

Decision 20-09-004 September 10, 2020

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into Southern California Gas Company’s Risk Assessment and Mitigation Phase November 2019 Submission.

Investigation 19-11-010

And Related Matter.

Investigation 19-11-011

DECISION CLOSING RISK ASSESSMENT AND MITIGATION PHASE PROCEEDINGS

Summary

Under the procedures adopted in Decision (D.) 14-12-025, D.16-08-018, and D.18-12-014, Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E) were required to file their Risk Assessment Mitigation Phase (RAMP) submissions in these Order Instituting Investigations. The utilities’ RAMP Report was to be subject to review and comments from the Safety and Enforcement Division and intervenors and this comment process was to be utilized by the utilities to inform their safety-related requests in their next General Rate Case (GRC) application.

SoCalGas and SDG&E filed a joint 2019 RAMP Report that was meant to inform their respective Test Year (TY) 2022 GRCs. Subsequently however, the Commission issued D.20-01-002 which changed the GRC cycle of large energy

utilities from three to four years. D.20-01-002 also eliminated the TY2022 GRCs of SoCalGas and SDG&E and instead required the two utilities to file a Petition for Modification (PFM) of A.17-10-007 and A.17-10-008 in order to add attrition years 2022 and 2023 to the utilities' TY2019 GRC cycle. The two utilities next RAMP filing is scheduled for May of 2021 which will be used to inform their next respective GRCs for TY2024.

The 2019 RAMP report does not inform attrition year 2022 (and 2023) because review of what would have been TY2022 is substantially different from the review needed to consider the proposed revenue requirement for attrition year 2022. Identification of key risks and proposed mitigations in the RAMP Report inform safety related programs and projects requested in a GRC application. However, review of individual programs and projects are conducted for the TY. For attrition years, utilities ordinarily propose a ratemaking framework or mechanism to provide an appropriate level of authorized revenues for the attrition years in order to address increases and additional costs due to inflation and capital investments.

Individual RAMP-related programs and projects will not be reviewed in the PFM to add attrition years 2022 and 2023 and the appropriate revenue requirement for these PTYs shall be determined using an approved PTY mechanism. We find no compelling reason to keep the OIIs open and so this proceeding should be closed. Information and lessons learned from the 2019 RAMP Report should instead be utilized to further refine the RAMP process and the next RAMP submission of SoCalGas and SDG&E. These proceedings are closed.

1. Background

On November 7, 2019, the Commission opened an Order Instituting Investigation (OII) into the November 2019 submission of Southern California Gas Company's (SoCalGas) Risk Assessment and Mitigation Phase (RAMP). The Commission also opened an OII into the November 2019 submission of San Diego Gas & Electric Company's (SDG&E) on November 7, 2019.¹ The two OIIs were opened to allow the Commission to review the RAMP submissions of SoCalGas and SDG&E.

On November 21, 2019, the two OIIs were consolidated pursuant to a ruling from the assigned Administrative Law Judge (ALJ).

On December 2, 2019, SoCalGas and SDG&E filed a joint RAMP report.

On December 16, 2019, a workshop was held at the Commission Auditorium to discuss the RAMP report filed by SoCalGas and SDG&E. Motions for party status were filed by the following parties:

- Mussey Grade Road Alliance (MGRA) on December 19, 2019 — Motion was granted on January 3, 2020;
- The Public Advocate's Office (Cal Advocates) on January 8, 2020 — Motion was granted on January 10, 2020;
- Southern California Generation Coalition (SCGC) on January 10, 2020 — Motion was granted on January 14, 2020;
- The Utility Reform Network (TURN) on January 4, 2020 — Motion was granted on January 21, 2020;

¹ SoCalGas and SDG&E sent a letter to the Commission's Executive Director on August 30, 2019, requesting that these OIIs be initiated so that there will be a proceeding in which the two utilities can submit their RAMP filing in connection with their upcoming Test Year (TY) 2022 GRC application.

- Utility Workers Union of America Locals 132, 522, and 483 (UWUA) on February 6, 2020 — Motion was granted on January 21, 2020;
- FEITA Bureau of Excellence (FEITA) on January 21, 2020 — Motion was granted on January 23, 2020; and
- Utility Consumers' Action Network (UCAN) on January 28, 2020 — Motion was granted on January 29, 2020.

On January 16, 2020, the Commission issued Decision (D.) 20-01-002 changing the GRC cycle of large energy utilities² from three years to four years.³

SoCalGas and SDG&E filed a joint prehearing conference (PHC) statement on February 12, 2020. Separate PHC statements were also filed by UWUA, TURN, UCAN, and FEITA on February 18, 2020.

On February 26, 2020, a PHC was held to address party status, the scope, schedule, the impact of D.20-01-002, and other procedural matters. At the PHC, the oral motion of Protect Our Communities' (POC) for party status was granted. Parties were also asked to file comments and briefs regarding the impact of D.20-01-002 and positions on how the proceeding should move forward.

Briefs were filed by MGRA, FEITA, POC, TURN, UWUA, and SoCalGas and SDG&E on March 23, 2020. Reply briefs were filed on April 6 by SoCalGas and SDG&E and POC.

Comments were filed by POC, UWUA, MGRA, FEITA, and TURN on April 6, 2020.

² Large energy utilities refer to Pacific Gas and Electric Company, Southern California Edison Company, SoCalGas, and SDG&E.

³ D.20-01-002 at 1.

On April 20, 2020, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope and procedural schedule for the proceedings.

UWUA filed a Statement on April 24, 2020, supporting closure of the proceedings.

2. The RAMP Process

Under the procedures adopted in D.14-12-025, D.16-08-018, and D.18-12-014, SoCalGas and SDG&E are required to file their RAMP submission in these OIIs. The Commission's Safety and Enforcement Division (SED) will evaluate the utilities' RAMP submission for consistency and compliance with the Safety Model Assessment Proceeding (S-MAP) and prepare a report. Parties to this proceeding will then have the opportunity to comment on both the utilities' RAMP submission and SED's report. The RAMP filing and comment process will then form the basis of SoCalGas' and SDG&E's assessment of their safety risks in their next respective GRC applications.

The S-MAP applications and the format of the RAMP submissions 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.⁴ In addition, D.16-08-018 adopted guidelines for what the RAMP submissions should include, as well as an evaluation method to evaluate the

⁴ D.16-08-018, Ordering Paragraph 9 at 196.

RAMP submissions. D.16-08-018 likewise included a list of the ten recommended RAMP components.

However, as stated above, the Commission issued D.20-01-002 which modified the rate case plan for large energy utilities' GRC applications by changing the GRC cycles of large energy utilities from three years to four years. Pursuant to the above, the decision implemented a schedule for the utilities' transitions to the four-year GRC cycle. SoCalGas and SDG&E were directed to file a petition to modify (PFM) D.19-08-051 to add third and fourth attrition years for 2022 and 2023 which the two utilities did on April 9, 2020. Their next respective GRC applications, based on a four-year GRC cycle, are to be filed on May 15, 2022, covering Test Year (TY) 2024 and attrition years 2025 to 2027. In addition, SoCalGas' and SDG&E's next RAMP filings which will inform the TY2024 GRC cycle are to be filed on May 15, 2021.

Because D.20-01-002 eliminated the TY 2020 GRC that the RAMP Report was supposed to inform, parties were allowed to opine whether these proceedings should continue to remain open to inform the PFM to add attrition years 2022 and 2023 to SoCalGas' and SDG&E's current GRC cycle. Parties were also asked to discuss specifically how the information in the RAMP submission should be used.⁵

3. Comments of the Parties

POC proposes that these proceedings should remain open and be consolidated with the TY2019 GRC proceeding. The fact that D.20-01-002

⁵ Scoping Memo at 4.

identifies 2022 and 2023 as third and fourth attrition years in the TY 2019 GRC proceeding as opposed to a TY should not be interpreted as an obstacle to incorporating present-day risk analysis and risk mitigation requirement into the Commission's review of 2022 and 2023 rates. POC believes there is no compelling reason to skip RAMP and GRC integration for 2022 and 2023 and that RAMP results anticipated in this proceeding should inform the revenue requirements for Post TYs (PTY) 2022 and 2023. POC also states that requested rate increases for 2022 and 2023 will be left with little to no analysis to justify the requests.

FEITA believes that the proceeding should be cancelled because it is not going to be associated with a GRC. FEITA adds that time and effort necessary to achieve desirable results should instead be used for more pressing concerns. FEITA also believes that intervenor comments to the RAMP Report will allow further refinement and improvement of SDG&E's and SoCalGas's risk methodologies and identification of risks and mitigations and that these improvements can be incorporated in the utilities' next RAMP filing.

MGRA supports closure of the proceeding after parties filed comments about the current RAMP process. MGRA adds that proponents to keep the proceeding open need to demonstrate that this extra process will add significant value to the attrition filings for 2022 and 2023.

TURN believes that RAMP is supposed to inform the TY of a GRC and not the attrition years. TURN adds that the two are distinct and that the analysis applied to TYs are not performed for attrition years. TURN also believes that utilizing the current RAMP process to inform PTYs 2022 and 2023 may lead to

resource prioritization outcomes that differ from 2019 to 2021 because a different RAMP process was used to inform those years. TURN suggests that the Commission should instead adopt a process which allows parties to submit comments regarding the 2019 RAMP report and that the instant proceeding should be closed afterwards.

UWUA initially opposed closing the proceedings but in its Statement filed on April 24, 2020, clarified that it supports closure of these OIRs. UWUA will instead pursue worker safety-related concerns in the PFM to add PTYs 2022 and 2023 to the current GRC cycle.

SoCalGas and SDG&E state that the Commission process for determining attrition year revenue requirements are based on how to adjust the current revenue requirement. The utilities add that using RAMP information in this proceeding to inform PTY revenue requirements is inconsistent with the Commission's risk-based decision-making framework for GRCs.

3.1. Comments for the Next RAMP Submission

Parties also submitted comments regarding the 2019 RAMP submission by SoCalGas and SDG&E and made several suggestions and recommendations for the utilities' next RAMP filing.

In its comments to the RAMP Report, TURN cited various deficiencies regarding this RAMP process such as utilizing only three attributes (Safety, Reliability, and Financial) for the Multi Attribute Value Function analysis, using frequency instead of likelihood to calculate the likelihood of a risk event, not providing a ranking of mitigations by Risk Spend Efficiency, etc. TURN recommends that SoCalGas and SDG&E make modifications in the utilities' next

RAMP submission to ensure compliance with D.18-12-014 and the adopted settlement agreement in the S-MAP proceeding.

MGRA states that SDG&E's November 2019 RAMP filing provides greater quantitative measurements of risks, losses, and ratings for safety improvements. Despite these improvements, MGRA notes that many of the calculations lack transparency and asks that calculations for the next RAMP filing in 2021 be obtained from real and measurable data where possible. Like TURN, MGRA provided several areas that need improvement such as the lack of sensitivity analysis of wildfire data to ascertain what degree results are affected by uncertainties in calculations, use of frequency of occurrence rather than probability of occurrence, sources of risk and consequence estimates, etc.

FEITA concludes that the risk framework and methodology presented in the RAMP filing is highly subjective, contains many questionable assumptions and omits many risks. FEITA cites various deficiencies and poses numerous questions regarding specific risk topics as well as mitigations that it finds were not addressed in the RAMP Report.

POC recommends that the Commission conduct a thorough examination of the assumptions data and conclusions contained in the 2019 RAMP Report. POC then goes on to discuss what the 2019 RAMP Report failed to do such as meet the transparency requirement, describe adequately the risks faced by each utility, analyze appropriately how each mitigation measure might reduce risk, prioritize risk reduction measures based on cost effectiveness, etc.

UWUA provided comments relating to mitigations of worker safety-related risks. UWUA initially opposed closure of these OIIs but in a later

statement clarified support for closure of these proceedings and that it will pursue its worker safety-related concerns in the review and resolution of the PFM to add attrition years 2022 and 2023.

4. Discussion

As explained by TURN and SoCalGas and SDG&E, the risk-based decision making framework established in D.14-12-025, D.16-08-018, and D.18-12-014 require large energy utilities to file their RAMP submission prior to the filing of their next GRC application. This RAMP process then informs the safety-related requests made in the GRC. Specifically, key risks and proposed mitigations are presented, analyzed and reviewed in the RAMP process. SED and intervenors provide comments, criticisms, and suggestions which the utilities incorporate into their GRC requests. RAMP-related requests are included in witness testimony in the GRC and funding for these programs and projects are requested in the GRC.

In the GRC application, specific programs and projects as well as proposed funding are reviewed for the TY. For the PTYs, utilities ordinarily propose a ratemaking framework or mechanism to provide the GRC applicant with an appropriate level of authorized revenues for the PTYs in order to address increases and additional costs due to inflation and capital investments. For the first PTY, the mechanism is normally reflected as a percentage increase of the revenue requirement authorized for the TY. For succeeding PTYs, the revenue requirement is based on the PTY immediately preceding it. This is because GRC applications are extremely complex which makes it highly infeasible to review revenue requirement proposals on an annual basis. Instead, the rate case plan

adopts a more scrutinized review of individual programs and projects for the TY and applies an escalation-oriented review of a proposed mechanism to determine and calculate the revenue requirement for PTYs. This does not mean that specific programs and projects will not be conducted during PTYs. However, the overall revenue requirement that will fund these programs and projects are determined using an adopted PTY mechanism as opposed to individual review of these programs and projects.

POC suggests that the Commission is able to review individual projects for PTYs. While the above may be true in certain instances, we find that this is typically applied to specific projects and not across the board to all programs and projects that will be implemented during the PTYs. For example, the Scoping Memo issued for the PFM in SoCalGas's and SDG&E's TY2019 GRC application suggests that the Pipeline Safety Enhancement Program (PSEP) will be reviewed separately from the proposed PTY mechanism requested for adding PTYs 2022 and 2023.

In addition, the main issues presented in the PFM Scoping Memo are:

“Whether the proposed revenue requirements for attrition years or post-test years (PTY) 2022 and 2023 are just and reasonable and should be adopted by the Commission and reflected in rates; and Whether the proposed PTY mechanisms, including updates to uncollectible rates, escalation factors, and authorized rate of return, are just and reasonable.⁶”

⁶ Scoping Memorandum and Ruling in Application () 17-10-007 at 3.

Additional sub issues concerning PSEP projects, adjustments to the Short-Term Incentive program and Customer Information System, and the impact of COVID-19 also form part of the scope for the PFM review.

Based on the above discussion which includes review of the Scoping Memo for the PFM,⁷ review of a proposed PTY mechanism will be conducted to determine the appropriate revenue requirements for 2022 and 2023 as opposed to an exhaustive review of individual programs and projects that will be conducted for those years. This is line with one of the Commission's objectives in moving from a three-year to a four-year GRC cycle which is to alleviate the huge time and effort required to fully analyze GRC applications of large energy utilities. A four-year cycle provides an extra year in-between GRC cycles which allows the Commission as well as parties in these GRC applications to devote limited resources to other pressing and important issues and concerns.

POC believes that incorporating present-day risk analysis and risk mitigation requirement into the Commission's review of SDG&E's and SoCalGas's 2022 and 2023 rates should be conducted and that there is no compelling reason not to integrate the 2019 RAMP. However, POC only states what it believes should be done but does not explain or provide concrete methods and specific examples how the 2019 RAMP results should be integrated into the 2022 and 2023 request.

⁷ Scoping Memorandum and Ruling in A.17-10-007 dated June 18, 2020.

The 2019 RAMP Report was meant to inform SoCalGas's and SDG&E's TY2022 GRC but D.20-01-002 eliminated the TY2022 GRC and instead required SoCalGas and SDG&E to add PTYs 2022 and 2023 to the TY2019 GRC cycle. And, as explained above, the request and review of a PTY in a GRC is substantially different from the request and review of a TY. RAMP related information from this proceeding is not integrated into any testimony for the PFM and based on the revised Scoping Memo for A.17-10-007, et al, it appears that the PFM can move forward without integration of information derived from the RAMP Report in this proceeding.

Based on the above, we find that the information contained in the 2019 RAMP Report about key safety risks and proposed mitigations do not inform PTYs 2022 and 2023 in such a way that the information in these proceedings can be meaningfully utilized in reviewing the PFM to add attrition years 2022 and 2023 to the TY2019 GRC cycle. The 2019 RAMP Report was meant to inform and be integrated into TY2022 and not PTY 2022 which undergoes a different review process. We also find that this approach is consistent with the risk-based decision-making framework adopted in D.14-12-025, D.16-08-018, and D.18-12-014. We find POC's contention that there would be little to justify requested rate increases for 2022 and 2023 if parties are not allowed to fully analyze the 2019 RAMP Report premature. Review of the proposed revenue requirement increases for 2022 and 2023 will be conducted by review of the PFM filed in A.17-10-007 and so justification of the requests shall be determined in that process.

We also agree with MGRA's analogy that what POC suggests equates to a full GRC review of the proposed revenue requirements for 2022 and 2023 and we find that this is not viable and not the objective of D.20-01-002 in alleviating the time and resources required in a full GRC process. In any case, as stated above, review of the PFM will be conducted in A.17-10-007 and any deficiencies to the PFM will be addressed there. On the other hand, what this decision addresses is whether the RAMP Report needs to be integrated with the revenue requirement requests for 2022 and 2023.

Instead of informing PTYs 2022 and 2023, we find that the information provided in the 2019 RAMP Report as well as lessons learned should be utilized to further refine the RAMP process and provide guidance to SoCalGas's and SDG&E's next RAMP filing. We therefore agree with TURN's position that parties be allowed submit comments regarding the 2019 RAMP Report and that the instant proceeding should be closed afterwards. These comments were filed on April 6, 2020.

With respect to comments and suggestions by parties regarding the next RAMP submission, we agree that SoCalGas and SDG&E should make appropriate modifications to their RAMP process to ensure compliance with D.16-08-018 and the S-MAP settlement. Parties identify specific deficiencies and we direct SoCalGas and SDG&E to carefully examine the comments and suggestions to ensure compliance for the next RAMP submission. POC recommends conducting a thorough analysis of the assumptions and data contained in the 2019 RAMP Report but we find that this is not a good use of the Commission's time and resources as the 2019 RAMP Report will not be

integrated into a GRC. Instead, we find that these recommendations should be taken into account by the utilities and applied towards their next RAMP submission.

5. Intervenor Compensation

With respect to hours and costs incurred by intervenors, the Scoping Memo already set forth that intervenors shall be allowed to carry-forward to SoCalGas's and SDG&E's next RAMP applications any hours and costs incurred in these proceedings.⁸ Several intervenors made other suggestions such as resolving intervenor requests for compensation in this proceeding. However, we find no compelling reason to change the determination made in the Scoping Memo. In addition, it is difficult to consider intervenor contributions to this proceeding alone as this RAMP process has effectively been abbreviated because of D.20-01-002. Instead, we find that intervenor contributions can be more thoroughly analyzed, weighed, and considered, in conjunction with the contributions to be made in the next RAMP process which we expect to be a complete RAMP process where results are integrated into a GRC TY.

6. Comments on Proposed Decision

The proposed decision of the ALJ 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 Protect Our Communities Foundation (formerly POC) on August 24, 2020. Reply Comments were filed by SDG&E and SoCalGas on

⁸ Scoping Memo at 6.

August 31, 2020. Most of the issues raised in comments are not new and had already given due consideration by the Commission.

7. Assignment of Proceeding

Genevieve A. Shiroma is the assigned Commissioner and Rafael Lirag is the assigned ALJ in this proceeding.

Findings of Fact

1. The utilities' RAMP filing and the comment process by SED and intervenors will form part of the utilities' assessment of their safety risks and proposed mitigations in the utilities' next GRC filing.

2. D.20-01-002 modified the rate case plan of GRC applications for large energy utilities by changing their GRC cycles from three to four years.

3. Pursuant to D.20-01-002, SoCalGas and SDG&E were required to file a PFM to add attrition years 2022 and 2023 into their TY2019 GRC cycle.

4. RAMP-related requests are included in witness testimony in the GRC and funding for these programs and projects are requested in the GRC.

5. In a GRC application, specific programs and projects as well as proposed funding are reviewed for the TY.

6. For the PTYs, utilities ordinarily propose a ratemaking framework or mechanism to provide the GRC applicant with an appropriate level of authorized revenues for the PTYs in order to address increases in and additional costs due to inflation and capital investments.

7. GRC applications are complex which makes it highly infeasible to review revenue requirement proposals on an annual basis.

8. One of the main issues in the PFM Scoping Memo is whether or not the proposed PTY mechanisms are just and reasonable.

9. POC does not provide concrete methods how RAMP results should be integrated into the 2022 and 2023 revenue requirement requests.

10. RAMP-related information in this proceeding is not integrated into any testimony for the PFM.

11. SoCalGas' and SDG&E's next RAMP filings in May 2021 will inform the TY2024 GRC cycle.

12. Most parties support closure of these OIRs.

13. There is no compelling reason to change the determination made in the Scoping Memo that intervenors should be allowed to carry-forward costs incurred in this proceeding to SoCalGas's and SDG&E's next RAMP application.

14. Parties identify specific deficiencies in the 2019 RAMP Report.

Conclusions of Law

1. D.20-01-002 eliminated the TY2022 GRC cycle which the 2019 RAMP process was supposed to inform.

2. A four-year cycle provides an extra year in-between GRC cycles which allows the Commission as well as parties in these GRC applications to devote limited resources to other pressing and important issues and concerns.

3. The rate case plan adopts a more scrutinized review of individual programs and projects for the TY and applies an escalation-oriented review of a proposed mechanism to determine and calculate the revenue requirement for PTYs.

4. For the PFM, it appears that the Commission will continue to apply its current practice of reviewing a proposed mechanism to determine a PTY mechanism for 2022 and 2023 as opposed to an exhaustive review of individual programs and projects that will be conducted for those years.

5. Based on the revised Scoping Memo in A.17-10-007, review of the PFM can move forward without integration of information derived from the 2019 RAMP Report.

6. Review of a PTY revenue requirement request is substantially different from review of a TY.

7. SoCalGas's and SDG&E's next GRC filing (TY2024) will be informed by a different RAMP filing.

8. The information provided in the 2019 RAMP Report as well as lessons learned should be utilized to further refine the RAMP process and provide guidance to SoCalGas's and SDG&E's next RAMP filing.

9. SoCalGas and SDG&E should be directed to carefully examine the comments and suggestions by parties to ensure that the next RAMP submission complies with the requirements set forth in D.18-12-014 and the S-MAP settlement agreement.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company and San Diego Gas and Electric Company shall address and consider in their next Risk Assessment Mitigation Phase (RAMP) applications, the comments and suggestions by intervenors regarding the 2019 RAMP Report and further improvement of the RAMP

process. The utilities' next RAMP filing shall fully comply with the guidelines set forth in Decision 16-08-018 and the Safety Model Assessment Proceeding Settlement Agreement.

2. Intervenors in this proceeding shall be allowed to carry-forward to the next Risk Assessment Mitigation Phase filings of Southern California Gas Company and San Diego Gas and Electric Company any hours and costs incurred in this proceeding.

3. Investigations 19-11-010 and 19-11-011 are closed.

This order is effective today.

Dated September 10, 2020, at San Francisco, California.

MARYBEL BATJER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners