

Decision 14-12-025 December 4, 2014

**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 INCORPORATING A RISK-BASED DECISION-MAKING  
FRAMEWORK INTO THE RATE CASE PLAN AND MODIFYING APPENDIX A  
OF DECISION 07-07-004**

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**DECISION INCORPORATING A RISK-BASED DECISION-MAKING  
FRAMEWORK INTO THE RATE CASE PLAN AND MODIFYING APPENDIX A  
OF DECISION 07-07-004**

**Summary**

Today's decision addresses the changes that we adopt to incorporate a risk-based decision-making framework into the Rate Case Plan (RCP) for the energy utilities' General Rate Cases (GRCs). The RCP was initially developed and adopted to guide the energy utilities on the type of information that is to be presented, and the procedural schedule that is to be followed, for addressing their revenue requirement requests in their GRCs. As a result of Senate Bill (SB) 705,<sup>1</sup> and its emphasis on making natural gas safety a top priority of this Commission and the natural gas corporations, we modify the existing RCP to incorporate a risk-based decision-making framework into the GRCs for the large energy utilities.

The framework and parameters that we adopt today will 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. For the large energy utilities, this will take place through two new procedures, which feed into the GRC applications in which the utilities request funding for such safety-related activities. These two procedures are: (1) the filing of a Safety Model Assessment Proceeding (S-MAP) by each of the large energy utilities, which are to be consolidated; and (2) a subsequent Risk Assessment Mitigation Phase (RAMP)

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<sup>1</sup> SB 705 was codified into Public Utilities Code Sections 961 and 963 in Chapter 522 of the Statutes of 2011.

filing in an Order Instituting Investigation for the upcoming GRC wherein the large energy utility files its RAMP in the S-MAP reporting format describing how it plans to assess its risks, and to mitigate and minimize such risks. The RAMP submission, as clarified or modified in the RAMP proceeding, will then be incorporated into the large energy utility's GRC filing. In addition, the large energy utilities will be required to file annual reports following their GRC decisions.

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.

For the small energy utilities, they are to include a risk-based decision making approach in their GRCs three years from now.

Today's decision also modifies and replaces the schedule for the RCP that was set forth in Appendix A of Decision 07-07-004.

## **1. Background and Procedural Schedule**

Following the 2010 natural gas explosion and fire in San Bruno, the California Legislature and the Commission took steps to ensure the safety and reliability of the operations and practices of the energy utilities. Among other things, the Commission initiated Rulemaking (R.) 11-02-019 on February 24, 2011 to examine whether new safety and reliability rules should be adopted for natural gas pipelines on a statewide basis. Then on October 7, 2011, several gas safety bills were signed into law by the Governor.

One of the gas safety bills, Senate Bill (SB) 705, requires each gas corporation to "develop a plan for the safe and reliable operation of its commission-regulated gas pipeline facility that implements the policy of

paragraph (3) of subdivision (b) of Section 963....” (Public Utilities Code Section 961(b)(1).)<sup>2</sup> The Legislature declared the following in Section (§) 963(b)(3):

It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates.

The utilities’ gas safety plans, as mandated by § 961, are being considered, along with other safety-related issues, in Order Instituting R.11-02-019.

To carry out the safety priority policy of § 963(b)(3), the Commission initiated R.13-11-006, the rulemaking that is now before us.<sup>3</sup> The logical starting point for prioritizing safety for the investor-owned energy utilities is in the Rate Case Plan (RCP), and the general rate case (GRC) applications that are filed by each of the energy utilities in accordance with the RCP. The GRC is the proceeding in which the utility requests funding for the test year and attrition years, and where the Commission adopts just and reasonable cost-based rates for the energy utilities. (*See* §§ 451 and 963(b)(3).)

The RCP was adopted to govern the information, processes, and schedule associated with the GRC applications of the energy utilities. The RCP was last revised on a large scale in Decision (D.) 89-01-040 (30 CPUC2d 576). Minor

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<sup>2</sup> Unless otherwise stated, all code section references are to the Public Utilities Code.

<sup>3</sup> After this rulemaking was initiated, SB 900 was introduced on January 15, 2014, and subsequently chaptered into law on September 15, 2014 as Chapter 552 of the Statutes of 2014. Among other things, SB 900 added §750, which states in part that “The commission shall develop formal procedures to consider safety in a rate case application by an electrical corporation or gas corporation.”

changes to the RCP were subsequently adopted in D.92-08-033, D.93-07-030, and D.07-07-004. The latest description and schedule of the RCP for the energy utilities is reflected in Appendix A of D.07-07-004.

The GRC is the proceeding wherein each of the energy utilities files an application requesting the Commission to authorize and adopt a revenue requirement for its operations and services. The revenue requirement adopted by the Commission is to be just and reasonable, and each utility “shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.” (§ 451.) Since the GRCs are the proceedings in which the revenue requirement is developed and adopted for each energy utilities’ operations, this is the appropriate place to start to “take all reasonable and appropriate actions necessary to carry out the safety priority of this paragraph consistent with the principle of just and reasonable cost-based rates.” (§ 963(b)(3).)

In initiating this rulemaking, the Commission expressed concern that the “applicant utilities may not explicitly or adequately address safety and reliability issues in their GRC filings and Gas Accord applications...,” and that the most efficient solution to address this problems “is to place the utility on notice from the very beginning of the Notice of Intent (NOI) process as to the appropriate filing requirements.” (R.13-11-006 at 6-7.) The Commission also stated that “we need to require testimony in GRCs detailing the technical state of the utility system, giving a risk assessment of its physical and operational system as well as an assessment of its risk tolerance, identifying areas of low risk and high risk, providing underlying reasons for the assessments, as well as explaining the metrics underlying its analysis.” (R.13-11-006 at 7.) The Commission also

recognized the “need to have the utility’s system evaluated in terms of implementation of best practices, industry standards, and the associated metrics of the security and safety of its electric grid, gas pipelines, and facilities.”

(R.13-11-006 at 7.) To achieve these objectives, the Commission stated that “such an evaluation and decision-making framework” should be “institutionalized as the standard practice by incorporating it into the RCP.” (R.13-11-006 at 7.) As stated by the Commission:

In sum, our end goal 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. Likewise, laying the proper procedural foundation through improvements to the RCP will better equip Commission decision makers with the necessary information to ensure that we prioritize safety while continuing our long-standing mandate to ensure that adopted rates are just and reasonable. (R.13-11-006 at 7-8.)

In order to better understand how to design a risk-based decision-making framework, and to “consider how qualitative safety, reliability, and security issues can be connected to the quantitative decisions in the GRC,” the Commission asked the utilities to respond to the data requests set forth in Attachment A of R.13-11-006, and for interested parties to file comments on the questions raised in Sections 4.1 through 4.6 of R.13-11-006.

R.13-11-006 envisioned that based on the data responses and comments, a straw proposal would be developed outlining the essentials of a risk-based decision-making framework, the evaluation tools that would need to be developed, and how such a proposed framework could be incorporated into the

RCP. R.13-11-006 also anticipated that a workshop would be held to discuss the straw proposal and the additional steps to be taken.

The Commission's Policy and Planning Division undertook the task of reviewing, digesting, and summarizing these comments. This resulted in the issuance of the Staff Straw Proposal on February 20, 2014, which was served on the service list to this proceeding.

On February 26, 2014, a ruling was issued by the assigned Administrative Law Judge (ALJ), John S. Wong. That ruling noticed a three-day workshop for March 19 - 21, 2014 to discuss the straw proposal. As recognized in that ruling, "The straw proposal incorporates the data request responses and the comments, and sets forth proposals as to how a risk-based decision-making framework, and evaluation tools, can be incorporated into the RCP." (February 26, 2014 Ruling at 3.) The purpose of the workshop was to "discuss the risk management framework and tools that could be used," and "how the RCP could be modified to accommodate a risk management framework, or to streamline or modify the RCP." (February 26, 2014 Ruling at 3.) The ruling also stated that the straw proposal would be further refined by the Policy and Planning Division based on the feedback at the workshop, and that a refined straw proposal would issue around April 17, 2014 with an opportunity for parties to file opening and reply comments.

As described below, the February 26, 2014 ruling also noticed a prehearing conference (PHC) for April 29, 2014.

Following the March 2014 workshops, and the input from the parties, the Policy and Planning Division made revisions to the straw proposal. On April 17, 2014, a ruling was issued notifying parties of the "Refined Staff Straw-Proposal" (Refined Straw Proposal). A copy of the Refined Straw

Proposal was attached to the ruling. The April 17, 2014 ruling also allowed interested parties to file opening and reply comments on the Refined Straw Proposal.<sup>4</sup>

The PHC was held on April 29, 2014. Parties were provided the opportunity to discuss the scope of issues to be addressed in this proceeding, and the procedural schedule. On May 15, 2014, the Scoping Ruling was issued, which identified the following four issues to be addressed in this proceeding:

1. How can the RCP for the energy utilities be modified or updated to develop and incorporate a risk-based decision-making framework that places a priority on safety, reliability, and security concerns, along with the related revenue requirements to achieve those priorities at reasonable rates?
2. Is the Refined Straw Proposal an acceptable framework to adopt, or are there alternative proposals the California Public Utilities Commission (CPUC) should consider?
3. Will the risk-based framework that is adopted provide the CPUC with the right tools for evaluating the safety and reliability issues that are in the rate case proceedings of the energy utilities?
4. Should elements of the RCP be modified to promote more efficient and effective management of the rate case proceedings?

Based on the input at the PHC, the Scoping Ruling decided to address the issues in this proceeding in two phases, through two rounds of comments. The first phase and decision will address “the refined straw proposal; possible alternatives to the refined straw proposal; possible timing issues in the RCP that

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<sup>4</sup> The dates set forth in the April 17, 2014 ruling for the filing of opening and reply comments on the Refined Straw Proposal were subsequently changed in the May 15, 2014 Scoping Memo and Ruling (Scoping Ruling).

could be affected if the refined straw proposal or an alternative were adopted; and the other related timing issues described in section 3.c of the PHC agenda.” (Scoping Ruling at 5.) The second phase, and a separate decision, will “address proposals to revise the RCP to ‘promote more efficient and effective management of the overall rate case process’.” (Scoping Ruling at 6.)

No one requested that evidentiary hearings be held. The Scoping Ruling decided that no hearings were necessary because this is a quasi-legislative proceeding which establishes policy, and the Commission can consider and base its policy determinations on the pleadings and comment process which has been filed in this proceeding.

Today’s decision addresses the first phase issues. For the first phase issues, comments on the Refined Straw Proposal were filed by the following: Coalition of California Utility Employees; Communities for a Better Environment; Energy Producers and Users Coalition; ExxonMobil Power and Gas Services; John F. Lathrop; Liberty Utilities (CalPeco Electric) LLC, Bear Valley Electric Service, and PacifiCorp doing business as Pacific Power; Mussey Grade Road Alliance; Office of Ratepayer Advocates (ORA); Pacific Gas and Electric Company (PG&E); The Utility Reform Network; San Diego Consumer Action Network (SDCAN); San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas); Southern California Edison Company (SCE); Southern California Generation Coalition, Southwest Gas Corporation; Utility Consumers’ Action Network; and Utility Workers Union of America.

## **2. Description of the Refined Straw Proposal**

The focus of this rulemaking is to determine how to incorporate a risk-based decision-making framework into the RCP of the energy utilities. This

framework is to examine safety concerns, while ensuring that the revenue requirement request results in just and reasonable rates. As described above, the framework that was developed, and that is being considered for adoption in this decision, is the Refined Straw Proposal. Today's decision considers the opening and reply comments of the parties regarding the Refined Straw Proposal.

The Refined Straw Proposal proposes to modify the current RCP to incorporate a process that focuses on safety, assessing the risks relevant to the utility operations, and ensuring that the ratepayer-funded revenue requirement that the utility is requesting can manage and mitigate those risks in a cost-effective manner. In adopting such a process, the Refined Straw Proposal recommends that this process satisfy the procedural principles of transparency, participatory inclusivity, and accountability. The Refined Straw Proposal describes these three principles as follows:

- Transparency: the Commission and all interested parties should be given full access to all data and models on which the utilities, the Commission staff, and any other parties base their proposals or recommendations;
- Participatory inclusivity: all interested parties should have a full opportunity to participate in each step of the process; and
- Accountability: the utilities should be held accountable for achieving the risk mitigation benefits they claim and for spending ratepayer money wisely and efficiently. (Refined Straw Proposal, at 1.)

To meet the goal of this proceeding, and to satisfy the three principles above, the Refined Straw Proposal proposes that the following three new processes be adopted as part of the RCP:

1. Beginning either as part of this proceeding or as an immediate spin-off from this proceeding (*i.e.*, separate from GRCs), the Commission should initiate a periodic

- (perhaps triennial), generic (*i.e.*, all energy utility)<sup>5</sup> Safety Model Assessment Proceeding (S-MAP), the twin purposes of which would be to: (1) allow parties to understand the models the utilities propose to use to prioritize the programs/projects intended to mitigate risks and (2) allow the Commission to establish standards and requirements for those models. Similar to the now well-established Long Term Procurement Planning (LTPP) proceedings, each successive S-MAP would have the ability to respond to changing circumstances and could build on its predecessor S-MAPs and tackle increasingly sophisticated and challenging issues.
2. As an initial phase of each utility's GRC there will be a Risk Assessment and Mitigation Phase (RAMP),<sup>6</sup> in which the utility presents the top ten asset-related risks for which the utility expects to seek recovery in the GRC. The focus of at least the initial RAMP will be on asset conditions and mitigating risks to those assets. However, as this process matures, S-MAPs will become more and more sophisticated and the Commission will also have better information on guidelines and standards thus allowing us to move beyond just asset conditions. As S-MAPs are developed, the assessments that make up the RAMP would be based on the model that was vetted in the S-MAP and that complies with all CPUC requirements for the model determined in the most recent S-MAP. All parties, including the Commission staff, would have an opportunity to understand the analysis, data and

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<sup>5</sup> Footnote 1 of the Refined Straw Proposal suggests that such a process could be limited to the four major energy utilities who are: PG&E, SCE, SDG&E, and Southern California Gas Company (SoCalGas).

<sup>6</sup> Footnote 2 of the Refined Straw Proposal states: "This phase is meant to be equivalent to the [Risk Assessment Planning Proceeding] RAPP in the Staff Straw Proposal, with a change in wording of the name to reflect: (a) the importance of not just identifying and prioritizing risks, but also prioritizing risk mitigation efforts and (b) the recommendation that this be a part or phase of the GRC and not a separate proceeding."

- assumptions underlying the utility's presentation and to present a response to the utility's presentation. Although there would be no Commission decision in this phase, the utility's presentation and the staff and interested party responses would inform the utility's recommended projects and funding requests in the subsequent phase of the GRC, which would be equivalent to the current project-focused GRC.
3. Two annual Verification documents to be submitted by each utility:
    - a. A Risk Mitigation Accountability Report, in which the utility compares its GRC projections of the benefits and costs of the risk mitigation programs adopted in the GRC with the actual benefits and costs, and explains any discrepancies; and
    - b. A Risk Spending Accountability Report, in which the utility compares its GRC projected spending for approved risk mitigation projects with the actual spending on those projects, and explains any discrepancies.
    - c. To be most useful, these Reports should be audited by appropriate Commission staff, with the audit methodology and findings made available to all interested parties. (Revised Straw Proposal at 1-2.)

Each of these three proposed processes is described in more detail in the "Comments of the Parties and Discussion" section below, and in the comments of the parties.<sup>7</sup>

The Refined Straw Proposal suggests that the NOI process in the RCP be eliminated. The Refined Straw Proposal notes that the NOI process is the opportunity for the ORA "to review a draft of the utility's application in order to

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<sup>7</sup> Each of the three proposed processes is also described in the Refined Straw Proposal, which was attached to the April 17, 2014 ruling.

determine whether the application is complete and, if it is not, to secure supplementation from the utility as a condition to filing.” (Refined Straw Proposal at 8.) Since the NOI process takes about six months, and because of limited Commission staff resources, the Refined Straw Proposal questions “whether this is an opportune time to re-direct staff resources to drafting testimony and analysis of utility’s filing.” (Refined Straw Proposal at 8.)

As set forth below in Table 1, the Refined Straw Proposal contains a timeline for the processing of a GRC, which has replaced the timing of the NOI process with the timing for the RAMP process.

**Table 1 (Proposed Schedule)**

<b>Deadline</b>	<b>Activity</b>	<b>Time After Prior Activity (illustrative and not to conflict with calendar deadlines at left)</b>
October 1 of Base Year	Utility provides RAMP submittal on operational lines of business	--
November 1	Utility and Commission Staff host public workshop on risk submittal	30 days after submittal
March 1 of Base Year, Plus 1	Staff issues draft report	150 days after submittal
April 1	Staff hosts public workshop on draft report	30 days after issuance of draft report
April 15	Stakeholders provide comments on Staff report	45 days after issuance of draft report
May 15	Staff issues final report	30 days after receiving comments on draft report
September 1	Utility files GRC application, including possible changes from RAMP submittal	105 days after issuance of final report
October 1	Utility hosts public workshop on overall GRC application	30 days after filing of application
November 1	Staff issues verification that utility has addressed technical recommendations in Staff Report	60 days after filing of application
April 11 of Base Year, Plus 2	ORA & Interveners submit opening testimony	7 months after filing of application
April 25	Concurrent rebuttal testimony	Two weeks after opening testimony

March/ April	Public Participation Hearings	
May 12 - May 30	Evidentiary Hearings, including Staff participation	2 weeks after rebuttal testimony
June 30	Opening briefs	1 month after end of hearings
July 14	Reply briefs	2 weeks after opening brief
July	Update testimony and hearings, if necessary	--
November	Proposed decision	4 months after reply briefs
December	Final decision	1 month after proposed decision

The Refined Straw Proposal also recommends that a Lexicon be developed to define the terms that are proposed to be used “for defining, acquiring, and disseminating risk-based information....” (Refined Straw Proposal at 10-11.) The Refined Straw Proposal asked parties to comment on the preliminary list of terms, and “whether these are the right definitions for these terms and whether we should add additional terms to this list.” The Refined Straw Proposal also recognizes that the Lexicon “would need to be developed as part of the first S-MAP.” (Refined Straw Proposal at 10.)

**3. Comments of the Parties and Discussion**

**3.1. Background**

In order to adopt and develop a risk-based decision-making framework to evaluate safety and reliability improvements, modifications to the current RCP and GRC filing process will need to be made. As noted above, the latest version of the RCP and GRC filing process is described in, and is attached to, Appendix A of D.07-07-004. With this in mind, in the following sub-sections we describe the recommendations in the Refined Straw Proposal, the comments of the parties on those proposals, discuss whether such recommendations and comments should be adopted, and modify the RCP and GRC processes.

We have reviewed and considered the Refined Straw Proposal, and all of the comments that have been filed in connection with the Refined Straw

Proposal. Many of the comments that the parties made fall into specific categories of recommendations. Most often, instead of separately identifying the party from where each comment came from, we generically address the issues raised by the various parties' recommendations in the sub-sections below.

### **3.2. Is An S-MAP and RAMP Needed**

The first issue to address is whether a risk-based decision-making framework is needed at all. In the comments to the Refined Straw Proposal, the parties' positions can generally be categorized into two positions. First, many of the parties favor the recommendations set forth in the Refined Straw Proposal, but contend that various changes need to be made to the recommendations before they are adopted by the Commission. The second category of comments oppose the Refined Straw Proposal's recommendations, advocate for the adoption of an alternate proposal, recommend that S-MAP be limited in duration, or that the framework not apply to the small energy utilities at this time.

Those who favor the framework recommended in the Refined Straw Proposal contend that such a framework will provide the necessary tools to prioritize safety in the GRC proceedings through a comprehensive analysis of the safety risks for each utility, and examining the cost of mitigating such risks to ensure that the costs are reasonable. This, in turn, will lead to each utility providing safe and reliable service at a reasonable cost.

Those who oppose the framework recommended in the Refined Straw Proposal contend that these additional steps: (1) will add to the delays experienced in each utility's GRC proceeding, including the implementation of risk mitigation measures; (2) are complex and will be a burden on the utilities as well as the parties; and (3) will be difficult to develop because each utility is

different and unique, and a uniform or common methodology to assess the risks for each utility will be difficult to create and implement for each utility.

We agree with the direction taken in this Rulemaking and in the Refined Straw Proposal to modify the RCP and the GRC proceedings to incorporate a risk-based decision-making framework. The movement towards the adoption of such a framework is consistent with SB 705's intent to make it the policy of this state that "the commission and each gas corporation place safety of the public and gas corporation employees as the top priority," and that the "commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates." (§ 963(b)(3).)<sup>8</sup> By adopting the risk-based decision-making framework described below, we are placing safety as a top priority in the GRC proceedings of the energy utilities that come before us. 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.

We also note that steps have been taken by the Commission and two of the large energy utilities to include more risk assessment analysis in their GRC applications. For example, on March 5, 2012, the Commission's Executive Director directed PG&E to perform a risk assessment of its gas and electric distribution systems and electric generation facilities, and to include in its 2014 GRC application the risk assessments that form the basis for PG&E's forecast.

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<sup>8</sup> The risk-based decision making framework is also consistent with the intent of § 750 to "develop formal procedures to consider safety in a rate case application by an electrical corporation or gas corporation."

This resulted in the hiring of safety and risk assessment consultants by the Commission's Safety and Enforcement Division (SED), and the issuance of reports of their findings. In the decision on PG&E's GRC for its electric and gas distribution operations, the Commission took those reports into consideration when it evaluated PG&E's funding requests in that application.

(See D.14-08-032 at 18-30.) In its gas transmission and storage application (A.13-12-012 and I.14-06-016), PG&E "has implemented a risk-based approach to planning work on its gas transmission and storage assets...." (PG&E Application in A.13-12-012 at 11.)

In A.13-11-003, SCE was directed in a May 15, 2014 assigned Commissioner's ruling to provide additional testimony on risk and safety matters. The May 15, 2014 ruling at 2 noted that SCE's GRC testimony was diffused with respect to its risk assessment and analysis, which makes it difficult for "the Commission to identify the utility's risks that are being mitigated if the Commission approves what the utility seeks recovery for."

These preliminary steps by Commission staff, PG&E, and SCE, should be expanded upon to all future GRC proceedings. The actions we take in today's decision will ensure that this happens, and that safety considerations are made a top priority by the Commission and the energy utilities.

Although the safety priority policy of § 963(b)(3) only applies to a "gas corporation," it is within this Commission's power to extend the risk-based decision-making framework to the GRCs of the electrical corporations as defined in § 218. The Commission has the authority pursuant to §§ 451, 701, and 761, to apply the risk-based decision-making framework described below to the

electrical corporations.<sup>9</sup> In addition, § 750, as added by SB 900, directs the Commission to “develop formal procedures to consider safety in a rate case application by an electrical corporation....”

We are persuaded by the arguments of the small energy utilities that the risk-based decision-making framework that we adopt today should not be applied initially to the small energy utilities.<sup>10</sup> Since this framework is still in development, and has not been tested in the GRC proceedings before us, we should gain some experience with this framework and processes through some GRC cycles before adapting it for use by the small energy utilities.

Due to the size of the small energy utilities, conducting a separate S-MAP and RAMP processes may not be practical or appropriate for these small energy utilities. However, the small energy utilities shall, in three years, begin the transition to include a risk-based decision-making framework into their future GRC application filings. That means the GRC presentations of these small energy utilities will have to address the safety risks that each utility faces in its system and operations, and to explain how it plans to manage, mitigate, and

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<sup>9</sup> § 451 provides in part that “Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service... as are necessary to promote the safety, health... of its patrons, employees, and the public.” § 761 states in part that “Whenever the commission, after a hearing, finds that the rules, practices, equipment, appliances, facilities, or service of any public utility... are unjust, unreasonable, unsafe, improper, inadequate, or insufficient, the commission shall determine and, by order or rule, fix the rules, practices, equipment, appliances, facilities, service....” § 701 states that “The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.”

<sup>10</sup> The reference to “small energy utilities” applies to Bear Valley Electric Service, Liberty Utilities, PacifiCorp doing business as Pacific Power, and Southwest Gas Corporation.

minimize those risks during the GRC cycle in the context of its GRC revenue requirement request.

Some of the parties raised the issue that the S-MAP and RAMP process should also make reliability, along with safety, a top priority of the Commission and the energy utilities. We do not believe that we need to expand the methods and methodologies being developed in this proceeding to include an assessment of making reliability a top priority. We base that on three reasons. First, the concept of reliable service is already included in § 451 which states in part that “Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.” § 451 has been interpreted by the California Supreme Court to mean that a public utility has a “general duty to exercise reasonable care in operating its system to avoid unreasonable risks of harm to the persons and property of its customers.” (Langley v. PG&E (1953) 41 Cal.2d 655, at 660.) As recognized in Barnett v. Delta Lines, Inc. (1982) 137 Cal.App.3d 674, at 683, § 451 sets forth the guidelines a utility must follow in relation to its customers. Thus, § 451 already provides that the utility has the duty to provide and maintain “adequate, efficient, just, and reasonable service....”

Second, SB 705 only refers to making safety a top priority. To expand it to include reliability opens up new considerations about the quality of service, what constitutes “reliability,” and events that may be outside the utility’s control which affect reliability.

Those new considerations about what reliability entails leads to the third reason for not expanding the S-MAP to include reliability. The energy utilities have tariff provisions in place that limit liability under certain circumstances. To

open up the S-MAP to ensure reliability could affect those liability limitations, which in turn could significantly expand the intended scope of the S-MAP process and SB 705.

Accordingly, we conclude that expanding SB 705's policy of prioritizing safety to include reliability is outside the scope of this proceeding and the S-MAP and RAMP processes adopted in this decision. We recognize, however, that reliability-related issues can affect safety. In such situations, those reliability issues should be included in the assessment of safety.

ORA raised the issue of the standard of proof in the GRC proceedings. Although we did not specifically identify this as an issue in the Scoping Ruling, that ruling did ask whether elements of the RCP should be modified to promote more efficient and effective management of the rate case proceedings. In addition, the Rulemaking stated that the question of what "criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing" should be considered in this proceeding. (Rulemaking at 12.)

ORA and SDCAN contend that the GRC proceedings previously required the utilities to meet a standard of proof of "clear and convincing" evidence, and request that the Commission adopt that standard in all future GRCs. The large energy utilities contend that the standard of proof applicable to GRCs is "preponderance of the evidence," and cite D.12-11-051, D.09-03-025, and D.08-12-058.

We have reviewed the arguments of the parties regarding the standard of proof, and have also reviewed various decisions which discuss the difference between the preponderance of the evidence and clear and convincing standards. It is clear from a review of D.12-11-051, D.11-05-018, and D.09-03-025 that the

standard of proof that a utility has to meet in a GRC is one of preponderance of the evidence. No one filed an application for rehearing of those three decisions on the issue of what standard of proof applies in GRCs, and we conclude that the standard of proof that a utility must meet in a GRC proceeding is one of preponderance of the evidence.

Various parties to this proceeding have recommended that the Commission must clarify the objectives and guidelines of the S-MAP and RAMP, or provide specifics of how these two processes will work. We recognize, as discussed in the subsections which follow, that the S-MAP and the RAMP need to be clarified so that the energy utilities, and interested parties, know ahead of time of what they must do. At the same time, since the models for developing a risk-based decision-making approach to ratemaking is still in its infancy, we recognize that the S-MAP and RAMP will continue to evolve over time as the utilities and the parties gain more familiarity and experience with these new processes.

### **3.3. S-MAP Process**

The first process that the Refined Straw Proposal recommends be adopted is the S-MAP. 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.

Consistent with the Refined Straw Proposal's principles of transparency and participatory inclusivity, the Refined Straw Proposal envisions that "each of the major utilities would present a complete explanation of the current version of their model (or models) that they plan to use in the RAMP phase of their

upcoming GRCs for prioritizing risk and risk mitigation measures.” (Refined Straw Proposal at 3.) The Refined Straw Proposal proposes that the utilities make their models, data sources, and assumptions fully available for review by Commission staff and any interested party. The Refined Straw Proposal further proposes, at a minimum, that the utilities “provide documentation sufficient for interested parties to understand the basic logical processes linking the input data to the output,” and a manual which describes the following: (1) how the model operates and its logic, which should be understandable by non-experts in computer modeling, and by experts with the applicable “equations, algorithms, flow charts, or other descriptive techniques;” (2) “A complete list of variables (input record types), input record formats, and a description of how input files are created and data entered as used in the sponsoring utility’s computer model(s);” and (3) the “diagnostics and output report formats as necessary to understand the model’s operation.” (Refined Straw Proposal at 3.)

The Refined Straw Proposal also proposes that the Commission staff and interested parties have the “opportunity to ask questions, comment upon and make recommendations regarding these models,” and that any “comments and/or recommendations of Staff and parties would be made available to all interested parties.” (Refined Straw Proposal at 3.) To aid in the Commission staff’s review, the Refined Straw Proposal suggests that technical experts be hired by the Commission.

The Refined Straw Proposal proposes that the S-MAP be initiated promptly as part of this docket, or in a separate docket. The Refined Straw Proposal envisions that the initial S-MAP “serve primarily an informational and education function – acquainting parties with the utilities’ models – and provide utilities an opportunity to hear reactions from Commission staff and parties and

modify their models as they deem appropriate in response to Staff/parties' concerns and recommendations." (Refined Straw Proposal at 3.) The outcome of the initial S-MAP could result in required standards, guidelines, or other basic elements that each utility's model must satisfy." (Refined Straw Proposal at 3.)

The Refined Straw Proposal views the S-MAP as similar to the evolution of the LTPP. The Refined Straw Proposal states that "the goals and outcomes of each successive S-MAP would evolve with changing circumstances and likely become more sophisticated over time..." and that in "successive S-MAPs, the Commission could establish more detailed standards or guidelines for utility models, with a goal of making the utility models as uniform as possible." (Refined Straw Proposal at 3-4.) The Refined Straw Proposal states that the "Uniformity of models would have the obvious benefit of reducing burdens on Commission staff and parties to learn multiple models and would also increase the comparability of risk priority and mitigation analyses among the utilities." (Refined Straw Proposal at 4.) The Refined Straw Proposal recommends that the S-MAP continue on a periodic basis, such as every three years.

A list of some of the different types of models or approaches, and the processes associated with each model, that could be evaluated in the S-MAP are described in the table at 4 of the Refined Straw Proposal. These models or approaches could include: asset condition models; enterprise risk models; data models; information gathering methods; risk taxonomy; and the development and use of a risk lexicon.

Similar to the LTPP process, the Refined Straw Proposal recognizes that many of the issues associated with the S-MAP can also be accomplished through the use of workshops and comments, and that evidentiary hearings could also be held.

The Refined Straw Proposal envisions that the results of the S-MAP process will flow into the RAMP phase of the GRC. In the RAMP phase, the “utilities would need to show that the models they are using to prioritize risks and mitigation measures comply with an Commission requirements or guidelines emerging from the most recent S-MAP.” (Refined Straw Proposal at 5.) If the utility’s model that is used in the RAMP phase differs from the model that the utility presented in the last S-MAP, the utility would be required to explain the differences between the models in the RAMP phase.

In their comments on the Refined Straw Proposal, various parties recommended a number of changes to the S-MAP process as set forth in the Refined Straw Proposal. We discuss the recommendations of the parties below, followed by a summary describing the S-MAP process with the modifications that we adopt.

Sempra recommended that stand-alone workshops be held, instead of holding an S-MAP. Another party suggested that the risk assessment approach a utility uses be examined in the RAMP process instead of in an S-MAP. As discussed above, we adopt the concept of having an S-MAP. Instead of having stand-alone workshops, or considering the energy utility’s risk assessment approach in the RAMP, we find it will be beneficial to hold an S-MAP to provide Commission staff and other parties with the opportunity to analyze and understand the various models and methodologies that the energy utilities will be using to prioritize safety in their GRC proceedings. This prioritization of safety is to be achieved through the use of models and methodologies to assess the energy utility’s risk, and the mitigation measures the energy utility plans to take to reduce and minimize such risks.

We agree with the various comments that one or more workshops should be held in conjunction with the S-MAP process. Such workshops should take place shortly after the energy utility files its S-MAP proceeding. After the filing of the energy utility's S-MAP, these workshops are to be organized, noticed and led by the Commission's SED. At the workshop, each energy utility is to make a presentation on the models and methodologies that it plans to use in its next GRC proceeding, and to answer relevant questions from interested parties about the models and methodologies.

Various parties commented on the need to clarify or specify the objectives and goals of the S-MAP process. 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. This objective is to fulfill this state's policy of ensuring that the Commission and each energy utility place the safety of the public and its employees as the top priority, and for the Commission to carry out this safety priority policy consistent with the principle of just and reasonable cost-based rates. This assessment, management and mitigation of safety risks could take place through the utility's use of various approaches, models, methodologies, or other techniques, such as those listed at 4 of the Refined Straw Proposal.

As the large and small energy utilities point out, we also recognize that there are differences between the electric and gas corporations, the combined electric and gas utilities, and between the systems of each utility. It may not be feasible to use models and methodologies that employ a "one size fits all" approach for all of the energy utilities. Some flexibility in how each utility

assesses its risk, and manages, mitigates, and minimizes its risk will likely be needed.

However, there may be components or elements of a risk management and mitigation approach that can be used by two or more of the energy utilities. Thus, a goal of the upcoming and future S-MAP proceedings is for the Commission to determine whether uniform and common standards can be developed for assessing, managing, mitigating, and minimizing the risks that are inherent in each energy utility's operations and services, and if so, should they be applied to some or all of the energy utilities. That is, there may be modeling, methodologies, or approaches, that are common to certain energy utilities, and such components may be able to be used interchangeably among these utilities. This, in turn, may reduce a party's effort to understand how each utility's risk models work.

We recognize that the development of uniform and common standards is likely to take some time, and may not be accomplished in the first S-MAP. That is because each energy utility may be developing or using different methods for assessing, managing, and mitigating their risks. Commission staff and other parties interested in these issues will need to analyze and understand each of the utility's modeling approaches and their capabilities.

The time that it may take to develop uniform and common standards raises three additional topics. First is whether the S-MAP should be a recurring proceeding, and if so, how often should that be. Second, is whether additional workshops should be held, or should an S-MAP working group be formed, to determine whether such standards can be developed. The third topic is whether Commission staff and other parties have the expertise to undertake an

understanding and analysis of the utilities' risk assessment methods and methodologies in the S-MAP proceeding.

On the topic of whether there should be future S-MAP proceedings, we conclude that such proceedings should be held at least two times, at an interval of three years. A recurring proceeding is needed initially to analyze and understand each energy utility's approach to assessing, managing, and mitigating their risks, to refine such models as we work through a utility's GRC cycle, and to develop and refine uniform and common standards. In the second S-MAP proceeding, the Commission can decide whether the S-MAP proceedings should continue in the future or be terminated.

We also conclude that it is appropriate to have PG&E, SCE, SDG&E and SoCalGas to file individual S-MAP proceedings on or before a certain date, and for the Commission to consolidate all four S-MAP proceedings. This will allow the Commission and interested parties to: undertake a comprehensive analysis of each utility's risk-based decision-making approach; to compare the different approaches that each energy utility may use; to detect whether there are common elements among the approaches and models that they use; and to assess whether elements of one utility can be adapted for use by the other utilities. Consolidating all the S-MAP proceedings will minimize the cost to the energy utilities and the parties interested in these issues, and will facilitate the goal of developing uniform and common standards for all of the energy utilities. PG&E, SCE, SDG&E and SoCalGas shall file and serve their respective S-MAP applications on or before May 1, 2015, and every three years thereafter unless directed otherwise by the Commission.

On the topic of whether additional workshops should be held as part of the S-MAP to explore whether uniform or common standards can be developed,

we find that such an activity could be useful toward reaching a consensus about uniform or common standards. These additional workshops or working groups are something the parties and the ALJ in the S-MAP proceedings should consider.

On the topic of whether Commission staff and other parties will have the expertise to participate in an analysis of the risk assessment models and methodologies, the Refined Straw Proposal suggests that Commission staff consider hiring an expert consultant. This is a good suggestion, and we will leave it up to the Commission staff to decide whether it has the internal resources and expertise to participate in the S-MAP, or if they need to retain outside consultants who understand the assessment and management of the risks inherent in the operations of an energy utility. As for parties interested in participating in the S-MAP, they need to decide if they have the resources and expertise to participate in the S-MAP, or if they will rely on and piggyback on the work of Commission staff. For those parties eligible for the Commission's intervenor compensation program who don't have the internal resources to participate, those parties will need to decide whether they can afford to retain a consultant, and whether they will be able to make a significant contribution to the decision which is issued in connection with the S-MAP so that they can recover the cost of the consultant.

Some of the parties also recommend that third parties be involved in the S-MAP to review the risk assessment and mitigation approaches that the energy utilities may present. However, it should be left to the ALJ in the S-MAP proceeding to decide whether an additional third party review to evaluate the risk assessment models and methodologies is necessary.

We also note that some of the parties propose that certain risk assessment approaches be used, such as a probabilistic risk assessment, the “Inherently Safer Systems,” a “Service Adequacy/Safety and Reliability Phase,” or one that focuses on the size of the workforce that is needed to operate a utility system safely. Some parties also suggest in detail how the risk assessment approaches should be structured or evaluated, and what inputs or reports the utilities should be using to identify potential safety risks. However, since the energy utilities were not obligated to, and have not proposed any specific risk assessment approaches to consider at this time, those various risk assessment approaches, how they should be structured, the advantages and disadvantages of each approach, and the inputs that the utilities are relying on for their risk assessments, should be explored and evaluated in the S-MAP proceeding when the energy utilities propose the risk assessment approaches they plan to use. It is premature at this time to decide whether a certain risk assessment approach, model, or methodology should be adopted for use in the S-MAP and RAMP processes.

The Refined Straw Proposal recommends that a Lexicon of the terms associated with a risk-based decision-making framework be developed as part of the S-MAP. We discuss the development of the Lexicon procedure later in this decision.

We adopt the use of an S-MAP proceeding for the four large energy utilities. The S-MAP filings of each large energy utility 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. One or more workshops shall be held, and a working group could be formed, 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. This S-MAP process shall occur every three years beginning May 1, 2015, unless modified or terminated by a Commission decision, and these S-MAP proceedings shall be consolidated.

The end-product of each S-MAP proceeding will be a Commission 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.

Table 2 below is a list of what we expect to occur in the S-MAP process, and the timeline that is to be followed.

**Table 2 (S-MAP Schedule)**

<b>Date</b>	<b>Description of Action to be Taken</b>
May 1, 2015	The four large energy utilities file separate S-MAP applications and serve prepared testimony which set forth and describe the approaches, models, and methodologies they plan to use to assess the risks in their utility operations and systems that pose a safety risk to the public and the utility employees, and how they plan to manage, mitigate, and minimize such safety risks in the context of their GRC proceedings.
Within 45 days of the S-MAP filings.	The assigned ALJ issues a ruling consolidating the four S-MAP applications, and notices a PHC.
Within 60 days of the filing of the S-MAP filings.	Prehearing conference is held to discuss, among other things, the scope of the proceeding, the procedural schedule, possible workshops or the formation of a working group to better understand the S-MAP filings, and/or to explore ways to facilitate the objectives and goals of the S-MAP.
Within 90 days of the	Initial workshop convened, and possible working group formed.

S-MAP filings.	
Within 150 days of the S-MAP filings.	Opening testimony served by the other parties.
Within 180 days of the S-MAP filings.	Rebuttal testimony served by all parties.
Within 200 days of the S-MAP filings.	Evidentiary hearings to be held, if necessary.
To be decided by assigned ALJ.	Opening and reply briefs filed
To be decided by assigned ALJ.	Proposed decision issued.
Within 60 days of the issuance of the proposed decision.	Decision adopted by the Commission.
Every 3 years unless modified or terminated by the Commission.	Subsequent filing of S-MAP applications.

### 3.4. RAMP Process

The second process that the Refined Straw Proposal recommends be adopted is a Risk Assessment and Mitigation Phase or RAMP. The Refined Straw Proposal recommends that the RAMP be incorporated into an initial phase of each utility’s GRC process. The purpose of the RAMP is “to examine the utility’s assessment of its key risks and its proposed programs for mitigating those risks.” (Refined Straw Proposal at 5.)

The Refined Straw Proposal recommends that the RAMP begin with the utility submitting its RAMP report to the SED, and that a Commissioner and ALJ(s) be assigned to the RAMP phase. The Refined Straw Proposal recommends that the utility’s RAMP report contain at least the following:

- The utility's prioritization of the risks it believes it is facing and a description of the methodology used to determine such risks. Additionally, if the GRC (*e.g.*, in PG&E's case) does not address all aspects of the utility's CPUC-jurisdictional operations, the utility should place the risks that are germane to the GRC in the context of all risks faced by the utility. The Refined Straw Proposal further states that this assessment "needs to focus on asset conditions," and that the first RAMP should list the "top 10 assets that the utility is seeking recovery for in the GRC" because it is likely "that these 10 asset or asset families pose the most risk to a safe, resilient and reliable system...."
- A description of the controls currently in place, as well as the "baseline" costs associated with the current controls.
- The utility's prioritization of risk mitigation alternatives, in light of estimated mitigation costs in relation to risk mitigation benefits (Risk Mitigated to Cost Ratio).
- The utility's risk mitigation plan, including an explanation of how the plan takes into account: Utility financial constraints; Execution Feasibility; Affordability Impacts; Any other constraints identified by the utility.
- For comparison purposes, at least two other alternative mitigation plans the utility considered and an explanation of why the utility views these plans as inferior to the proposal plan. (*See* Refined Straw Proposal at 5-6.)

The Refined Straw Proposal recommends that the utility's RAMP assessment focus on asset conditions, and suggests that the utility include in its RAMP the top 10 assets that the utility is seeking recovery for in the GRC. The Refined Straw Proposal focuses on these top 10 assets because "these 10 asset or asset families" are viewed as posing "the most risk to a safe, resilient and reliable system." (Refined Straw Proposal at 6.)

As recommended by the Refined Straw Proposal, the Commission staff and the utility would then hold a workshop on the RAMP report. At this workshop, “the utility would provide an informational overview of the contents of its RAMP report and any changes to its risk model since the last S-MAP and Commission staff would explain the process it will follow in conducting its technical review.” (Refined Straw Proposal at 6.)

This would then be followed by an assessment of the utility’s RAMP report by the SED, followed by the issuance of a draft report, a workshop and comments on the draft report, and then the issuance of a final report. The staff report would assess: “(i) the risk assessment procedures that provide the basis for the utility proposals; and (ii) the technical merits of the utility proposals.” (Refined Straw Proposal at 5-6.) The report of the SED would address the following:

- Is the proposal complete – *i.e.*, does the utility’s proposal address the top risks as identified by the utility?
- Are there any significant risks that have been missed in the proposal?
- Are there reasonable mitigation options that have not been examined?
- Is the proposed risk mitigation contained in the proposal an efficient allocation for the risks that the utility faces? That is, are there any proposed programs that are clearly dominated by possible alternative programs in terms of the risk mitigation per dollar spent?
- Do the proposed programs and alternatives represent a realistic set of options given the current condition of the installed assets, best practices for management of those types of assets, and the identified risks?
- Are the proposed risk mitigation programs in line with stakeholder preferences?

To avoid a delay in the GRC decision making process, the Refined Straw Proposal recommends that there be no Commission decision in the RAMP phase. Instead, the RAMP is viewed in the Refined Straw Proposal as an opportunity for the Commission staff and parties to “gain an early indication of the utility’s risk priorities and mitigation plans and Staff and party Responses would inform the utility’s recommended projects and funding requests in the subsequent phase of the GRC.” (Refined Straw Proposal at 7.) The Refined Straw Proposal suggests that one “possible mechanism that would streamline inclusion in the record of the GRC...would be transcriptions of any presentations and the open availability of any documents used in the RAMP phase.” (Refined Straw Proposal, at 7.)

During the RAMP, the Refined Straw Proposal envisions that through “this process, all stakeholders will have an opportunity to: (i) receive information regarding the utility’s operational plans and Staff’s planned technical review; (ii) review discovery between Commission Staff and the utility; (iii) comment and provide feedback on the Staff draft report(s); and (iv) cross-examine Commission staff or its consultants during evidentiary hearings.” (Refined Straw Proposal at 7.)

The Refined Straw Proposal recommends that the staff report be included in the utility’s formal GRC submittal,<sup>11</sup> and that the staff or consultants sponsoring the staff report be made available for cross examination at the evidentiary hearings in the GRC. The Refined Straw Proposal also states:

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<sup>11</sup> The Refined Straw Proposal also recommends that in the GRC submittal, that there be “an exhibit showing: (i) how the utility addressed the various recommendations in the SED report(s) and (ii) any changes to the proposed programs or projects set forth in the RAPP submittal,” as well as testimony explaining “how its detailed GRC proposal relates (maps) to its RAMP showing....” (Refined Straw Proposal at 7-8, footnote 7.)

“If Staff or any party wishes to introduce its Response to the utility RAMP showing into the GRC record, the Responses would be subject to discovery and cross-examination. Absent such election, Responses would not be part of the record on which the Commission could base its GRC decision.”  
(Refined Straw Proposal at 8.)

The Refined Straw Proposal then recommends a subsequent phase that is equivalent to what occurs with the normal processing of a GRC proceeding, with the addition of the RAMP processes described above.

The Refined Straw Proposal recommends that the current NOI process be eliminated from the RCP. The reasoning for eliminating the NOI process is because of the length of time allocated in the RCP for such a process (nearly six months), and the limited resources of ORA. The Refined Straw Proposal suggests that “this is an opportune time to re-direct staff resources to drafting testimony and analysis of [the] utility’s filing.” (Refined Straw Proposal at 8.) If the utility’s filing is not complete, the Refined Straw Proposal recommends that “ORA as well as other parties should identify the lack of proof/completion as part of their testimony,” and that this could be considered in the course of the GRC process by the assigned ALJ.

In their comments on the Refined Straw Proposal, various parties recommended a number of changes to the RAMP as described in the Refined Straw Proposal. We discuss those recommendations below, followed by a summary describing the RAMP process with the modifications that we adopt.

The objective of the RAMP is to incorporate the risk assessment approach used by each of the energy utilities, as developed in the S-MAP, into the GRC process. This will provide a transparent process to ensure that the energy utilities are placing the safety of the public, and of their employees, as a top priority in their respective GRC proceedings. Each energy utility would be

required under the RAMP proposal to submit its RAMP report to the SED as part of the GRC process. The purpose of the utility's RAMP report is to provide information about the utility's assessment of its key safety risks and its proposed programs for mitigating those risks.

Under the Refined Straw Proposal, the utility's RAMP report would then be reviewed by the SED, which would then issue a draft report, followed by a workshop and comments, and then a final staff report. No Commission decision would be issued in connection with the RAMP.

These initial steps, as proposed by the Refined Straw Proposal, raise some practical procedural concerns about the separate phase of the RAMP. Under the Refined Straw Proposal, it is contemplated that the RAMP report, as well as the final report of the SED on the utility's RAMP report, would become part of the record in the utility's GRC filing. In addition, the Refined Straw Proposal contemplates that no decision would be issued in connection with the RAMP. The Refined Straw Proposal contemplates that this would all take place in a separate phase of the GRC proceeding, which predates the normal utility filing of its GRC application.

Since it is proposed that the utility's RAMP report, and the final report of SED, are to become part of the record in the utility's GRC, and because no decision is contemplated as part of the RAMP report, the utility's RAMP report would have to be filed as part of the utility's GRC application. That means the utility would have to file an initial GRC application which meets the requirements of Rule 3.2 of the Commission's Rules of Practice and Procedure, along with its RAMP report. That would result in the utility having to prepare and complete a substantial portion of its GRC showing much earlier than normal (by at least one year if the Refined Straw Proposal's schedule is to be followed)

and to provide that showing as part of a much earlier GRC filing. In addition, the filing of a much earlier GRC application would trigger the protest period pursuant to Rule 2.6, and would eventually start the clock on the processing of the utility's GRC application from the time of the filing of the RAMP report, which is likely to conflict with the 18-month processing deadline for ratesetting proceedings as set forth in § 1701.5. Also, without associating the utility's RAMP report, the draft and final reports of SED, and any workshops that may be held, to a Commission proceeding, that amounts to activities that take place outside of this Commission's administrative process for which no Commissioner or ALJ is normally assigned to.

As originally drafted, the Proposed Decision recommended that the RAMP be filed as a separate application, and that a decision be issued in the RAMP application. The reason for the separate RAMP application was to conform the RAMP to the Commission's processes. In the comments of the parties to the Proposed Decision, the majority of the parties, including the utilities, support incorporating the RAMP into the GRC proceeding instead of creating a separate RAMP application proceeding.

As a result of the comments on the Proposed Decision, as well as the intent of the Refined Straw Proposal not to have a decision on the utility's RAMP submission, we revise the procedural steps to conform the RAMP submission to the Commission's processes. We adopt the following RAMP process.

We will require each of the four large energy utilities to send a letter to the Commission's Executive Director (with a copy to the Chief ALJ) requesting that an Order Instituting Investigation (OII) be opened in connection with its upcoming GRC filing, and pursuant to this decision. This letter shall be submitted by September 1 of the year preceding the utility's scheduled GRC

application filing. An OII will then be issued by the Commission in connection with the utility's upcoming GRC filing, which will provide a proceeding in which the RAMP submission can be made. The utility shall then file its RAMP in that OII.

The purpose of the RAMP filing will be 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. The utility's RAMP submission shall contain the information that the Refined Straw Proposal has described, as summarized above.

By filing the RAMP, Commission staff, as well as other parties, will have the "opportunity to understand the analysis, data and assumptions underlying the utility's presentation and to present a response to the utility's presentation." (Refined Straw Proposal at 2.) After the RAMP filing is made, a public workshop will be hosted by the utility and Commission staff to provide an overview of the utility's RAMP submission. This will then be followed by an SED staff report on the utility's RAMP submission. The objective of this staff report is to assess the utility's risk assessment procedures, and to assess the technical merits of the utility's proposal. Instead of SED preparing both a draft report and final report, we agree with those parties who contend that SED should only issue and file a single report. We will also shorten the time for SED to file its staff report. That staff report is to contain the type of information that the Refined Straw Proposal described for the staff report, as summarized above.

On the issue of whether SED should have a witness to sponsor and testify about the staff report if hearings are held in the RAMP application, that issue should be left to the RAMP proceeding to decide. In considering how the SED staff report is to be used, the due process rights of the parties should be preserved.

Other parties will then be given the opportunity to comment on the utility's RAMP submission, and the SED staff report. This could then be followed by additional workshops to discuss all of these RAMP-related items. Since no decision is to be issued in connection with the RAMP filing, no evidentiary hearings will be held in the RAMP process.

Under the RAMP process that we adopt, this will provide assurance to those parties who want to comment on the utility's RAMP submission, as well as on the staff report. In addition, this RAMP process will allow Commission staff and other parties to determine whether the RAMP submission is consistent with the decision on the utility's prior S-MAP, and how it will be used in the utility's upcoming GRC filing to support the utility's assessment of the safety risks that it faces, and its plans to manage, mitigate, and minimize those risks. Through this process of the RAMP submission, the SED staff report, comments of the parties, and workshops, all of the parties will have 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.

We agree with those parties who commented that the utility's RAMP submission should not be limited just to a risk assessment and mitigation of the utility's top 10 assets or family of assets. Limiting the utility's RAMP submission to just 10 asset categories may prevent the Commission and interested parties from having a comprehensive view of the utilities potential safety risks, and its

plans for addressing those risks. Since the RAMP will provide the first opportunity for parties to see how the utility prioritizes safety in terms of its assets and operations, the RAMP should not be limited to a maximum of 10 asset categories. Accordingly, the utility's RAMP submission shall include all of its risk assessments and mitigation plans.

We also adopt the recommendation of the Refined Straw Proposal for the utility's GRC filing to provide information on how it addressed or incorporated the concerns expressed in the RAMP application by SED, and by other parties. This will facilitate review of the utility's GRC filing by the other parties. We do not adopt the proposal that the SED report on the utility's RAMP submission be included as part of the utility's GRC filing submission.

Some of the parties agree with the recommendation of the Refined Straw Proposal to eliminate the NOI process, while others believe that there is either too much time or not enough time for preparing testimony in the schedule for the GRC proceeding. We have considered those arguments, and eliminate the NOI process from the RCP. By eliminating the NOI process, this will provide some time to accommodate the schedule for the RAMP and OII process.

On the three-or four-year GRC cycle, we will retain the three-year cycle. The three year cycle will minimize overlapping GRCs so long as the RCP schedule is followed. We recognize, however, that there are oftentimes other circumstances or events that interfere with the timely proceeding of GRCs. The assigned Commissioner and ALJ shall have the discretion to alter the schedule as may be needed. Should the S-MAP, RAMP, and GRC processes pose scheduling conflicts, we may need to revisit the need for a four-year rate cycle.

In addition, we decline to combine PG&E's GRC application involving its electric operations and gas distribution operations, with its separate application

for its gas transmission and gas storage facilities. Combining the two proceedings will result in a massive amount of information in one proceeding, and is likely to slow down the issuance of a decision.

We adopt the OII and RAMP submission process as described in the Refined Straw Proposal, and as described in our discussion above.

In the two tables below, we provide the schedule that is to be followed in opening the OII, filing the RAMP (Table 3), and incorporating the RAMP into the GRC application filing (Table 4). Changes to Tables 3 and 4 have been made as a result of the comments on the Proposed Decision. The adopted GRC schedule, as shown below in Table 4, modifies and replaces the RCP schedule that was adopted in Appendix A of D.07-07-004 and entitled “Summary of Rate Case Plan.”

**Table 3 (RAMP Application)**

<b>Date</b>	<b>Activity</b>
September 1 of the year prior to the GRC filing date.	Utility sends letter to Executive Director (with a copy to the Chief ALJ) requesting that an OII be initiated for the utility’s upcoming GRC filing, and pursuant to this decision.
By November 15 of the year prior to the GRC filing date.	OII for the upcoming GRC initiated.
By November 30 of the year prior to the GRC filing date.	Utility files RAMP submission in the OII.
By December 15 of the year prior to the GRC filing date.	PHC held.
By December 15 of the year prior to the GRC filing date.	Utility and SED hold public workshop on utility’s RAMP submission.
February 28, prior to the GRC filing date.	SED files and serve staff report on utility’s RAMP submission.

By March 15, prior to the GRC filing date.	Staff hosts public workshop on SED staff report.
April 10, prior to the GRC filing date.	Other parties serve comments on utility’s RAMP submission, and on SED’s staff report.
April/May	If needed, additional workshops on RAMP-related items.
May to August, prior to the GRC filing date.	Utility incorporates RAMP results into its GRC filing.

**Table 4 (GRC Application Filing)**

September 1	Utility files GRC application, and serves prepared testimony including changes resulting from the RAMP process.
Per Rule 2.6(a).	Protests and responses filed to GRC application.
By October 15	Utility holds public workshop on overall GRC application.
By October 31	PHC held.
By February 20	ORA serves opening testimony.
By March 17	Intervenors serve opening testimony.
May 1	Concurrent rebuttal testimony served.
March/ April	Public Participation Hearings.
May/June (Three or four weeks of evidentiary hearings.)	Evidentiary hearings held, if needed.
To be decided.	Opening briefs filed.
To be decided.	Reply briefs filed.
May/June	Update testimony and hearings, if necessary.
September/October	Proposed decision.
November	Final decision.
In accordance with Verification schedule discussed in this decision.	Utility files annual Risk Mitigation Accountability Report and Risk Spending Accountability Report.

We recognize that the S-MAP and RAMP procedures that we adopt today will result in additional work and proceedings by the utilities, interested parties, and Commission staff. However, the use of risk-based decision-making in a utility’s GRC is still in its infancy. 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.

We also recognize 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. During this transition, all of the large energy utilities, beginning February 1, 2015, are to include in all their future GRC applications thorough descriptions of the risk assessments and mitigation plans that they plan to use in their GRC.

We conclude that today's decision, which describes and adopts the parameters of the S-MAP and RAMP processes, does not prevent the assigned ALJs in either the consolidated S-MAP applications, or in the RAMP proceedings, from taking any other action to adjudicate the S-MAP application or the RAMP application process.

### **3.5. Verification and Annual Reporting**

The Refined Straw Proposal recommends that the utilities be required to prepare two new annual reports. These reports are the Risk Mitigation Accountability Report, and the Risk Spending Accountability Report. The Refined Straw Proposal states that these reports will "assist in the goal of improving utility accountability for the ratepayer money spent on risk mitigation efforts...." (Refined Straw Proposal at 9.) Samples of both annual reports were included by the utilities in their opening comments to the Refined Straw Proposal.

As described in the Refined Straw Proposal, the Risk Mitigation Accountability Report would 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. The Risk Mitigation Accountability Report "would consist of a program-by-program comparison of the utility's GRC predictions of risk mitigation programs - quantified as much as possible using the models examined in the S-MAPs and used to prepare the RAMP assessments - with measured results of actual risk mitigation programs, including a comparison of projected and actual Risk Mitigation to Cost Ratios." (Refined Straw Proposal, at 9.)

The second report, the Risk Spending Accountability Report would 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. As described by the Refined Straw Proposal, the Risk Spending Accountability Report "would consist of a project-by-project (above an appropriate Commission-determined dollar cut-off) comparison of authorized vs. actual spending, accompanied by the utility's narrative explanation of any significant differences between the two." (Refined Straw Proposal at 9-10.)

Another component of this reporting verification is for Commission staff to undertake a review of the two annual utility reports, and for Commission staff to issue a report of its findings.

The Refined Straw Proposal recommends that the Risk Mitigation Accountability Report be filed and served by December 31 of each year. This utility report would then be reviewed by the Commission, such as staff from the

SED. The Commission staff would then issue and serve its report with its findings on March 31 of each year.

For the Risk Spending Accountability Report, the Refined Straw Proposal recommends that the utility file and serve this report by December 31 of each year. The Risk Spending Accountability Report would then be reviewed by Commission Staff. The Commission staff would then issue and serve its report with its findings on March 31 of each year.

The Refined Straw Proposal states that these two reports would “only be a starting point for achieving utility accountability for risk mitigation spending,” and that the representations of the utilities in these two reports should not be accepted at face value by Commission staff. (Refined Straw Proposal at 10.) The Refined Straw Proposal recommends that Commission staff audit the two utility reports and develop findings in the staff reports, which “would serve the primary purpose of enhancing Commission oversight of utility safety-related activities and spending.” (Refined Straw Proposal at 10.) The Refined Straw Proposal also states that the two annual utility reports, together with the staff reports of the annual utility reports, “could be useful tools for intervenors to help in holding the utilities accountable for GRC spending” through their use in discovery, or to raise issues about a utility’s risk mitigation efforts. (Refined Straw Proposal at 10.)

The parties who commented on the verification proposals raise the following issues: that the actual benefits will be difficult to quantify in the Risk Mitigation Accountability Report; that the type of information to be included in the two reports should be clarified; that overlapping reporting requirements should be included or examined as part of the staff audit and review of the Risk Mitigation Accountability Report, and the Risk Spending Accountability Report;

and that the two reports should not be submitted until the first quarter following the reporting year.

We adopt the Refined Straw Proposal's recommendation to require the filing of an annual Risk Mitigation Accountability Report, and a Risk Spending Accountability Report. These reports shall contain the information that the Refined Straw Proposal recommends be included, as summarized above. In addition, the two 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. The two reports 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. This will allow Commission staff to more readily review and verify these safety-related activities, and to understand the reasons for the changes in priority that may have taken place.<sup>12</sup> These two reports shall be filed and served by the utility in its applicable GRC proceeding in which funding for the risk mitigation activities and spending was authorized. Both reports shall report on the activities and spending the utility undertook during the GRC test year, and during each attrition year.

We recognize that each of the large energy utilities will be filing these two reports on an annual basis, and Commission staff may not be able to review and verify each report in a timely manner if the deadline for the utility reports are not

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<sup>12</sup> We also note that § 750 (2014 Statutes, Chapter 552) and § 1702.5 (2014 Statutes, Chapter 601) contemplate that additional procedures for monitoring, and data tracking and analysis are to be developed and implemented in the safety citation Rulemaking 14-05-013. Pursuant to § 750, the information that is gathered from such procedures is to be used to inform the Commission when it considers the GRC requests of the utilities.

staggered. For that reason, we adopt the following deadlines for the filing of these reports by the large energy utilities: PG&E's reports to be filed by March 31 after the applicable reporting period; SCE's reports to be filed by May 31 after the applicable reporting period; SoCalGas' reports to be filed by July 31 after the applicable reporting period; and SDG&E's reports to be filed by September 30 after the applicable reporting period.

Parties may request in the S-MAP or RAMP proceedings to hold workshops 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.

We also adopt the recommendation of the Refined Straw Proposal for the Commission staff to review and verify these two utility reports on an annual basis.<sup>13</sup> It is appropriate, given the type of information in each report, for SED to prepare a report on the utility's Risk Mitigation Accountability Report, and for the Energy Division to prepare a report on the utility's Risk Spending Accountability Report. We encourage SED and Energy Division to work cooperatively in preparing each of those reports. SED and Energy Division shall file their respective reports in the applicable GRC proceeding within 120 days from the date each utility files these two reports. In their reviews of the utility reports, SED and the Energy Division should consider and review other applicable reports or information that have been submitted to the Commission

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<sup>13</sup> We do not adopt the Refined Straw Proposal's recommendation that an "audit" report be prepared. An "audit" suggests that certain accounting guidelines may need to be followed. Instead, Commission staff should review and verify the utility's risk management and mitigation activities and spending that took place during the reporting period, and prepare staff reports on the utility's Risk Mitigation Accountability Report, and Risk Spending Accountability Report.

pursuant to a General Order or decision, and which may be helpful in a review of the activities and spending undertaken in those two utility reports. The SED and Energy Division reports can be used to alert the Commission and other parties about a utility's risk mitigation activities and spending, and to use such reports in their review of the utility's next GRC application filing.

### **3.6. Lexicon**

The Refined Straw Proposal recognizes that a list of definitions of terms should be developed to foster the development of a risk-based decision-making framework. A preliminary list of twelve terms was set forth in the Refined Straw Proposal, and parties were invited to comment on the Lexicon that should be developed. The Refined Straw Proposal recommends that the Lexicon be developed as part of the first S-MAP.

All of the parties who commented on the Lexicon proposal agree that having a common understanding or definition of certain terms that pertain to a risk-based decision-making framework will be useful. However, there may not be a need for the Commission to adopt a specific list of terms and definitions in the S-MAP so long as parties have a clear understanding of what is expected of them in the S-MAP and RAMP filings. We will defer to the S-MAP proceeding the issue of whether the Commission needs to adopt certain terms and definitions in order to carry out the activities associated with the S-MAP and RAMP proceedings.

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

The proposed decision 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. Opening and reply comments were filed by various parties. Those comments

have been reviewed and considered, and appropriate changes have been incorporated into this decision.

## **5. Assignment of Proceeding**

Michael R. Peevey is the assigned Commissioner, and John S. Wong is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. Following the 2010 natural gas explosion and fire in San Bruno, the California Legislature and the Commission took steps to ensure the safety and reliability of the operations and practices of the energy utilities.

2. SB 705 requires each gas corporation to develop a plan for the safe and reliable operation of its gas pipeline facility that implements the policy of § 963(b).

3. § 963(b)(3) declares that it is the policy of the state that the Commission and each gas corporation place safety of the public and gas corporation employees as the top priority, and that the Commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates.

4. The utilities' gas safety plans, along with other safety-related issues, are being considered in R.11-02-019.

5. To carry out the safety priority policy of § 963(b)(3), the Commission initiated R.13-11-006.

6. The logical starting point for prioritizing safety for the investor-owned energy utilities is in the RCP and the GRCs of each of the energy utilities because the GRC is the proceeding in which the utility requests funding for the test year and attrition years, and the Commission adopts and authorizes just and reasonable cost-based rates.

7. The RCP was adopted to govern the information, processes, and schedule associated with the GRC applications of the energy utilities, and the latest description and schedule of the RCP for the energy utilities is reflected in Appendix A of D.07-07-004.

8. Following initial comments, the development of the Staff Straw Proposal, and a workshop, the Refined Straw Proposal was issued on April 17, 2014.

9. Interested parties were allowed to file opening and reply comments on the Refined Straw Proposal.

10. The framework that is being considered for adoption in this proceeding is described in the Refined Straw Proposal, along with the comments of the parties on the Refined Straw Proposal.

11. The Refined Straw Proposal proposes that the following three new processes be adopted as part of the RCP: the S-MAP; the RAMP; and annual verification documents consisting of the Risk Mitigation Accountability Report, and the Risk Spending Accountability Report.

12. In order to adopt and develop a risk-based decision-making framework to evaluate safety and reliability improvements, modifications to the current RCP and GRC filing process will need to be made.

13. The direction taken in this Rulemaking and in the Refined Straw Proposal to modify the RCP and the GRC proceedings to incorporate a risk-based decision-making framework is consistent with SB 705 and SB 900.

14. Steps have been taken by the Commission, PG&E, and SCE to include more risk assessment analysis in their GRC applications.

15. The concept of reliable service is already included in § 451, and that code section has been interpreted by the courts.

16. Expanding this proceeding to address reliability opens up new considerations about the quality of service, what constitutes reliability, events that may be outside the utility's control, and tariff provisions that limit liability under certain circumstances.

17. It is clear from a review of D.12-11-051, D.11-05-018, and D.09-03-025, that the standard of proof a utility has to meet in a GRC is one of preponderance of the evidence, and that no applications for rehearing of those decisions on that point were filed.

18. 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 and mitigate risks, and for the Commission to establish guidelines and standards for these models.

19. It will be beneficial to hold an S-MAP in order to fulfill the objective of providing Commission staff and other parties the opportunity to analyze and understand the various models and methodologies the energy utilities plan to use to prioritize safety in their GRC proceedings, and to manage, mitigate, and minimize such risks.

20. Since there are differences between the electric and gas corporations, the combined electric and gas utilities, and between the systems of each utility, some flexibility in how each utility assesses its risk and manages, mitigates, and minimizes its risk is likely to be needed.

21. Since there may be components or elements of a risk management and mitigation approach that can be used by two or more of the energy utilities, a goal of the S-MAP proceedings is to determine whether uniform and common standards can be developed for assessing, managing, mitigating, and minimizing the risks inherent in each energy utility's operations and services.

22. The energy utilities were not obligated to propose specific risk assessment approaches in this proceeding.

23. It is premature at this time to decide whether a specific risk assessment approach, model, or methodology should be adopted for use in the S-MAP and RAMP processes.

24. The RAMP process is described in the Refined Straw Proposal, and is summarized in this decision.

25. The RAMP process, as proposed in the Refined Straw Proposal, raises some practical procedural concerns about the pre-filing of the energy utility's GRC application.

26. The purpose of the RAMP filing will be 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 its plans to manage, mitigate, and minimize those risks in the context of the utility's upcoming GRC application filing.

27. The verification process and reporting requirements described in the Refined Straw Proposal, and summarized in this decision, will improve utility accountability of ratepayer money spent on risk mitigation.

### **Conclusions of Law**

1. The GRC is the appropriate place to start to take all reasonable and appropriate actions necessary to carry out the safety priority policy of § 963(b)(3), consistent with the principle of just and reasonable cost-based rates.

2. 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.

3. No evidentiary hearings are needed in this proceeding because this is a quasi-legislative proceeding which establishes policy, and the Commission can consider and base its policy determinations on the pleadings and comment process which has been filed in this proceeding.

4. Pursuant to §§ 451, 701, 761, and 750 as added by SB 900, the Commission has the power to extend the risk-based decision-making framework to the GRCs of the electrical corporations.

5. An S-MAP application process, as described in the Refined Straw Proposal and as clarified by this decision, should be adopted.

6. PG&E, SDG&E, SoCalGas Company, and SCE, should transition to the use of the S-MAP, the RAMP procedure, and adhere to the modified RCP schedule in all future GRC application filings.

7. Beginning three years from the effective date of this decision, the small energy utilities, which consist of Bear Valley Electric Service, Liberty Utilities, PacifiCorp doing business as Pacific Power, and Southwest Gas Corporation, should transition to including a risk-based decision-making framework into the their General Rate Case application filings.

8. Expanding SB 705's policy of prioritizing safety to include reliability is outside the scope of this proceeding and the S-MAP and RAMP processes adopted in this decision.

9. The standard of proof a utility must meet in a GRC proceeding is one of preponderance of the evidence.

10. A RAMP procedure, as described in the Refined Straw Proposal and as clarified by this decision, should be adopted, and an OII should be initiated

following the request of each of the large energy utilities for their respective upcoming GRC filings.

11. Revisions to the RAMP process recommended in the Refined Straw Proposal are necessary to conform to the Commission's processes.

12. The adopted GRC schedule, as shown in Table 4 of this decision, modifies and replaces the Rate Case Plan schedule that was adopted in Appendix A of D.07-07-004.

13. During the transition of fully implementing the S-MAP and RAMP procedures, all of the large energy utilities should include in all their future GRC applications thorough descriptions of the risk assessments and mitigation plans they plan to use in their GRC application filings.

14. Today's decision, which describes and adopts the parameters of the S-MAP and RAMP processes, does not prevent the assigned ALJs in either of those proceedings, from taking any other action to adjudicate the S-MAP application or the RAMP application.

15. The verification process and annual reporting requirements, as described in the Refined Straw Proposal, and as clarified by this decision, should be adopted.

16. The issue of whether the Commission needs to adopt certain terms and definitions in order to carry out the activities associated with the S-MAP and RAMP procedure should be addressed in the S-MAP.

## **O R D E R**

**IT IS ORDERED** that:

1. The risk-based decision-making framework, consisting of the Safety Model Assessment Proceeding, the Risk Assessment and Mitigation Phase proceeding,

and the filing of annual verification reports consisting of the Risk Mitigation Accountability Report and the Risk Spending Accountability Report, as described and clarified in this decision and in the schedules set forth in Table 2, Table 3, and Table 4 of this decision, are adopted for use by the large energy utilities, who consist of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company.

2. Table 4 of this decision modifies and replaces the Rate Case Plan schedule that was adopted in Appendix A of Decision 07-07-004 as “Summary of Rate Case Plan.”

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.

4. The small energy utilities, which consist of Bear Valley Electric Service, Liberty Utilities, PacifiCorp doing business as Pacific Power, and Southwest Gas Corporation, shall transition to including a risk-based decision-making framework into their General Rate Case application filings beginning three years from the effective date of this decision.

5. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company, shall each file and serve their respective Safety Model Assessment Proceeding applications on or before May 1, 2015, and every three years thereafter, unless directed otherwise by the Commission.

6. After a decision is rendered on the Safety Model Assessment Proceeding described in Ordering Paragraph 5 above, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company, shall send a letter, as described in this decision, to the Executive Director requesting that an Order Instituting Investigation (OII) be opened in the utility's respective upcoming General Rate Case application filing, and file and serve their respective Risk Assessment and Mitigation Phase submission by November 30 of the year preceding its next General Rate Case application filing in the newly opened OII.

7. The Commission's Safety and Enforcement Division shall coordinate with other Commission divisions to determine their respective roles in the processes adopted in today's decision, and the Executive Director shall ensure there is adequate staffing to undertake the work associated with the risk-based decision-making framework adopted in today's decision.

8. Rulemaking 13-11-006 remains open to consider other miscellaneous changes to the Rate Case Plan.

This order is effective today.

Dated December 4, 2014, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
CARLA J. PETERMAN  
MICHAEL PICKER  
Commissioners