

Decision 15-11-005 November 5, 2015

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

Order Instituting Rulemaking to Develop a  
Risk-Based Decision-Making Framework to  
Evaluate Safety and Reliability  
Improvements and Revise the General Rate  
Case Plan for Energy Utilities.

Rulemaking 13-11-006  
(Filed November 14, 2013)

**DECISION ADDRESSING SAFETY AND RISK MANAGEMENT ISSUES  
DEFERRED TO THIS PROCEEDING BY DECISION 15-01-029**

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**DECISION ADDRESSING SAFETY AND RISK MANAGEMENT ISSUES  
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**Summary**

In the 2014 general rate case (GRC) of Pacific Gas and Electric Company (PG&E) in Application (A.) 12-11-009 and Order Instituting Investigation (I.) 13-03-007, certain issues identified in reports prepared by consultants for the Commission's use were deferred to this proceeding, along with the issues identified in Conclusion of Law 42 in Decision (D.) 14-08-032.<sup>1</sup> The consultants were hired as part of the 2014 GRC to evaluate PG&E's programs and policies regarding safety and risk assessments, and risk mitigation. In addition, the consultants were hired to evaluate PG&E's corporate policies, goals, culture, and its efforts to bolster system safety and security.

D.15-01-029 directed that the prospective recommendations in the consultants' reports, and Conclusion of Law 42 in D.14-08-032, be addressed in this proceeding, Order Instituting Rulemaking (R.) 13-11-006, or in another proceeding designated by the Commission.

In the consultant report prepared by the Liberty Consulting Group (Liberty), the report reviewed the safety and security initiatives contained in the capital and operations and maintenance expenditures proposed by PG&E's power generation and electric operations units in its 2014 GRC application. The Liberty report also evaluated the framework, methods, practices, and activities that PG&E used to assess risks in these areas.

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<sup>1</sup> D.14-08-032 is the decision addressing PG&E's 2014 GRC revenue requirement request in A.12-11-009, and D.15-01-029 is the decision that deferred the remaining issues in PG&E's 2014 GRC filing to this proceeding.

Cycla Corporation (Cycla) was hired to evaluate how well PG&E incorporated risk characterization in selecting the set of safety improvements it proposed to undertake during the 2014 GRC cycle.

In Conclusion of Law 42 of D.14-08-032, PG&E was directed to begin working on the development of data for a base line system wide leak find rate. That Conclusion of Law, as well as the pertinent reference in D.14-08-032, stated that this base line system could be used to set the basis for performance metrics and rate levels concerning leakage on natural gas pipelines and the effect on greenhouse gases.

We have reviewed the prospective recommendations in the Liberty and Cycla reports, and Conclusion of Law 42 in D.14-08-032, in the context of other proceedings and decisions that were issued near or after the time D.14-08-032 was decided.

In D.14-12-025, the Commission adopted a risk-based decision-making framework for all of the energy utilities in Order Instituting Rulemaking (R.) 13-11-006. As part of that framework, D.14-12-025 adopted the Safety Model Assessment Proceeding (S-MAP), the Risk Assessment Mitigation Phase (RAMP), as well as two annual reporting requirements. R.13-11-006, and the S-MAP and RAMP processes adopted in that proceeding, were put into place in response to legislation to prioritize safety for the natural gas utilities, and to consider safety in the rate case applications of the electric utilities.

Most of the prospective recommendations that were made in the Liberty and Cycla reports have been addressed through the processes adopted in that decision, or will be addressed in the S-MAP, RAMP, and annual reporting

processes initiated by D.14-12-025, or in I.15-08-019.<sup>2</sup> As discussed in this decision, PG&E will also be required to address how it has responded to certain of these recommendations in its 2017 general rate case application. As for the issues identified in Conclusion of Law 42 in D.14-08-032, those are being addressed in R.15-01-008.<sup>3</sup>

## **1. Background**

Decision (D.) 15-01-029 is the decision disposing of the remaining issues in Pacific Gas and Electric Company's (PG&E) 2014 general rate case (GRC) proceeding in Application (A.) 12-11-009. In that decision, the Commission directed that the prospective recommendations in the consultants' reports be addressed in this proceeding, Order Instituting Rulemaking (R.) 13-11-006, or in "other proceeding(s) subsequently designated by the Commission." (D.15-01-029 at 4.)

The prospective recommendations contained in the consultants' reports were developed as a result of the March 5, 2012 letter from the Commission's Executive Director to Pacific Gas and Electric Company (PG&E). PG&E was directed in that letter to fund the Commission's hiring of consultants to evaluate PG&E's risk assessments, risk mitigation, programs and policies, and PG&E's corporate policies, goals, culture and the efforts being made to bolster system safety and security. PG&E was also directed in the March 5, 2012 letter to

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<sup>2</sup> I.15-08-019 was recently opened to address whether PG&E's organizational culture and governance prioritizes safety and adequately directs resources to achieve safety goals and standards.

<sup>3</sup> R.15-01-008 is addressing the rules and procedures that should be adopted to reduce natural gas leakage from pipelines in order to reduce greenhouse gas emissions.

include in its 2014 general rate case (GRC) filing a risk assessment to support its rate request, and to “perform and provide a risk assessment of its entire system, both gas and electric, and a comparison to industry best practices.”

(March 5, 2012 Letter.) The consideration of the issues raised in the consultants’ reports were then included in the January 22, 2013 scoping memo and ruling in PG&E’s 2014 GRC Application (A.) 12-11-009.

In a May 17, 2013 ruling in A.12-11-009, the two consultant reports prepared by Liberty Consulting Group (Liberty) and the Cycla Corporation (Cycla) were made available to the service list. The third consultant report, prepared by Overland Consulting (Overland), was made available in a May 31, 2013 ruling.

The Liberty report reviewed the capital and operations and maintenance expenditures proposed by PG&E in its 2014 GRC application with respect to the safety and security initiatives to be undertaken by PG&E’s power generation and electric operations lines of business. The Liberty report also evaluated the framework, methods, practices, and activities that PG&E used to assess risks in these areas.

The Commission hired Cycla to evaluate PG&E’s GRC filing regarding gas distribution to evaluate how well PG&E incorporated risk characteristics in selecting the set of safety improvements it proposed to undertake during the 2014 GRC cycle. The focus of Cycla’s report was to determine how well PG&E’s decision making processes incorporated an understanding of safety risk in deciding how best to improve the safety of its gas distribution system through changes to its pipeline system, and how PG&E manages the system.

The third consultant report was prepared by Overland, who was hired by the Commission to conduct a financial audit and retrospective review of the

management practices of PG&E's gas distribution operations. The objectives of the audit included: comparing the actual gas distribution operation and maintenance expenses and capital expenditures from 1999 to 2010 to the amounts adopted in the past GRCs; and comparing the actual return on equity earned by PG&E's gas distribution operations to its authorized return on equity from 2003 to 2010.

An amended scoping memo and ruling was then issued on June 9, 2014 in A.12-11-009 which stated:

"The findings and conclusions in these Consultant Reports will be utilized, as relevant, for purposes of the Commission's determinations and adoption of revenue requirements for test year 2014 and for attrition years 2015 and 2016. As a separate matter apart from issues relating to the 2014-2016 revenue requirements, however, the Consultant Reports also present prospective recommendations regarding future actions that PG&E should take to improve its risk assessment and risk management practices and policies going forward to promote achievement of appropriate standards safety, security, and reliability." (A.12-11-009, June 9, 2014 Ruling, at 2.)

The amended scoping ruling directed that the prospective recommendations in the three reports be addressed in a decision separate from the 2014 GRC decision.

The June 9, 2014 amended scoping ruling noted that the Commission had recently opened this proceeding, R.13-11-006. The amended scoping ruling stated that R.13-11-006 is to address:

"... whether and how the Commission should formalize rules to ensure effective use of a risk based decision-making framework to evaluate safety and reliability improvements presented in GRC applications, develop necessary performance metrics and evaluation tools, and modify the Rate Case Plan documentation requirements for

investor-owned energy utilities. Depending on the timing of R.13-11-006 in relation to this proceeding, consideration of issues in the Consultant Reports may be informed by developments in R.13-11-006.” (A.12-11-009, June 9, 2014 Ruling, at 3.)

After the 2014 GRC decision for PG&E was adopted in D.14-08-032, the Commission adopted D.15-01-029.<sup>4</sup> D.15-01-029 directed that the prospective recommendations in the consultants’ reports be “addressed in R.13-11-006, or other proceeding(s) subsequently designated by the Commission.” (D.15-01-029 at 4.) D.15-01-029 also stated at page 4 that “We conclude that R.13-11-006 is an appropriate forum to address the issues pending in this proceeding relating to PG&E’s prospective safety and reliability risk assessment and mitigation practices.”

In footnote 2 at page 3 of D.15-01-029, the Commission specifically excluded the Overland report from any further examination since the Overland report “focused only on historic periods, and did not present prospective recommendations....”

D.15-01-029 also noted that D.14-12-025, issued in this proceeding, adopted the two new procedures of the Safety Model Assessment Proceeding (S-MAP), and the Risk Assessment Mitigation Phase (RAMP). The Commission stated in D.15-01-029 at 5 that these processes “as adopted in D.14-12-025, provides a

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<sup>4</sup> In Conclusion of Law 41 in D.14-08-032 at 730, the Commission concluded that the 2014 GRC proceeding “should remain open to consider whether PG&E should be directed to take actions subsequent to the 2014 test year to promote employee and public safety and system reliability, including consideration of the recommendations in the consultant reports prepared by Liberty, Consulting Group (sic), Cyclo Corporation, and Overland.”



suitable framework to resolve any pending recommendations in the Consultant Reports that warrant additional Commission action, as identified in the Amended Scoping Memo.”

D.15-01-029 also directed that the issues identified in Conclusion of Law 42 in D.14-08-032 be addressed in R.13-11-006. (*See* D.14-08-032 at 3, and Ordering Paragraph 1 at 17.) Conclusion of Law 42 in D.14-08-032 states:

“PG&E should begin working on developing the data for a base line system wide leak find rate that could form the basis setting performance metrics and rate levels consistent with best practice. In the next phase of this proceeding, dealing with prospective recommendations in the Safety Consultant Reports relating to PG&E’s risk assessment and mitigation practices, further directives should be considered regarding the development of such performance metrics.”

Recently, the Commission opened Order Instituting Investigation (I.) 15-08-019, which is looking into whether PG&E’s organizational culture and governance prioritizes safety, and adequately directs resources to achieve safety goals and standards.

## **2. Deferred Issues**

Certain issues identified in the consultant reports prepared in connection with PG&E’s 2014 GRC were deferred to this proceeding, or to a proceeding to be designated in this proceeding.

The issues deferred to this proceeding fall into two categories. The first category of deferred issues pertain to the prospective recommendations contained in the consultant reports that were prepared in connection with PG&E’s 2014 GRC proceeding. The Commission specifically excluded the Overland report from any further examination in this proceeding. The Commission stated in D.15-01-029: “Because the Overland Report focused only on historic periods, and did not present prospective recommendations, no

further disposition of Overland Report findings is necessary in this proceeding.” (D.15-01-029, footnote 2, at 3.) Thus, the only prospective recommendations that need to be addressed in this proceeding are those set forth in the Liberty and Cyla reports. We describe those prospective recommendations below.

The second category of issues that have been deferred to this proceeding concern Conclusion of Law 42 in D.14-08-032. That conclusion provides that “PG&E should begin working on developing the data for a base line system wide leak find rate that could form the basis setting performance metrics and rate levels consistent with best practice.” (D.14-08-032, at 78-79, Conclusion of Law 42 at 730; *See* D.15-01-029 at 3, Ordering Paragraph 1 at 17.) A review of D.14-08-032 reveals that this conclusion relates to that decision’s section on leak survey and repair. As part of the discussion about “basis setting performance metrics,” the Commission referenced the effects of gas leakage on greenhouse gases and Senate Bill (SB) 1371, which had not yet been codified into law at the time D.14-08-032 was issued.<sup>5</sup> (*See* D.14-08-032, at 78-79.) Conclusion of Law 42 also states that these “basis setting performance metrics” should be addressed in connection with the consultant reports recommendations about “risk assessment and mitigation practices.”

The prospective recommendations in the Liberty report consist of the following:<sup>6</sup>

1. PG&E should increase the organizational emphasis on risk management, recognizing and responding to the need for

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<sup>5</sup> SB 1371 was signed by the Governor, and chaptered into law, on September 21, 2014 in Chapter 525 of the Statutes of 2014. D.14-08-032 was issued on August 20, 2014.

<sup>6</sup> For ease of reference, we have numbered each of the Liberty and Cyla recommendations.

enhancing the pace and the “buy-in” of the business units to the new risk management program.

2. The stakeholders should consider the optimum means outside the GRC context for underscoring the long-term nature of the interest in enhanced use of risk assessment in considering safety matters and for addressing the merits of a comprehensive approach by the state’s energy utilities.
3. There should be a structured, comprehensive process for providing to the Commission, regular reports of amounts actually spent versus GRC forecasts, supported by analysis and explanation of variances.
4. PG&E should provide an improved justification and rationale for proposed GRC safety spending levels. Additional information that should be provided includes:

Compelling safety objectives and benchmarks that drive spending levels;

A long term vision of what the future infrastructure looks like;

A long term plan to achieve that vision;

An analysis of associated rates to assure sustainability;

Linkage of safety projects and initiatives to the achievement of long term objectives;

Analysis / justification of the safety spending levels;

The safety metrics that will be achieved due to the expenditures;

Why that optimizes achieving objectives in an appropriate time frame;

The benefits that will result;

The benefits or consequences of more or less spending.

5. Power Generation should modify the planning process in the future to: (a) provide allowances for new and carryover work and (b) provide the list of projects that are proposed to be deferred if less than requested funding is granted by the Commission.

6. PG&E should define its proposed philosophy of risk and undertake an initiative to reach consensus on that philosophy with the Commission.
7. PG&E should develop a definition of “safety project” with concurrence by the Commission, such that the future of the program has a common basis for reporting.
8. Executive sponsorship of risk management within the responsibility of the current incumbent would be enhanced by changing his reporting from the CFO to the CEO.
9. The corporate risk organization would be significantly enhanced with the addition of a person with long and senior utility operating experience.
10. PG&E needs to recognize that the effective implementation of the program requires an inducement of culture change in how the Company assesses and uses risk considerations and a sense of greater urgency in moving toward its expected steady state.
11. PG&E should consider the addition of an “infrastructure sustainability risk” to its enterprise risks. For example: “The risk that infrastructure deteriorates (due to age and/or other factors) at a pace and to an extent that makes future recovery prohibitively expensive.”
12. Corporate risk management should enhance its plans for assuring effective exercise of [Line of Business] risk functions, including efforts to ensure that risk considerations are being applied in accordance with program expectations, that appropriate risk scenarios are being examined, that monitoring of preparation and implementation of risk response plans is active, and that analysis and reporting on program status and effectiveness is meaningful and comprehensive.

(See Liberty report at S-3 to S-11.)

The prospective recommendations in the Cycla report consist of the following:

1. Develop, communicate, and implement a multi-year plan to continue the evolution of risk-informed rate case budgeting.
2. Finalize the set of criteria against which GRC filings will be measured in the future, and then embed these criteria in regulation.
3. Require PG&E to document its corresponding multi-year program to satisfy CPUC criteria.
4. Require PG&E to develop, track, and report on a set of specific performance metrics designed to measure the safety improvements actually achieved by its proposed activities.
5. Establish a monitoring program to track PG&E progress in implementing activities funded through the 2014 GRC deliberation.
6. Work together with the Pipeline and Hazardous Materials Safety Administration (PHMSA), other state safety regulators, and the pipeline industry to promote advancements in pipeline system risk modeling.
7. Work together with PHMSA, other state safety regulators, and the pipeline industry to promote exchanges of information on industry best practices that have demonstrated superior impact on safety performance.
8. Work to improve the balance between operator flexibility and accountability by focusing on greater transparency and CPUC oversight of budget revisions.
9. Determine how best to ensure that PG&E is developing and expanding its knowledge base of system and operational characteristics on which risk characterization is critically dependent.
10. Determine how best to use operator risk characterization developed in support of rate case filings to strengthen appropriate safety advocacy by the CPUC.

(See Cycla report at pages viii, 62-67.)

### **3. Discussion**

As discussed below, the above prospective recommendations in the Liberty and Cycla reports all relate to the efforts being developed with respect to the risk-based decision-making framework that the Commission adopted in D.14-12-025 in this proceeding, and in I.15-08-019. The leak rate and metrics issues identified in Conclusion of Law 42 of D.14-09-032 are being addressed in R.15-01-008.

Before discussing where all of these issues should be addressed, or have been addressed, it is useful to provide some explanatory background about the risk-based decision-making framework that was adopted in D.14-12-025. In D.14-12-025, the Commission adopted some changes to the Rate Case Plan (RCP). The RCP guides the regulated energy utilities on the type of information that is to be presented in their rate request applications, and the procedural schedule that is to be followed.

In response to legislation to place safety as a priority for the natural gas utilities, and to consider safety in the rate case applications of the electric utilities, the RCP was modified in D.14-12-025 to incorporate risk-based decision-making into the GRCs of the large energy utilities. (See D.14-12-025, at 4, 16-18.) The Commission stated that “Since it is in those GRC proceedings where we adjudicate and adopt reasonable rates for the customers of each energy utility, it is appropriate to take steps to prioritize safety in each energy utilities’ GRC proceeding.” (D.14-12-025, at 16.)

The risk-based decision-making framework adopted in D.14-12-025 consists of three new processes, the S-MAP, the RAMP, and annual verification reports. We describe each of those processes below, in order to explain where

the prospective recommendations in the Liberty and Cycla consultant reports should be addressed, or have been resolved.

As stated in D.14-12-025:

“The purpose of the S-MAP is to allow the Commission and parties to examine, understand, and comment on the models that the energy utilities plan to use to prioritize risks and to mitigate risks. The other purpose of the S-MAP is to allow the Commission to establish the guidelines and standards for these models.” (D.14-12-025, at 21.)

The four large energy utilities were directed in D.14-12-025 to file S-MAP applications which “shall contain a description and the applicable information as to how each utility assesses the risks to safety associated with its system and services, and the tools or activities that it plans to use to manage, mitigate, and minimize such risks.” (D.14-12-025, at 29, Table 2 at 30.)

As part of the initial S-MAP process, the Commission envisioned that workshops and working groups could be held “to explore and understand each utility’s S-MAP plan, and to determine if common models or elements can be developed for use by all the large energy utilities.” (D.14-12-025, at 29-30.) At the end of each S-MAP proceeding, the Commission is to issue a:

“decision deciding whether a particular risk assessment approach or model that a utility is using, or a variant or alternative model, can be used as the basis for each energy utilities’ RAMP filing in its respective GRC. The S-MAP decision can also address whether uniform or common standards must be used by the energy utilities in their next S-MAP filings, or direct the energy utilities to pursue this issue further.” (D.14-12-025, at 30.)

The RAMP process is to occur about a year before the energy utilities file their respective GRC applications. The purpose of the RAMP filing is “to review the utility’s RAMP submission for consistency and compliance with its prior

S-MAP, and to determine whether the elements contained in the RAMP submission can be used in the utility's GRC filing to support its position on the assessment of its safety risks, and how it plans to manage, mitigate, and minimize those risks in the context of the utility's upcoming GRC application filing." (D.14-12-025, at 38-40.) The Commission envisions that the RAMP process will provide all parties with "the opportunity to ensure that safety is the top priority, and that these safety considerations are being considered in the utility's GRC filing in an open and transparent manner." (D.14-12-025, at 39.)

In adopting the S-MAP and RAMP procedures, the Commission stated:

"The adopted S-MAP and RAMP procedures will allow all of us to become familiar with the methodologies, models, and approaches to better assess the safety risks inherent in the operations of the energy utilities, and how to best manage, mitigate, and to minimize such risks. The outcomes of these early S-MAP and RAMP proceedings may eventually lead to the elimination of the S-MAP and RAMP proceedings as the utilities adjust and include comprehensive risk assessments and mitigation plans in all of their future GRC filings." (D.14-12-025, at 42-43.)

The third process that the Commission adopted in D.14-12-025 is the requirement that the four large energy utilities file two new annual reports, the Risk Mitigation Accountability Report, and the Risk Spending Accountability Report. The Risk Mitigation Accountability Report is to "compare the utility's GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC to the actual benefits and costs, and to explain any discrepancies between the projected risk mitigation and the actual risk mitigation." (D.14-12-025, at 44.) The Risk Spending Accountability Report is to "compare the utility's GRC projected spending for approved risk mitigation



projects to the actual spending on those projects, and to explain any discrepancies between the two.” (D.14-12-025, at 44.)

D.14-12-025 also provides that the Commission staff is to review and verify these two reports on an annual basis. Specifically, the Safety and Enforcement Division (SED) is to prepare a report on the utility’s Risk Mitigation Accountability Report, and the Energy Division is to prepare a report on the utility’s Risk Spending Accountability Report. The reports to be prepared by SED and the Energy Division can then be used to focus the attention of the Commission and parties on the utilities’ risk mitigation activities and spending, and the utilities’ next GRC application filings.

D.14-12-025 also allows the parties to request in the S-MAP or RAMP proceedings that workshops be held “on the type of information that needs to be reported in these two reports, and the methodology that can be used to quantify and measure the benefits of such mitigation plans and safety activities.” (D.14-12-025, at 47.)

In deferring the two categories of issues to this proceeding, the Commission concluded that “R.13-11-006 is an appropriate forum to address the issues pending in this proceeding relating to PG&E’s prospective safety and reliability risk assessment and mitigation practices.” (D.15-01-029, at 4.) The Commission in D.15-01-029 recognized that it had issued D.14-12-025 in this proceeding (R.13-11-006), which adopted the new procedures of the S-MAP and the RAMP, as part of the rate case plan. The Commission further recognized in D.15-01-029 that the S-MAP and the RAMP processes provide “a suitable framework to resolve any pending recommendations in the Consultant Reports that warrant additional Commission action, as identified in the [June 9, 2014] Amended Scoping Memo.” (D.15-01-029, at 5.)

The S-MAP, RAMP, and annual reporting are all intended to work in tandem as part of the risk-based decision-making framework for the energy utilities to use in their GRC applications. Such a framework is to “assist the utilities, interested parties and the Commission, in evaluating the various proposals that the energy utilities use for assessing their safety risks, and to manage, mitigate, and minimize such risks.” (D.14-12-025 at 2.)

All four of the large energy utilities recently filed their S-MAP applications. A prehearing conference (PHC) was held on July 27, 2015 to address the scope of issues to address in the consolidated proceedings of A.15-05-002, A.15-05-003, A.15-05-004, and A.15-05-005. At that PHC, the assigned ALJ on the S-MAP applications discussed whether the S-MAP was an appropriate venue to address the PG&E issues that had been deferred from D.15-01-029.

We have reviewed all of the prospective recommendations in the Liberty and Cyclo reports, as enumerated earlier, as well as the issues identified in Conclusion of Law 42 in D.14-09-032.

It should be noted that the prospective recommendations in the Liberty and Cyclo reports were issued in May 2013, well before D.14-12-025 was adopted, and before I.15-08-019 was opened. As a result, and as discussed below, many of the prospective recommendations in those two reports have already been addressed through the adoption of D.14-12-025. We reference each of those prospective recommendations below, and explain how those prospective recommendations have already been addressed in D.14-12-025, or will be addressed in the S-MAP or RAMP proceedings, or in the annual reporting required by D.14-12-025, or in I.15-08-019.

### **Liberty Report Recommendations**

We first address the prospective recommendations in the Liberty report.

1. PG&E should increase the organizational emphasis on risk management, recognizing and responding to the need for enhancing the pace and the “buy-in” of the business units to the new risk management program.

The Liberty report recommends that PG&E increase its organizational emphasis on risk management, and that its business unit respond to and adapt to the new emphasis on risk management. The Commission took steps in D.14-12-025 to require all of the energy utilities to institute risk-based decision-making into their GRC applications. PG&E and the other large energy utilities were ordered to apply this type of decision-making into all their GRC application filings beginning February 1, 2015, and the S-MAP application filings are the starting points for developing this kind of decision-making.

Although managing the risks inherent in the operations and maintenance of a public utility has been a part of each utility’s operational processes, the focus has shifted to place an emphasis on making safety a top priority. As the utilities adjust to this new emphasis, and this new type of risk-based decision-making, each utility may need to reorganize its internal operations to place safety and risk-assessment as its top priorities. As the Commission recognized in D.14-12-025, “the use of risk-based decision-making in a utility’s GRC is still in its infancy,” and the utilities will have to “adjust and include comprehensive risk assessments and mitigation plans in all of their future GRC filings.”

(D.14-12-025, at 42-43.)

The Commission has also opened I.15-08-019 to examine PG&E’s organizational culture and governance regarding safety.

Accordingly, this prospective recommendation has been addressed, or will be addressed in the S-MAP proceedings, and I.15-08-019. To determine whether PG&E's operations has responded to, and reflected this new emphasis, that is something for the Commission to monitor in PG&E's future GRC application filings.

2. The stakeholders should consider the optimum means outside the GRC context for underscoring the long-term nature of the interest in enhanced use of risk assessment in considering safety matters and for addressing the merits of a comprehensive approach by the state's energy utilities.

Through the Commission's adoption of the risk-based decision-making framework in D.14-12-025, all stakeholders will be able to provide input on how each utility engages in risk assessment. This will initially take place in the S-MAP filings in the consolidated applications of A.15-05-002, A.15-05-003, A.15-05-004, and A.15-05-005. The RAMP filing for each utility will then provide the opportunity for parties to see how the risk assessment approach, as developed in the S-MAP, will be applied to each GRC filing. The non-utility stakeholders should ensure that they are participating in the S-MAP and the RAMP of each energy utility to aid in the development and understanding of risk assessments being used by the utilities. Accordingly, the foundation for the participation of all stakeholders to address this prospective recommendation has already been laid in D.14-12-025, and will take place in the S-MAP and RAMP proceedings.

3. There should be a structured, comprehensive process for providing to the Commission, regular reports of amounts actually spent versus GRC forecasts, supported by analysis and explanation of variances.

D.14-12-025 has addressed this prospective recommendation by establishing two annual report filings by PG&E and the other three large energy

utilities. The Risk Mitigation Accountability Report will “compare the utility’s GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC to the actual benefits and costs, and to explain any discrepancies between the projected risk mitigation and the actual risk mitigation.” (D.14-12-025, at 44.) The Risk Mitigation Accountability Report will be filed on an annual basis in accordance with the schedule set forth in D.14-12-025 at 47. For PG&E, this report is to be filed by March 31 after the applicable reporting period.

The Risk Spending Accountability Report will “compare the utility’s GRC projected spending for approved risk mitigation projects to the actual spending on those projects, and to explain any discrepancies between the two.” (D.14-12-025, at 44.) This report is to be filed on an annual basis in accordance with the schedule set forth in D.14-12-025. For PG&E, the Risk Spending Accountability Report is to be filed by March 31 after the applicable reporting period.

In addition, both of these annual reports “shall explain how these risk mitigation activities and risk spending are meeting the goals for managing and minimizing the risks that were identified in the utility’s RAMP and GRC submissions,” and “shall also describe any deviation, and the reasons for doing so, from what activities were originally requested and authorized in the GRC, to what activities were actually performed.” (D.14-12-025, at 46.)

D.14-12-025 also left it up to the parties to request workshops in the S-MAP or RAMP proceedings “on the type of information that needs to be reported in these two reports, and the methodology that can be used to quantify and measure the benefits of such mitigation plans and safety activities.” (D.14-12-025, at 47.)

We also note that the Commission imposed similar reporting requirements on PG&E's spending in its 2011 gas transmission and storage application, and in PG&E's 2011 GRC application. In D.11-04-031 at 3-4, PG&E was ordered to file a gas transmission and storage safety report on a semi-annual basis, and in D.11-05-018 at 31, PG&E was ordered to file a gas distribution pipeline safety report on a semi-annual basis.

Accordingly, this prospective recommendation about "regular reports of amounts actually spent versus GRC forecasts, supported by analysis and explanation of variances" has already been addressed in D.14-12-025, and in D.11-04-031 and D.11-05-018. If PG&E or other parties believe that the information to be included in the reports ordered by D.14-12-025 needs to be refined, they can pursue that in the S-MAP or RAMP.

4. PG&E should provide an improved justification and rationale for proposed GRC safety spending levels. The Liberty report then lists the additional information that should be provided.

The justification and rationale for PG&E's proposed safety spending in its GRC will be covered in the S-MAP and RAMP proceedings. As adopted in D.14-12-025, the "objective of the S-MAP is to have a formal Commission proceeding to explore and analyze each energy utility's approach to prioritize the risks to safety associated with each utility's system and services, and the tools or activities that the energy utilities use to manage, mitigate, and minimize those safety risks." (D.14-12-025, at 25, 29-30.) The end-product of each S-MAP proceeding is a decision on the particular risk assessment approach or model that is to be used in each utility's RAMP filing, and whether uniform or common standards must be used.

The RAMP filing will then “review the utility’s RAMP submission for consistency and compliance with its prior S-MAP, and to determine whether the elements contained in the RAMP submission can be used in the utility’s GRC filing to support its position on the assessment of its safety risks, and how it plans to manage, mitigate, and minimize those risks in the context of the utility’s upcoming GRC application filing.” (D.14-12-025, at 38.)

The annual reports required by D.14-12-025 will then allow the Commission and the parties to monitor whether the GRC safety spending is achieving its objectives for managing and minimizing the risks that are identified in the utility’s RAMP and GRC submissions.

Accordingly, the S-MAP will develop the risk assessment approach that PG&E and the other large energy utilities will be using to address their GRC safety spending. The RAMP and the annual reports will provide the procedures to determine if each utility’s risk assessment approach and safety-related spending is achieving the utility’s goal of maximizing its safety objectives and minimizing and mitigating risks. No further work is needed in this proceeding to address Liberty’s recommendation.

5. Power Generation should modify the planning process in the future to: (a) provide allowances for new and carryover work and (b) provide the list of projects that are proposed to be deferred if less than requested funding is granted by the Commission.

R.13-11-006 was initiated to carry out the safety priority policy of the Legislature through the energy utilities’ rate case applications. The end goal of this rulemaking “is to revise the RCP to better facilitate utility revenue requirements showings based on a risk-informed decision-making process that will lead to safe and reliable service levels that are in compliance with state and

federal guidelines, rational, well-informed and comparable to best industry practices.” (R.13-11-006, at 7-8.)

This particular prospective recommendation in the Liberty report relates to steps that PG&E’s Power Generation department should take with respect to future budgeting in its GRC, rather than on specific safety initiatives. For that reason, PG&E shall be directed to supplement its 2017 GRC application (A.15-09-001) filing on how it plans meet this prospective recommendation, to the extent such information is not included in its 2017 GRC application. We also note that the Risk Spending Accountability Report may provide some information about what power generation projects have been deferred.

6. PG&E should define its proposed philosophy of risk and undertake an initiative to reach consensus on that philosophy with the Commission.

This prospective recommendation is already being addressed in the S-MAP proceedings. PG&E and the other large energy utilities were directed in D.14-12-025 to make S-MAP filings that “contain a description and the applicable information as to how each utility assesses the risks to safety associated with its system and services, and the tools or activities that it plans to use to manage, mitigate, and minimize such risks.” (D.14-12-025, at 29.) PG&E filed its S-MAP on May 1, 2015, and a prehearing conference was held in the consolidated S-MAP applications on July 27, 2015. As envisioned in D.14-12-025, a decision in these initial S-MAP proceedings will decide on the type of risk assessment approach or modeling that the energy utilities should be using in their RAMP filings in connection with their GRC applications.

Then in the RAMP proceeding, the Commission and the parties will have the opportunity “to review the utility’s RAMP submission for consistency and compliance with its prior S-MAP, and to determine whether the elements



contained in the RAMP submission can be used in the utility's GRC filing to support its position on the assessment of its safety risks, and how it plans to manage, mitigate, and minimize those risks in the context of the utility's upcoming GRC application filing." (D.14-12-025, at 38.)

Except for PG&E's participation in its S-MAP and RAMP proceedings, nothing remains to be done in this proceeding regarding this prospective recommendation.

7. PG&E should develop a definition of "safety project" with concurrence by the Commission, such that the future of the program has a common basis for reporting.

This prospective recommendation will be addressed in the S-MAP proceedings. The S-MAP is where the Commission will undertake an evaluation of the risk-based decision-making approaches the large energy utilities have proposed to use. D.14-12-025 left it to the S-MAP proceeding to decide "whether the Commission needs to adopt certain terms and definition in order to carry out the activities associated with the S-MAP and RAMP proceedings." (D.14-12-025, at 48.) No further work is needed in this proceeding with respect to this prospective recommendation.

8. Executive sponsorship of risk management within the responsibility of the current incumbent would be enhanced by changing his reporting from the CFO to the CEO.

This prospective recommendation touches on the subject of whether certain departments and reporting responsibilities for each energy utility needs to be realigned or reorganized to better address a risk-based decision-making approach. As the energy utilities move towards the adoption of such an approach, it is likely that certain responsibilities for managing risks will be realigned.

To the extent this has not been addressed in PG&E's 2017 GRC application, PG&E shall supplement its 2017 GRC filing to address what it is doing with respect to this particular prospective recommendation. Further assessment of PG&E's efforts with respect to this prospective recommendation may take place in A.15-09-001, or in I.15-08-019 regarding PG&E's organizational culture and governance regarding safety.

9. The corporate risk organization would be significantly enhanced with the addition of a person with long and senior utility operating experience.

This prospective recommendation raises the same type of realignment and reorganization issues discussed in recommendation #8 above. To the extent this has not been addressed in PG&E's 2017 GRC filing in A.15-09-001, PG&E shall supplement its 2017 GRC filing to address what it is doing with respect to this particular prospective recommendation. This is also an issue that I.15-08-019 should look at in terms of directing resources to achieve safety goals and standards. No further work is needed in this proceeding with respect to this prospective recommendation.

10. PG&E needs to recognize that the effective implementation of the program requires an inducement of culture change in how the Company assesses and uses risk considerations and a sense of greater urgency in moving toward its expected steady state.

This prospective recommendation raises the same type of realignment and reorganization issues discussed in recommendations #8 and #9 above. The energy utilities need to implement organizational changes that prioritize safety, and incorporates risk assessments into their budget decision-making processes.

To the extent this has not been addressed in PG&E's 2017 GRC filing, PG&E shall supplement its 2017 GRC filing to address what it is doing with

respect to this particular prospective recommendation. The Commission can address PG&E's progress in this area in PG&E's safety culture I.15-08-019, or in PG&E's 2017 GRC in A.15-09-001. No further work is needed in this proceeding with respect to this prospective recommendation.

11. PG&E should consider the addition of an "infrastructure sustainability risk" to its enterprise risks. For example:  
"The risk that infrastructure deteriorates (due to age and/or other factors) at a pace and to an extent that makes future recovery prohibitively expensive."

This prospective recommendation addresses the point at which the risks and costs associated with aging infrastructure should be weighed with the cost and risks associated with building replacement infrastructure instead. These type of aging infrastructure issues are typically taken into consideration when the utility considers undertaking new capital projects as part of its GRC request.

To the extent this recommendation has not already been addressed in PG&E's 2017 GRC filing, PG&E shall supplement its 2017 GRC filing to address what it is doing with respect to this prospective recommendation. No further work is needed in this proceeding with respect to this prospective recommendation.

12. Corporate risk management should enhance its plans for assuring effective exercise of Line of Business risk functions, including efforts to ensure that risk considerations are being applied in accordance with program expectations, that appropriate risk scenarios are being examined, that monitoring of preparation and implementation of risk response plans is active, and that analysis and reporting on program status and effectiveness is meaningful and comprehensive.

The S-MAP, RAMP, and reporting processes are intended to induce the energy utilities into making safety a priority, and to account for risks in all

aspects of their utility operations and expenditures. The RAMP process in particular will allow parties to determine if risk considerations are being applied in accordance with program expectations. The reports will also enable the Commission and the parties to review the efficacy of the utilities' efforts. In addition, I.15-08-019 is looking into PG&E's organizational culture and governance regarding the prioritization of safety, and how PG&E directs resources to achieve safety goals and standards.

Nothing further needs to be done in this proceeding for this recommendation. The S-MAP and RAMP proceedings, as well as the required reports, and the PG&E safety culture I.15-08-019, provide the necessary tools to address this particular recommendation.

### **Cycla Report Recommendations**

We now address the prospective recommendations in the Cycla report.

1. Develop, communicate, and implement a multi-year plan to continue the evolution of risk-informed rate case budgeting.

The mandate in D.14-12-025 that the energy utilities use a risk-based decision-making framework in their GRC filings will change how the utilities present their rate request applications in the future. Through the adoption of the S-MAP, RAMP, and reporting processes, this will impact and affect how GRCs are presented to the Commission. These processes will also change how the energy utilities approach and structure their GRC budget requests.

Since the processes adopted in D.14-12-025 are underway, nothing further needs to be done in this proceeding with respect to this recommendation.

2. Finalize the set of criteria against which GRC filings will be measured in the future, and then embed these criteria in regulation.

As mentioned above, the Commission has mandated that the energy utilities adopt a risk-based decision-making framework to use in their future GRC applications. As described above, the S-MAP applications will result in a decision that establishes the type of risk assessment approach or modeling the utilities are to use as the basis for each energy utility's RAMP filing. The RAMP process will then allow the Commission and other parties to determine whether each utility's GRC budget request is consistent with the adopted S-MAP approach and criteria.

The prioritization of safety into the GRC process has already been codified in Public Utilities Code § 963(b)(3) and § 750, and the Commission has already taken the regulatory steps to adopt and implement the S-MAP, RAMP, and reporting processes in D.14-12-025. Future Commission decisions will address the outcome of the S-MAP proceedings, and the use of the S-MAP and RAMP criteria in future GRC decisions.

Since the Commission has adopted the S-MAP, RAMP, and reporting processes in D.14-12-025, and the first S-MAP process is underway, nothing further needs to be done in this proceeding with respect to this Cycle recommendation.

3. Require PG&E to document its corresponding multi-year program to satisfy CPUC criteria.

As discussed above, the Commission has already adopted the S-MAP, RAMP, and reporting processes in D.14-12-025. The first S-MAP applications have been filed, and a consolidated proceeding is underway to address what methodologies and models can be used "to better assess the safety risks inherent in the operations of the energy utilities, and how to best manage, mitigate, and to minimize such risks." (D.14-12-025, at 43.) The Commission recognized "that it

will take some time to fully implement the S-MAP and RAMP procedures, and to have the outputs of those two procedures considered in the utilities' GRC proceedings." (D.14-12-025, at 43.)

Once the first S-MAP decision is finalized, the adopted S-MAP criteria will impact the utility's RAMP filing, and its GRC application. The utility will be placed in the position of using the S-MAP criteria to shape and document its GRC request in the RAMP and GRC filings. The required reports will allow the Commission and other parties to "compare the utility's GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC to the actual benefits and costs," and to "compare the utility's GRC projected spending for approved risk mitigation projects to the actual spending on those projects...." (D.14-12-025, at 44.) Over time, all of these processes will provide the Commission and the parties with a comprehensive view of how the risk-based decision-making approach is working for each utility.

Accordingly, nothing further needs to be done in this proceeding regarding this particular Cyclo recommendation.

4. Require PG&E to develop, track, and report on a set of specific performance metrics designed to measure the safety improvements actually achieved by its proposed activities.

The Risk Mitigation Accountability Report, which is to be filed on an annual basis in accordance with the schedule set forth in D.14-12-025, is intended to track, report, and compare the benefits and costs of the risk mitigation projects that are adopted in a GRC, "to the actual benefits and costs, and to explain any discrepancies between the projected risk mitigation and the actual risk mitigation." (D.14-12-025, at 44.) The report shall also "explain how these risk mitigation activities and risk spending are meeting the goals for managing and

minimizing the risks that were identified in the utility's RAMP and GRC submissions." (D.14-12-025, at 46.)

With the adoption of the S-MAP, RAMP, and reporting processes, the steps are in place for PG&E and the other energy utilities to measure the safety improvements that are actually achieved. The Commission can use these tools to monitor PG&E's performance metrics and take further action as warranted.

5. Establish a monitoring program to track PG&E progress in implementing activities funded through the 2014 GRC deliberation.

The reporting required by D.14-12-025 does not take effect until the utility files its first RAMP filing, followed by the issuance of a decision in the related GRC application.

As mentioned earlier, PG&E is required by Ordering Paragraph 44 in D.11-05-018 to file a gas distribution pipeline safety report on a semi-annual basis. In that report, PG&E is to provide information about the amount of funds spent in connection with each major work category in its GRC related to gas distribution pipeline safety, integrity and reliability.

To the extent this recommendation has not been addressed in PG&E's 2017 GRC filing, PG&E shall supplement its 2017 GRC filing to address the progress of activities that were funded in PG&E's 2014 GRC in D.14-08-032.

As a result of the reporting requirement adopted in D.11-05-018, the reporting requirement required by D.14-12-025, and the supplement to PG&E's 2017 GRC filing, this recommendation will or has been addressed.

6. Work together with the Pipeline and Hazardous Materials Safety Administration (PHMSA), other state safety regulators, and the pipeline industry to promote advancements in pipeline system risk modeling.

The S-MAP proceedings require PG&E and the other energy utilities to present the type of risk-assessment decision-making processes that they propose to use in their future GRC applications. This decision-making process may involve modeling of pipeline system risks. The formulation of such modeling may find its origins in work done by federal and state regulators. If PG&E is proposing pipeline system risk modeling as part of the S-MAP, PG&E should explain how that modeling was developed.

To the extent this recommendation has not already been addressed in PG&E's 2017 GRC filing, PG&E shall supplement its 2017 GRC application to explain what steps it has taken, if any, to address this recommendation of Cyclo. Nothing further remains to be done in this proceeding for this particular recommendation.

7. Work together with PHMSA, other state safety regulators, and the pipeline industry to promote exchanges of information on industry best practices that have demonstrated superior impact on safety performance.

Similar to our discussion of the Cyclo recommendation #6 above, it is foreseeable that PG&E and the other energy utilities will interact with PHMSA, state safety regulators, and the pipeline industry, to assess the risks associated with their gas pipeline systems. When the Commission initiated this rulemaking (R.13-11-006), and when the Commission adopted D.14-12-025, the Commission concluded that:

"The end goal of this rulemaking is to revise the RCP to better facilitate utility revenue requirement showings based on a risk-informed decision-making process that will lead to safe and reliable service levels that are in compliance with state and federal guidelines, rational, well-informed and comparable to the best industry practices, and that the



adopted rates are just and reasonable.” (D.14-12-025, at 6, 52-53; *See* R.13-11-006, at 7-8.)

As the Commission and the parties work to implement the processes adopted in D.14-12-025, we expect that the risk-based decision-making framework will reflect and integrate this kind of information from different sources.

To the extent this recommendation has not already been addressed in PG&E’s 2017 GRC filing, PG&E shall be required to supplement its 2017 GRC application to explain what steps it has taken, if any, to address this recommendation regarding working together with industry regulators and companies. Nothing further remains to be done in this proceeding for this recommendation.

8. Work to improve the balance between operator flexibility and accountability by focusing on greater transparency and CPUC oversight of budget revisions.

We have already adopted the processes needed to address this recommendation in D.14-12-025. These processes include the S-MAP, RAMP, and reporting requirements. As the Commission stated:

“It is our intent that the adoption of these additional procedures will result in additional transparency and participation on how the safety risks for energy utilities are prioritized by the Commission and the energy utilities, and provide accountability for how these safety risks are managed, mitigated and minimized.” (D.14-12-025, at 3.)

By developing and adopting a risk-based decision-making framework in the S-MAP, the Commission and all the parties will have a transparent process to evaluate how each energy utility assesses its safety risks. The S-MAP, the RAMP, and the reporting processes will provide the opportunity for the utilities and other parties to provide input on each utility’s GRC budget request, and for

the Commission to oversee and decide what the appropriate revenue requirement should be.

No further work needs to be done in this proceeding to address this recommendation.

9. Determine how best to ensure that PG&E is developing and expanding its knowledge base of system and operational characteristics on which risk characterization is critically dependent.

The S-MAP process is intended to allow the Commission and other parties “to examine, understand, and comment on the models that the energy utilities plan to use to prioritize risks and to mitigate risks,” and “to allow the Commission to establish the guidelines and standards for these models.”

(D.14-12-025, at 21, 25.) The Commission ordered PG&E and the other large energy utilities in D.14-12-025 to file their respective S-MAP applications that describe and contain “the applicable information as to how each utility assesses the risks to safety associated with its system and services, and the tools or activities that it plans to use to manage, mitigate, and minimize such risks.”

(D.14-12-025, at 29.) The Commission will then issue a decision on whether a particular risk assessment approach or model, or a variant or alternative model, should be used as the basis for each utility’s RAMP filing in its respective GRC.

Since PG&E has filed its S-MAP application, and the consolidated S-MAP proceedings are underway, no other work remains to be done in this proceeding to address this particular Cycla recommendation.

10. Determine how best to use operator risk characterization developed in support of rate case filings to strengthen appropriate safety advocacy by the CPUC.

As discussed above, the Commission has already adopted the necessary procedures to address this particular recommendation. The S-MAP, RAMP, and

reporting processes will involve input and participation from SED, the Commission's safety advocacy and advisory staff. In the S-MAP, SED will lead and hold workshops on the S-MAP filings, and participate in the S-MAP. (See D.14-12-025, at 25, 28.) In the RAMP proceedings, SED is to participate in a workshop covering the utility's RAMP submission, and to prepare a report assessing the utility's risk assessment procedures, and the technical merits of the utility's RAMP submission. (See D.14-12-025, at 36-39.) As part of the reporting requirements, SED will review and provide a report on each utility's Risk Mitigation Accountability Report, and the Energy Division will review and provide a report on each utility's Risk Spending Accountability Report. (See D.14-12-025, at 47.)

All of these processes will allow Commission staff to provide input on each utility's assessment of the safety risks. The Commission will take measures to ensure, consistent with Commission practice, that no individual Commission staff member will work in advocacy and advisory roles in a single Commission proceeding. No further work needs to be done in this proceeding to address this recommendation.

#### **Conclusion of Law 42 in D.14-08-032**

As mentioned in the Background section of this decision, Conclusion of Law 42 addresses the issues about the effects of gas leakage on greenhouse gases, "developing the data for a base line system wide leak find rate that could form the basis setting performance metrics," and developing such performance metrics.

The discussion in D.14-08-032, which resulted in Conclusion of Law 42, references SB 1371, which had not been enacted into law at the time D.14-08-032

was issued. After this legislative bill was enacted into law, the Commission opened R.15-01-008 to implement the bill.

SB 1371 added Public Utilities Code § 975. That code section directed the Commission to commence a proceeding to adopt rules and procedures to minimize gas leaks, and to reduce emissions from gas pipelines to reduce greenhouse gas emissions. As part of the rules and procedures to be adopted, the Commission was directed to do the following: (1) “establish and require the use of best practices for leak surveys, patrols, leak survey technology, leak prevention, and leak reduction,” including the collection of leak data by the utility; (2) “establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking gas pipeline facilities, and for evaluating and tracking leaks geographically and over time;” and (3) to the extent feasible, require the utility “to calculate and report to the commission and the State Air Resources Board a baseline systemwide leak rate....” (Public Utilities Code § 975(e)(4) to (e)(6).)

R.15-01-008, which was initiated after D.14-08-032 was issued, is addressing the issues identified in Conclusion of Law 42 in D.14-08-032. The scoping memo and ruling (scoping memo) in R.15-01-008 was issued on July 24, 2015. In that scoping memo, the rulemaking was divided into two phases. The scoping memo states:

“The first phase will develop the overall policies and guidelines for a natural gas leak abatement program consistent with SB 1371 and include the following program development activities: 1) information gathering, measurement, and best practices; 2) targets, compliance, and reporting; and 3) training and enforcement.” (R.15-01-008 Scoping Memo, at 5.)

Since R.15-01-008 is addressing the issues identified in Conclusion of Law 42 in D.14-08-032, nothing further needs to be done in this proceeding.

### **Conclusion**

Based on our above analyses and discussion, most of the prospective recommendations in the Liberty and Cycla reports have already been resolved in D.14-12-025, or will be addressed in the S-MAP, RAMP, the reporting processes adopted in D.14-12-025, or in the PG&E safety culture I.15-08-019 proceeding. In some instances, PG&E will need to provide explanations in its 2017 GRC application about how it has addressed some of the prospective recommendations that Liberty and Cycla raised in its reports. As for the issues in Conclusion of Law 42 in D.14-08-032, those issues are being addressed in R.15-01-008. Accordingly, today's decision has addressed all of the issues that were deferred to this proceeding by D.15-01-029.

### **4. Comments on Proposed Decision**

Parties in this proceeding were allowed to comment on the proposed decision's disposition of the issues deferred to this proceeding by D.15-01-029.

The proposed decision in this matter was served on the parties in accordance with Public Utilities Code § 311, and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed by the Coalition of California Utility Employees, and the Office of Ratepayer Advocates, and reply comments were filed by San Diego Gas and Electric Company and Southern California Gas Company. Those comments have been considered and appropriate changes have been made.

### **5. Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and John S. Wong is the assigned Administrative Law Judge in this proceeding.

## **Findings of Fact**

1. D.15-01-029 directed that the prospective recommendations in the consultants' reports, and the issues identified in Conclusion of Law 42 in D.14-08-032, be addressed in this proceeding, or in other proceedings designated by the Commission.
2. The three consultant reports were made available in two May 2013 rulings in A.12-11-009.
3. Footnote 2 of D.15-01-029 specifically excluded the recommendations in the Overland report from further consideration in this proceeding.
4. In the discussion of the issues identified in Conclusion of Law 42 in D.14-08-032, the Commission referenced the effects of gas leakage on greenhouse gas and SB 1371, which at the time, had not been codified into law.
5. There are 12 prospective recommendations in the Liberty report, and 10 prospective recommendations in the Cycla report.
6. In response to legislation to place safety as a priority for the natural gas utilities, and to consider safety in the rate case applications of the electric utilities, the RCP was modified in D.14-12-025 to incorporate risk-based decision-making into the GRCs of the large energy utilities.
7. The risk-based decision-making framework adopted in D.14-12-025 consists of three new processes, the S-MAP, the RAMP, and annual verification reports.
8. In deferring the issues to this proceeding, the Commission in D.15-01-029 recognized that the processes adopted in D.14-12-025 (i.e., the S-MAP, RAMP, and annual verification reports), provide a suitable framework to resolve the prospective recommendations contained in the consultants' reports.

9. The prospective recommendations in the Liberty and Cycla reports all relate to the efforts being developed with respect to the S-MAP and RAMP processes, and the annual reporting requirements.

10. The large energy utilities recently filed their S-MAP applications, and a prehearing conference was held on July 27, 2015.

11. The prospective recommendations in the Liberty and Cycla reports were issued in May 2013, well before D.14-12-025 was adopted, and before I.15-08-019 was opened.

12. After SB 1371 was enacted into law, the Commission opened R.15-01-008 to implement this bill.

13. R.15-01-008 was initiated after D.14-08-032 was issued, and the July 24, 2015 scoping memo in R.15-01-008 includes the issues raised by D.14-08-032.

### **Conclusions of Law**

1. The prioritization of safety into the GRC process has been codified in Public Utilities §§ 750 and 963(b)(3).

2. Based on the analyses and discussion in this decision about the prospective recommendations in the Liberty and Cycla reports, most of these recommendations have already been resolved in D.14-12-025, or will be addressed in the S-MAP, RAMP, or reporting processes that were adopted in D.14-12-025, or in I.15-08-019.

3. To the extent PG&E has not already addressed some of the recommendations in the Liberty and Cycla reports, as referenced in this decision, in its 2017 GRC filing in A.15-09-001, PG&E should supplement its 2017 GRC filing to provide explanations about how it has addressed these recommendations.

4. The issues identified in Conclusion of Law 42 in D.14-08-032 are being addressed in the first phase of R.15-01-008.

5. Today's decision has addressed all of the issues that were deferred to this proceeding by D.15-01-029.

## **O R D E R**

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

1. To the extent Pacific Gas and Electric Company (PG&E) has not already addressed certain of the recommendations contained in the consultants' reports, PG&E shall supplement its 2017 general rate case application (Application 15-09-001) to include explanations on how it plans to, or how it has addressed, the recommendations referenced in this decision as Liberty recommendations 5, 8, 9, 10 and 11, and Cycla recommendations 5, 6 and 7.

2. No further work is needed in this proceeding to address the issues deferred to this proceeding by Decision 15-01-029.

This order is effective today.

Dated November 5, 2015, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners