MAP rather than in this proceeding or SCE's GRC. This is because such determinations also impact other utilities that are required to file RAMP. Finally, SCE should continue to coordinate with SPD regarding improvements to its next RAMP submission.

Attachment "A" to this decision is SCE's roadmap showing where in the GRC testimony each RAMP control or mitigation is discussed and where parties' recommendations were addressed.

## **5. Conclusion**

SCE filed its RAMP Report pursuant to the procedures adopted in D.14-12-025, D.16-08-018, and D.18-12-014. SPD reviewed the RAMP Report and completed its evaluation report. Workshops were held to discuss topics relating to SCE's key safety risks and proposed mitigations as well as SPD's review of

SCE's RAMP submission.<sup>7</sup> Parties were then given the opportunity to comment, and comments to both the RAMP Report and SPD's evaluation report were filed.

SCE then filed its TY 2025 GRC on May 12, 2023. According to SCE, the testimony and workpapers in the GRC application include evaluation and analysis of its key safety risks and proposed mitigations of such risks. SCE also presented a roadmap identifying where in its TY 2025 GRC testimony and workpapers each risk and mitigation appears as well as the testimonies where parties' comments were addressed. The safety related proposals incorporate feedback from SPD and parties from the RAMP proceeding process, which completes the RAMP process for this GRC cycle.

SPD and other parties identified several deficiencies, gaps, and areas for improvement which SCE took under advisement in making its safety-related forecasts and risk analysis and mitigation proposals in the GRC. SCE agreed with some of the recommendations but disagreed with some of the proposals made by SPD and parties.

The proposed spending for risk mitigation programs and the efficiency of funding for these risk mitigation programs are to be reviewed in A.23-05-010 as part of SCE's revenue requirement for TY 2025. The Commission will evaluate in the GRC whether the funding requests for these safety related proposals should be authorized. In other words, funding is not authorized in the RAMP but in the GRC which is informed by this RAMP.

However, disagreements relating to the interpretation of certain terms in the S-MAP Settlement Agreement are more appropriately addressed in the next S-MAP or appropriate phase of S-MAP rather than in this proceeding or SCE's

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<sup>7</sup> SCE held a pre-filing workshop on December 6, 2021 and a post-filing workshop on June 30, 2022. SPD conducted a post-SPD report workshop on November 29, 2022.

GRC because such determinations also impact other utilities. Finally, SCE should continue to work with SPD regarding its next RAMP submission.

The RAMP process focuses on safety and effective risk mitigation to further reduce risk to SCE, employees, contractors, and the public. SCE benefitted from the various comments and insight provided by SPD and parties in this proceeding.

Regarding TURN's comment in its September 15, 2023 Response about allowing intervenors to carry forward hours and costs from this proceeding to SCE's GRC, the Commission has allowed this in prior RAMPs, and we find no reason to deviate from this practice.

## **6. Comments on Proposed Decision**

The proposed decision of ALJ Lirag 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. Comments were filed by \_\_\_\_\_ on \_\_\_\_\_. Reply comments were filed by \_\_\_\_\_ on \_\_\_\_\_.

## **7. Assignment of Proceeding**

Commissioner Genevieve Shiroma is the assigned Commissioner and Rafael L. Lirag is the assigned ALJ for the proceeding.

## **Findings of Fact**

1. D.20-01-002 required this RAMP proceeding to be filed as an application.
2. The procedures set forth in D.14-12-025 were modified in D.16-08-018 and by the settlement agreement adopted in D.18-12-014.
3. SPD completed its evaluation of SCE's submission.
4. Parties were given the opportunity to provide comments on both SCE's RAMP submission and SPD's Evaluation report.

5. Parties to the proceeding filed comments on SCE's RAMP submission and SPD's Evaluation report.
6. SPD and parties identified deficiencies in SCE's RAMP submission and made recommendations for improvement.
7. SCE filed comments agreeing to some of the findings made by SPD and parties but disagreed with some of the comments that were made.
8. The final step in the RAMP process was for SCE to integrate the RAMP filing and comments from SPD and intervenors into its TY 2025 GRC application.
9. SCE's TY 2025 GRC application included testimony and workpapers containing evaluation and analysis of its enterprise risks and proposed mitigations of such risks.
10. SCE submitted a roadmap identifying where in its TY 2025 GRC testimony and workpapers each risk and mitigation appears.
11. Proposed spending for risk mitigation programs and activities and the efficiency of risk mitigation funding are to be reviewed in SCE's TY 2025 GRC application.
12. Issues concerning the interpretation of disputed settlement terms in D.18-12-014 are more appropriately addressed in the next S-MAP or appropriate phase of S-MAP.
13. The Commission has previously allowed intervenors to carry forward hours and costs in a RAMP proceeding to the corresponding GRC proceeding.
14. There are no issues of material fact in contention.

### **Conclusions of Law**

1. SCE filed this proceeding pursuant to the procedures set forth in D.14-12-025, D.16-08-018, and D.18-12-014.

2. This proceeding should be evaluated based on the requirements set forth in D.14-12-025, D.16-08-018, and D.18-12-014.

3. The procedures adopted in D.14-12-025, D.16-08-018, and D.18-12-014 setting forth the information required in this current RAMP proceeding have been complied with and this RAMP process is now complete.

4. Hearings are not necessary.

5. SCE integrated comments from SPD and other parties into its TY 2025 GRC application.

6. SCE's RAMP-related requests in its TY 2025 GRC will be examined and reviewed in A.23-05-010.

7. Further improvements regarding SCE's next RAMP filing should be discussed with SPD prior to SCE's next RAMP filing.

8. Disputes concerning the interpretation of specific terms in the S-MAP Settlement Agreement should be addressed in the next S-MAP or appropriate phase of S-MAP.

9. Intervenors in this proceeding should be allowed to carry forward hours and costs to A.23-05-010

10. This RAMP proceeding should be closed.

## **O R D E R**

### **IT IS ORDERED** that:

1. The final category for the application is ratesetting and hearings are not necessary.

2. Southern California Edison Company shall respond to issues that may be raised by intervenors in Application 23-05-010, concerning deficiencies associated with its Risk Assessment Mitigation Phase filing and proposed risk mitigation programs.



3. Intervenors are allowed to carry forward hours and costs in this proceeding to Application 23-05-010.

4. Within twelve months after the date of this decision, Southern California Edison Company shall initiate and schedule discussions with the Commission's Safety Policy Division regarding ways to improve its next Risk Assessment Mitigation Phase filing.

5. Southern California Edison Company's Motion to Close the Proceeding is approved.

6. Application 22-05-013 is closed.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California.

**ATTACHMENT A**  
Roadmap of Risk Assessment and  
Mitigation Phase in its 2025 General Rate Case