

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

Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2016.

Application No. 14-11-003
(Filed November 14, 2014)

Application of Southern California Gas Company (U 904 G) for Authority to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2016.

Application No. 14-11-004
(Filed November 14, 2014)

**JOINT REPLY TO COMMENTS ON JOINT MOTION FOR ADOPTION OF
SETTLEMENT AGREEMENTS REGARDING SAN DIEGO GAS & ELECTRIC
COMPANY'S TEST YEAR 2016 GENERAL RATE CASE,
INCLUDING ATTRITION YEARS 2017 AND 2018**

JOHN A. PACHECO
LAURA M. EARL
EMMA D. SALUSTRO

JOHNNY J. PONG
KIM F. HASSAN
JASON W. EGAN

8330 Century Park, 2nd Floor
San Diego, CA 92123
(858) 654-1761/654-1541 phone
(619) 699-5027 facsimile
jpacheco@semprautilities.com
learl@semprautilities.com

555 West 5th Street, Suite 1400
Los Angeles, CA 90013
(213) 244-2990 phone
(213) 629-9620 facsimile
jpong@semprautilities.com

Counsel for San Diego Gas & Electric Company and Southern California Gas Company

LAURA TUDISCO
NOEL OBIORA
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2164/703-5987 phone
(415) 703-2262 facsimile
laura.tudisco@cpuc.ca.gov
noel.obiora@cpuc.ca.gov
Attorneys for Office of Ratepayer Advocates

Robert Finkelstein, General Counsel
THE UTILITY REFORM NETWORK
785 Market Street, Suite 1400
San Francisco, CA 94103
(415) 929-8876 ex. 311 phone
(415) 929-1132 facsimile
bfinkelstein@turn.org
Attorney for The Utility Reform Network

Donald Kelly, Executive Director
UTILITY CONSUMERS' ACTION NETWORK
3405 Kenyon Street, Suite 401
San Diego, CA 92110
(619) 696-6966 phone
don@ucan.org
Attorney for Utility Consumers' Action Network

Tadashi Gondai, Senior Attorney
NATIONAL ASIAN AMERICAN COALITION
15 Southgate Avenue, Suite 200
Daly City, CA 94015
(650) 952-0522 ex. 235 phone
tgondai@naacoalition.org
Attorney for the Joint Minority Parties

Rita Liotta
Federal Executive Agencies
1 Avenue of the Palms, Suite 161
San Francisco, CA 94130
(415) 743-4702 phone
rita.liotta@navy.mil
Attorney for Federal Executive Agencies

Timothy O'Connor, Senior Attorney
Environmental Defense Fund
123 Mission Street, 28th Floor
San Francisco, CA 94105
(415) 492-4680 phone
toconnor@edf.org
Attorney for Environmental Defense Fund

October 27, 2015

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I. INTRODUCTION

Pursuant to Rule 12.2 of the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”), Office of Ratepayer Advocates (“ORA”), Federal Executive Agencies (“FEA”), Environmental Defense Fund (“EDF”), Joint Minority Parties (“JMP”), The Utility Reform Network (“TURN”), and Utility Consumers’ Action Network (“UCAN”) (collectively referred to hereafter as “Settling Parties”) jointly submit this Reply to Comments on their Joint Motion for adoption of a settlement of SDG&E’s Test Year 2016 revenue requirement, including attrition years 2017 and 2018 (“SDG&E TY 2016 Settlement Agreement”). The Joint Motion also requested approval of settlement agreements executed among (1) SDG&E, Southern California Gas Company (“SoCalGas”), and EDF (the “EDF Settlement”), (2) SDG&E, SoCalGas, and JMP (the “JMP Settlement”), (3) SDG&E, SoCalGas, and FEA (the “FEA Settlement”), and (4) SDG&E, SoCalGas, and TURN/UCAN (the “TURN/UCAN Settlement”) (collectively referred to hereafter as “Bilateral GRC Settlements”). Comments regarding the SDG&E TY 2016 Settlement Agreement were limited to those filed by only two parties: the Coalition of California Utility Employees (“CUE”) and Mussey Grade Road Alliance (“MGRA”). No party provided comments regarding the Bilateral GRC Settlements.

Many of the comments raised by CUE and MGRA purport to relate to safety concerns. Settling Parties acknowledge the importance of safe utility operations for this GRC cycle and at all other times. Contrary to CUE's and MGRA's arguments, however, the SDG&E TY 2016 Settlement Agreement remains reasonable in light of the record, in the public interest and consistent with the law. As stated in the Joint Motion:

The Settling Parties have a common interest that SDG&E provides safe and reliable service to customers. Therefore, Settling Parties believe and expect that SDG&E will operate its system in a safe and reliable manner, in line with its assertions that customer, employee, and system safety are priorities for the company.¹

This joint assertion has the substantive merit of coming from the majority of parties, including the consumer advocates to this proceeding who have developed an extensive record regarding safety and reliability of the SDG&E system.

II. CUE'S ATTACK OF THE SDG&E SETTLEMENT IS GROUNDLESS

A. CUE Ignores the Record Evidence and On-Going Proceedings Focused on Safety and Risk Metrics

CUE's comments generally allege that the SDG&E TY 2016 Settlement Agreement fails to show that it will result in safe and reliable service, claiming that it simply "splits the baby" between revenue requirement amounts SDG&E sought in its testimony and alternative amounts proposed by ORA, "without any safety analysis."² It is not clear what type of analysis CUE claims is lacking. Moreover, pursuant to existing statutes (e.g., P.U. Code 451) and Commission rules and decisions, SDG&E is already obligated to operate safely and reliably, regardless of authorized revenue requirement in any given GRC. Although the authorized revenue requirement generally provides the funding necessary to meet this obligation, SDG&E's safety obligation exists independently of revenue requirement, and SDG&E is, as always, committed to maintaining a safe and reliable system. This commitment, as well as a reference to the on-going safety/risk proceeding, is reflected in the Joint Motion seeking approval of the SDG&E TY 2016 Settlement Agreement:

The Settling Parties have a common interest that SDG&E provides safe and reliable service to customers. Therefore, Settling Parties believe and

¹ Joint Motion for Adoption of Settlement Agreements Regarding San Diego Gas and Electric Company's Test Year 2016 General Rate Case, Including Attrition Years 2017 and 2018 ("Joint Motion"), filed September 12, 2015 at 9.

² CUE Comments at 7.

expect that SDG&E will operate its system in a safe and reliable manner, in line with its assertions that customer, employee, and system safety are priorities for the company. Parties, as well as the Commission’s Safety and Enforcement Division, have created a record on safety, reliability, and operational risk policy in this proceeding. The TY 2016 Settlement Agreement does not reach any explicit findings and conclusions over the various risk issues raised in this proceeding. However, it does specify the cost forecasts adopted for the specific areas of electric and gas operations that are related to risks, as well as the other cost categories. The Commission, having recently adopted a more safety-focused Rate Case Plan in Rulemaking (“R.”) 13-11-006, will expect upcoming GRCs filed by utilities to incorporate these and other elements in a more uniform and systematic way. For purposes of SDG&E’s TY 2016 GRC cycle, SDG&E will not only be an active participant in helping the Commission determine a safety-focused GRC, but will be preparing to file its next GRC under the new Rate Case Plan. At present, this continues to be an evolving process.³

CUE dismisses this statement as insufficient, arguing that “the Commission must not punt safety and reliability to the next GRC.”⁴ CUE also claims that Settling Parties are relying on a “single paragraph” to support the SDG&E TY 2016 Settlement Agreement.⁵ CUE’s approach not only ignores the fact that the Safety Model Assessment Proceeding (“S-MAP”) and Risk Assessment and Mitigation Phase (“RAMP”) proceedings are on-going and applicable to future GRCs, it also fails to acknowledge all the facts currently in the record on safety and reliability issues. In particular, CUE ignores the fact that SDG&E presented a heightened showing in its direct case related to safety, and demonstrated the link between SDG&E’s TY 2016 GRC forecast requests and its safety-related culture, practices, projects and activities. Specifically, as described below, the testimony of Diana Day, David Geier, Douglas Schneider, and that of other witnesses reflect SDG&E’s commitment to safety, reliability and security for customers, employees and the communities they serve.

Diana Day, the Vice President of Enterprise Risk Management for SDG&E and SoCalGas, agreed with the Commission that the implementation of risk, asset and investment management processes and tools are evolving and improving, and stated SDG&E and SoCalGas’ belief that their “commitments are directionally aligned with the

³ Joint Motion at 9.

⁴ CUE Comments at 11.

⁵ *Id.* at 8.

CPUC and, based on all of our risk witnesses' testimonies, that SDG&E's and SoCalGas' TY 2016 GRCs are based on an assessment of the safety, reliability and security risks of SDG&E and SoCalGas systems."⁶

In addition, SDG&E's direct testimony of David Geier, who sponsored testimony as Vice President of Electric Transmission and System Engineering, and Douglas Schneider, who sponsored testimony as Vice President of Gas Engineering and System Integrity, provided an overview of SDG&E's and SoCalGas' strong safety culture and commitment to further developing processes and programs for both gas operations and electric operations that are designed to manage safety risks and promote system reliability.⁷ Mr. Geier testified that "SDG&E has a well-developed safety culture founded on proven employee-based programs, continuous safety training programs and education of SDG&E's workforce," which "promotes safe, reliable electric system operation that benefits the public and employees,"⁸ and Mr. Schneider testified similarly for SDG&E's and SoCalGas' gas operations.⁹ Mr. Geier also described SDG&E's safety philosophy and practices, including continued operational commitment to risk management through targeted programs and initiatives and particular focus in the last decade to minimizing fire risk, and identified some of the highest priority risks SDG&E faces and the specially designed practices SDG&E has in place to mitigate them.¹⁰ Mr. Schneider identified similar high priority risks for SDG&E's and SoCalGas' gas operations.¹¹

Consistent with Ms. Day's testimony, Mr. Geier and Mr. Schneider confirmed SDG&E's commitment to the continued growth and development of SDG&E's existing risk management processes into a more fully integrated enterprise risk management ("ERM") governance structure.¹² Mr. Geier confirmed that SDG&E's TY 2016 electric distribution operations forecasts included capital and operations and maintenance ("O&M") proposals to enhance and expand risk mitigation efforts, such as the Fire Risk Mitigation ("FiRM") project, and that revenue requirement requests are tied to risk mitigation processes and will allow SDG&E to

⁶ Ex. 15, SDG&E/Day at 11.

⁷ Ex. 21, SDG&E/Geier/Schneider at DLG-ii, DMS-ii.

⁸ *Id.* at DLG-ii.

⁹ *Id.*

¹⁰ *Id.* at DLG-3.

¹¹ *Id.* at DMS-4.

¹² *Id.* at DLG-ii, DMS-ii.

continue providing safe and reliable service to our customers at reasonable rates.¹³ Mr. Schneider similarly confirmed that SDG&E's TY 2016 gas distribution operations forecasts included proposals to enhance and expand gas operations risk management practices, and that SDG&E's TY 2016 gas operations revenue requirement requests are tied to risk management processes and will allow SDG&E to continue providing safe and reliable service to customers at reasonable rates.¹⁴ Both Mr. Geier and Mr. Schneider provided a breakdown of risk categories and their related safety and risk management requests.¹⁵ Both Mr. Geier and Mr. Schneider confirmed SDG&E's commitment to maintain system reliability and safety well into the future, through continued risk management efforts.¹⁶

Other SDG&E witnesses presented further testimony establishing a link between SDG&E's TY 2016 revenue requirement requests and its safety-related activities, including the following:

- EX-SDGE-02-R: Revised Direct Testimony of Caroline Winn & Scott Drury regarding SDG&E governing policy consisting of employee safety, customer and public safety, and the safety of SDG&E's gas and electric delivery systems. Also addressed are: safety culture, SDG&E's 'Commitment to Safety' statement, SDG&E's efforts toward risk management, cyber and physical security and environmental stewardship, as discussed in subsequent witness testimonies.
- EX-SDGE-29 and EX-SDGE-32: Direct and Rebuttal Testimony of Raymond K. Stanford regarding Gas Engineering and Gas Transmission Capital, addressing pipeline design standards and mitigation of risks associated with infrastructure integrity, system reliability and physical security of gas facilities and compressor stations.
- EX-SDGE-43: Rebuttal Testimony of Beth Musich regarding Gas Transmission O&M, addressing SDG&E's plans for inspection and maintenance of post-PSEP (Pipeline Safety Enhancement Plan) infrastructure.
- EX-SDGE-53 and EX-SDGE-56: Direct and Rebuttal Testimony of Maria T. Martinez regarding Pipeline Integrity for Transmission & Distribution, addressing Pipeline and Hazardous Materials Safety Administration ("PHMSA") compliance, the Transmission Integrity Management Program ("TIMP"), the Distribution Integrity Management Program ("DIMP"), risk mitigation assessment and prioritization, replacement of Aldyl-A plastic pipe, the Gas Infrastructure Protection Program ("GIPP"), Programs and Activities to Assess Risk ("PAARs"), the Sewer Lateral Inspection Program ("SLIP"), and anodeless risers.

¹³ *Id.* at DLG-ii.

¹⁴ *Id.* DMS-ii.

¹⁵ *Id.* at DLG-12, DMS-9.

¹⁶ *Id.* at DLG-ii, DMS-ii.

- EX-SDGE-62 and EX-SDGE-65: Direct and Rebuttal Testimony of Frank B. Ayala regarding Gas Distribution, addressing public and employee safety, regulatory and legislative compliance, and distribution system reliability.
- EX-SDGE-70 and EX-SDGE-72: Revised Direct and Rebuttal Testimony of Jonathan T. Woldemariam regarding Electric Distribution O&M, addressing the Fire Risk Mitigation (“FiRM”) program, the development of the Reliability Improvements for Rural Areas (“RIRAT”) team, vegetation management, fire response planning, the use of dedicated meteorological and fire response personnel, the development of sophisticated fire risk mapping and real-time monitoring systems, Red Flag warning operations, elevated wind condition operational procedures and protocol, safety patrol costs for restoration of outages in high risk fire areas, and electric reliability performance incentives.
- EX-SDGE-266: Rebuttal Testimony of Mason Withers regarding Electric Reliability Performance Incentives, addressing additional details of SDG&E’s proposed electric reliability performance indicators.
- EX-SDGE-134 and EX-SDGE-136: Revised Direct and Rebuttal Testimony of John Jenkins regarding Electric Distribution Capital, addressing capital project efforts for the FiRM program, risk mitigation alternatives evaluation, selection and prioritization of risk mitigation projects, and various capital budget categories for reliability improvements, facility physical security, provision of new business services, and system upgrades and hardening.
- EX-SDGE-74 and EX-SDGE-77: Direct and Rebuttal Testimony of Carl LaPeter regarding Electric Generation and capital projects, addressing system reliability, physical security, natural disaster.
- EX-SDGE-84: Direct Testimony of Sue E. Garcia regarding Electric and Fuel Procurement, addressing the assessment of energy resource availability and reliability both for present and future resource planning.
- EX-SDGE-86 and EX-SDGE-88: Direct and Rebuttal Testimony of Sara A. Franke regarding Customer Service Field Operations, addressing safe and reliable provision of gas and electric service through trained and experienced Field Technicians.
- EX-SDGE-101 and EX-SDGE-104: Direct and Rebuttal Testimony of Brad Baugh regarding Customer Service Operations, Information and Technologies, addressing customer contact in the case of emergencies, service dispatching in response to those emergency calls, and dispatch practices for non-emergency field safety inspections.
- EX-SDGE-121 and EX-SDGE-123: Direct and Rebuttal Testimony of Sarah E. Edgar regarding Human Resources and Safety, addressing Safety Operations, Safety Compliance, and Wellness Programs that support public and employee safety and reduce the incidence of accidents and injuries, and SDG&E’s Emergency Operations Center (“EOC”), Regional Emergency Operations, and Business Continuity and Resumption Planning.
- EX-SDGE-153 and EX-SDGE-156: Amended Revised Direct and Rebuttal Testimony of Stephen J. Mikovits regarding Information Technologies, addressing

cyber security, customer data privacy, control system security, data loss, corruption or theft, key risk indicators for cyber security, and monitoring and mitigation of system intrusions or breaches.

- EX-SDGE-166 and EX-SDGE-168: Direct and Rebuttal Testimony of Carmen Herrera regarding Fleet Services, addressing vehicle design and operational safety in compliance to NHTSA and OSHA requirements, routine vehicle and equipment inspections and maintenance, and contribution of fleet services' activities to the provision of reliable gas and electric service by SDG&E technicians and work crews.
- EX-SDGE-174 and EX-SDGE-176: Direct and Rebuttal Testimony of Scott Pearson regarding Environmental Services, addressing the importance of environmental protection and compliance, and SDG&E's efforts to meet those compliance requirements and emerging legislation.
- EX-SDGE-270 and EX-SDGE-273: Direct and Rebuttal Testimony of James Seifert regarding Real Estate, Land and Facilities, addressing facility-related projects categorized as safety and environmental improvements, as well as facility management services to operate and maintain fire safety systems, facility security and access control systems, back-up emergency generators and uninterruptable power systems among others.

Thus, SDG&E's witnesses testified to its mature, successful safety culture and continued commitment to providing safe and reliable service and addressing risks associated with its electric and gas distribution systems, while acknowledging the Commission's ongoing efforts to bring utility analysis of those risks into a much more formal framework.

Although not listed above, Settling Parties, other than SDG&E, also contributed to the record on safety and reliability in this proceeding, as well as on the costs and forecasts related to such efforts. It was this entire record, taken as a whole, which formed the basis upon which Settling Parties agree the SDG&E TY 2016 Settlement Agreement is in the public interest and why they "believe and expect that SDG&E will operate its system in a safe and reliable manner, in line with its assertions that customer, employee, and system safety are priorities for the company."¹⁷ Indeed, a settlement is by its nature an agreement containing terms mutually acceptable to the settling parties. It is not meant to be a reproduction of the body of evidence, and an analysis of that evidence, for each and every settled term. The tendered settlement agreements embody the Settling Parties' compromise positions in lieu of a litigated outcome, and are supported by the evidence that these Settling Parties helped create. Of course, non-settling parties, such as CUE and

¹⁷ Joint Motion at 9.

MGRA are exercising their right to contest the settlements; however, suggesting that the Settling Parties tendered a portfolio of settlements devoid of any consideration of safety is to ignore Settling Parties substantial contributions to the record on safety matters in this proceeding.

Moreover, in areas where safety and reliability are key drivers, the settled amounts are equal or nearly equal to the amounts SDG&E originally requested in its testimony, as shown in the following tables:

Table 1 – O&M programs¹⁸

Program	SDG&E Request	Settlement
TIMP	\$ 5,451	\$ 5,451
DIMP	\$ 6,033	\$ 6,033
Tree Trimming	\$ 24,559	\$ 24,559
Pole Brushing	\$ 4,292	\$ 4,292
Electric Regional Operations	\$ 35,449	\$ 35,449
Electric Distribution Operations	\$ 15,315	\$ 14,000

Table 2 – Capital programs¹⁹

Program	SDG&E Request	Settlement
TIMP	\$ 15,861	\$ 15,861
DIMP	\$ 25,113	\$ 25,113
FiRM Phase 1 and 2	\$ 38,332	\$ 34,807
FiRM Phase 3	\$ 80,318	\$ 77,455

Thus, CUE is wrong when it claims that “the record is devoid of evidence that the Settlement Agreement would result in safe and reliable service” or that the SDG&E TY

¹⁸ Joint Motion, Settlement Comparison Exhibit at 326.

¹⁹ *Id.* at 341 and 343.

2016 Settlement Agreement “would approve insufficient funding in many areas of infrastructure replacement”²⁰ Moreover, contrary to CUE’s characterization of how the Settling Parties reached settlement, the settlement figures show that the negotiation was not a simple process of “splitting the baby.” Each area was considered in light of the record evidence, resulting in settled amounts that taken together constitute a reasonable revenue requirement that balances the need to maintain safety, reliability and reasonable rates. This process resulted in a settlement that is reasonable in light of the record, in the public interest and consistent with the law.

B. The Fact that the SDG&E TY 2016 Settlement Agreement Does Not Satisfy CUE’s Specific Spending Requests Does Not Mean the Settlement Taken as a Whole Is Invalid

A significant portion of CUE’s comments are devoted to argument for additional spending related to specific gas-related capital projects (e.g., Aldyl-A Pipe), electric distribution O&M expenses (e.g., skills and compliance training, grid operations, hiring of troubleshooters), and electric-related capital projects (e.g., underground cable, switches, capacitors). These sections of CUE’s comments resort to hyperbole (e.g., “abysmal performance,” “absurdly inadequate,” “are an embarrassment”) and seem to dare the Commission to approve a settlement which CUE claims is insufficient (“The Commission cannot credibly claim it cares about safety while letting Aldyl-A pipe remain in San Diego”).²¹ In other words, according to CUE, if the Commission does not accept CUE’s view of the issues and what it claims is needed for safe and reliable operations, then the Commission must not care about safety.

Putting aside CUE’s exaggerations, as noted above, the record includes evidence that weighs against CUE’s position on each of the issues it raises. However, since the response to this portion of CUE’s comments is more appropriate for legal briefing (in fact, similar and overlapping arguments are raised in CUE’s opening brief), SDG&E will address these arguments in its reply brief, to be filed on November 2, 2015.

For purposes of this Reply, however, it should be noted that CUE’s arguments are based on a false premise that unless the SDG&E TY 2016 Settlement Agreement provides for all that SDG&E requested (or even more in some instances) in any particular area, then it will not allow for safe and reliable service. The premise is false because the settlement process involved the

²⁰ CUE Comments at 7 and 10.

²¹ *Id.* at 13.

weighing of all the various proposed forecasts or adjustments to forecasts in evidence. That a final settlement was reached on figures that are different from those presented by SDG&E or CUE or more closely align with those of ORA or any other Settling Party in any particular area, does not automatically mean that those figures are insufficient for purposes of safety and reliability or that the settlement taken as a whole is insufficient. In assessing settlements, the Commission has said that “we consider individual settlement provisions but, in light of strong public policy favoring settlements, ***we do not base our conclusion on whether any single provision is the optimal result.*** Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.”²²

Indeed, as noted in the Joint Motion, it is the nature of settlements that the final settled amounts reflect a combination of considerations and that they do not align exactly with any particular party’s position on any issue:

We consider whether the settlement ***taken as a whole*** is in the public interest. In so doing, we consider individual elements of the settlement in order to determine whether the settlement generally balances the various interest at stake as well as to assure that each element is consistent with our policy objectives and the law.²³

Also, where a settlement is contested, the underlying evidentiary record provides the basis upon which to measure the reasonableness of the settlement:

Since the Settlement before us is contested, we take note of the approach followed regarding a contested settlement in D.01-12-018. There, we stated that when a contested settlement is presented to us where hearings have been held on the contested issues, we are free to consider such settlements under Rule 51.1(e) or as joint recommendations. Evidentiary hearings were held on the contested issues in this proceeding, although various parties elected to waive or curtail cross-examination. Nonetheless, ***the underlying testimony was received into evidence, and forms an independent basis against which to evaluate the reasonableness of the Settlement Agreement.***²⁴

²² D.11-05-018, 2011 Cal. PUC LEXIS 275 at *23 (emphasis added).

²³ D.03-04-030, 2003 Cal. PUC LEXIS 246 at *66-67 (internal citation omitted)(emphasis added). This policy was also reaffirmed in D.10-12-035, 2010 Cal. PUC LEXIS 647 at *39-40 and D.11-12-053, 2011 Cal. PUC LEXIS 585 at *111-113.

²⁴ D.03-04-030, 2003 Cal. PUC LEXIS 246 at *67 (emphasis added).

The Settling Parties are confident that a fair and reasonable review of the record as a whole in light of the settlement figures will show that the SDG&E TY 2016 Settlement Agreement should be approved.

III. MGRA HAS FAILED TO RAISE ISSUES SHOWING THAT THE SDG&E TY 2016 SETTLEMENT AGREEMENT SHOULD NOT BE APPROVED

Unlike CUE, which opposed the entire SDG&E TY 2016 Settlement Agreement, MGRA limited its comments to raising two issues: “(1) metrics to track prioritization and effectiveness and thereby provide transparency and accountability for the FiRM program; and (2) to prevent incentivizing SDG&E employees to collect money from ratepayers in wildfire litigation before the Commission.”²⁵ As shown below, MGRA’s issues do not constitute sufficient grounds to modify and/or reject any part of the SDG&E TY 2016 Settlement Agreement.

A. MGRA’s Demand for Metrics is Premature

Regarding FiRM and ERM funding, MGRA’s comments support the SDG&E TY 2016 Settlement Agreement. Indeed, MGRA states that “[t]he Settlement Agreement submitted on September 11th, 2015 grants a significant fraction of the requested funds according to the schedule originally proposed by SDG&E. We believe that this outcome is in the interest of residents and ratepayers of SDG&E’s service territory.”²⁶ MGRA, however, is not completely satisfied and claims that the SDG&E TY 2016 Settlement Agreement is incomplete without the “inclusion of analysis, metrics and reporting requirements” that it addresses in detail in its concurrently filed opening brief.²⁷ As with many of the issues raised by CUE, SDG&E will provide its specific response to these requests in its reply brief, to be filed on November 2, 2015.

However, for purposes of this Reply, it should be noted that MGRA’s requests are directly related to requirements stemming from the Commission’s decision (D.14-12-025) in R.13-11-006 (CPUC Proceeding to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities). Among other things, D.14-12-025 initiated the S-MAP and RAMP proceedings and a requirement to provide annual verification reports, including a Risk Mitigation Accountability

²⁵ MGRA Comments at 6.

²⁶ *Id.* at 8-9.

²⁷ *Id.* at 8.

Report and a Risk Spending Accountability Report.²⁸ But, it should be noted that D.14-12-025 and the Safety Action Plan were issued a month after SDG&E filed its TY 2016 GRC Application.²⁹ More importantly, the modifications to the Rate Case Plan adopted in D.14-12-025, including the new S-MAP, RAMP, and annual reporting requirements, are to apply to GRC applications beginning February 1, 2015, not before.³⁰ Accordingly, the type of analysis MGRA claims is lacking in the SDG&E TY 2016 Settlement Agreement falls outside the scope of this proceeding and is currently being shaped via the on-going S-MAP and RAMP proceedings, in which MGRA is an active participant. Accordingly, the SDG&E TY 2016 Settlement Agreement is not incomplete because it lacks the type of analysis, metrics and reporting requirements that will come out of the S-MAP and RAMP proceedings.

B. MGRA’s Allegations Regarding Incentive Compensation Do Not Present Grounds Upon Which the SDG&E TY 2016 Settlement Agreement Should Be Denied or Modified

MGRA is concerned that the SDG&E TY 2016 Settlement Agreement may “incentivize SDG&E employees to pursue an outcome that would reduce safety or result in baseless litigation against ratepayers”³¹ This concern is addressed in detail in MGRA’s opening brief. Accordingly, SDG&E will specifically address this issue in its reply brief to be filed on November 2, 2014. It should also be noted that SDG&E has filed comments to the Assigned Commissioner Ruling and a Motion to Strike related to MGRA’s position on incentive compensation.³²

However, for purposes of this Reply, it should be noted that MGRA has stated incorrectly that “[t]he issue relevant to the current GRC is whether the Commission wishes to approve a compensation plan embedded in the current settlement”³³ The Settling Parties are not seeking Commission approval of SDG&E’s ICP plans and those plans are not “embedded” in the

²⁸ See generally, D.14-12-025.

²⁹ See, D.14-12-025 (issued December 9, 2014) and SDG&E Application and Original Testimony for TY 2016, A.14-11-003 (filed November 14, 2014).

³⁰ D.14-12-025 at Ordering Paragraph 3 (“Beginning February 1, 2015, the risk-based decision-making framework, as described and adopted in today’s decision, shall apply to all future General Rate Case application filings of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company.”).

³¹ MGRA Comments at 14.

³² See, Reply Comments of SDG&E and SoCalGas on Assigned Commissioner’s Ruling, filed October 16, 2015 and SDG&E’s and SoCalGas’ Expedited Motion to Strike Portions of Mussey Grade Road Alliance’s Brief and Comments, filed October 21, 2015.

³³ MGRA Brief at 48.

