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REBUTTAL TESTIMONY
OF GREGORY S. FLORES AND R. SCOTT PEARSON
(RAMP TO GRC INTEGRATION AND POST-TEST YEAR RISK SPEND EFFICIENCY
CALCULATIONS)

[ERRATA](#)
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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TABLE OF CONTENTS

I. INTRODUCTION 1

 A. Summary of TURN’s Argument..... 2

II. GENERAL REBUTTAL 3

III. REBUTTAL TO PARTIES’ PROPOSALS5

 A. RSEs Are but One Factor in the Risk Decision Framework and TURN’s Proposals Run Counter to Established Commission Policy 5

 B. RSEs Do Not Allow for Absolute Comparison of Costs and Benefits 6

 C. TURN’s Use Of Its Own B-C Ratios Should Not Apply..... 7

 D. TURN’s Recommendation to Use the Weighted Average Cost of Capital 8

 E. The Companies Appropriately Calculated Post-Test Year RSEs 10

 F. The Companies Have Performed Sufficient Tranching and are in Compliance with the Settlement Agreement..... 10

IV. CONCLUSION..... 11

APPENDIX A – GLOSSARY OF TERMSRSP/GSG-A-1

REBUTTAL TESTIMONY

OF GREGORY S. FLORES AND R. SCOTT PEARSON (RAMP TO GRC INTEGRATION AND POST-TEST YEAR RISK SPENDEFFICIENCY CALCULATIONS)

I. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company's (SoCalGas) and San Diego Gas & Electric Company's (SDG&E, and, collectively, the Companies) RAMP to GRC Integration and Post-Test Year Risk Spend Efficiency Calculations addresses the following testimony from other parties:

- The Utility Reform Network (TURN), as submitted by Eric Borden and Courtney Lane (Exhibit TURN-4), dated March 27, 2023.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by the Companies with the proposal or contention made by this or other parties.

In its testimony, TURN asserts that Risk Spend Efficiencies (RSEs) are intended for "measuring and comparing the cost effectiveness of [the Companies'] programs proposed in this case,"¹ ~~and proposes to use RSEs to make absolute determinations that certain risk mitigation activities should no longer be funded.~~ As discussed below, while RSE calculations are informative for comparing the relative benefits of various proposed utility safety and reliability investments for prioritization purposes, RSE calculations were never intended to be deterministic, as TURN appears to use them in recommending disallowances for certain SDG&E and SoCalGas projects, and are not fit for that purpose.

TURN also uses the RSE calculations to calculate and present derivative Benefit Cost Ratios (B-C Ratio) and states they should be used to evaluate cost effectiveness.² TURN's derivative B-C Ratio calculations are not sound, have not been reviewed or adopted by the California Public Utilities Commission (CPUC or Commission) in the proceeding dedicated to adoption of methodologies to evaluate risk in the State's utilities' general rate cases, and do not serve the public interest. Adoption of TURN's positions would erode the ability of SoCalGas

¹ Ex. TURN-04 (Prepared Testimony of Eric Borden & Courtney Lane on behalf of TURN) at 4.

² *Id.* at 26-28 (TURN's calculation is without accounting for undecided Cost Benefit Framework (CBF) items, such as tail risk, risk tolerance, and risk attitude).

1 and SDG&E to keep customers, communities, and workers safe. An issue of such statewide
2 importance should be carefully evaluated and decided in a Commission rulemaking, where the
3 interests of all impacted stakeholders can be effectively and efficiently considered, not in a
4 utility-specific ratemaking proceeding. Indeed, as discussed below, the Commission has an open
5 rulemaking (R.20-07-013, the Risk OIR) to consider such alternative approaches.³

6 SoCalGas and SDG&E further discuss TURN's proposals below and why they should not
7 be accepted.

8 **A. Summary of TURN's Argument**

9 The following is a summary of TURN's positions on the Companies' RSE
10 Methodology:⁴

11 • States that Risk Spend Efficiencies (RSEs) allow comparison of the costs
12 and benefits of the Companies' proposed safety investments, and that such
13 comparisons have ~~deterministic~~ value in "informing the Commission's funding
14 decisions."⁵ Calculates and presents its own B-C Ratios and argues they should
15 be used to evaluate absolute cost effectiveness and, in turn, to assess funding
16 decisions.

17 • Argues that (i) RSEs should be compared to a Program Administrator Cost
18 Test (PACT) and that RSEs "include all benefits and costs that affect the
19 operation of the utility system"; (ii) that the same discount rate must be applied to
20 the numerator and denominator in RSE calculations; and (iii) that RSEs are
21 "similar" to a PACT in terms of "identif[ying] the extent to which utility
22 investments will provide reduced or increased costs to ratepayers."⁶

³ See R.20-07-013, Order Instituting Rulemaking to Further Develop a Risk Based Decision-Making Framework for Electric and Gas Utilities, at 2 (The Commission initiated R.20-07-013 to build on requirements for a utility risk framework adopted in the first Safety Model Assessment Proceeding (S-MAP), Application 15-05-002, et al., and in R.13-11-006, the Risk-Based Decision-Making proceeding).

⁴ Ex. TURN-04 (Eric Borden & Courtney Lane).

⁵ *Id.* at 5.

⁶ *Id.* at 19.

1 • States that there is insufficient granularity of tranches in specific risk
2 calculations.⁷

3 • Claims that 2021 (Base Year) dollars were used for RSE calculations.⁸

4 **II. GENERAL REBUTTAL**

5 The Companies presented in direct testimony a robust discussion of their RAMP to GRC
6 Integration, noting many improvements and lessons learned from the 2021 Risk Assessment
7 Mitigation Phase (RAMP) to the Test Year (TY) 2024 General Rate Case (GRC) and discussing
8 how the Companies have satisfied the requirements of the Risk Decision Framework (RDF) as
9 set forth in the Settlement Agreement (SA).⁹ To integrate the RAMP process into this GRC,
10 SoCalGas and SDG&E translated the risk mitigations and Cross Functional Factors (CFF)
11 initiatives, updated the activities as applicable, performed quantitative analysis, and addressed
12 and incorporated feedback from intervenors and the Commission’s Safety Policy Division
13 (SPD).¹⁰

14 Indeed, the Companies’ RAMP to GRC Integration process is essentially unchallenged.
15 Instead, TURN makes a set of policymaking arguments with respect to the Companies’ risk
16 evaluation process and calculation of RSEs. Specifically, TURN states that an RSE can be
17 converted to a Benefit Cost Ratio that has meaning, which, TURN states, should be a “single
18 point” determinant of the cost effectiveness of a mitigation. TURN’s argument is incorrect. As
19 discussed below, RSEs do not allow for comparison of costs and benefits, but rather, are merely
20 a factor to be considered in deciding whether to proceed with a particular safety or reliability
21 investment.¹¹ The Commission has stressed that RSEs can be useful, but their limitations must

⁷ *Id.*, Appendix F, at 3.

⁸ *Id.* at 13.

⁹ D.18-12-014, Phase Two Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement With Modification; *Id.*, Appendix A, Settlement Agreement among Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, San Diego Gas & Electric Company, The Utility Reform Network, Energy Producer and Users Coalition, Indicated Shippers and the Office of Ratepayer Advocates (hereinafter, Settlement Agreement).

¹⁰ Ex. SCG-03, Ch.1 (Direct Testimony of Deana M. Ng) and Ex. SDG&E-03-2R, Ch. 2 (Second Revised Direct Testimony of Gregory S. Flores and R. Scott Pearson).

¹¹ I.17-11-003, CPUC, *Risk and Safety Aspects of Risk Assessment and Mitigation Phase Report of Pacific Gas & Electric Company*, March 30, 2018, at 35 (In its review of PG&E’s RSE methodology,

1 be recognized.¹² Moreover, the Commission has stated that there are numerous other qualitative
2 and quantitative factors that must be taken into consideration to make an evaluation on whether
3 to proceed with a particular safety or reliability investment.¹³ As such, even if an RSE could be
4 converted to a Benefit Cost Ratio, such conversion would have the same limitations as the RSE.
5 Like the RSE from which it came, it would still be one data point and would still require
6 consideration of other qualitative and quantitative data points to evaluate whether to proceed
7 with a particular investment.

8 Perhaps even more importantly, TURN's argument here, ~~as well as its arguments with~~
98 ~~respect to discounting, and tranche granularity methodologies, are~~ is outside the scope of
the

109 current risk evaluation framework and this GRC. The Companies' risk evaluation framework,
110 including the calculation of RSEs, was approved by the Commission in the Safety Model
1211 Assessment Proceeding (S-MAP).¹⁴ The Commission's December 2022 decision to modify the
1312 Risk-Based Decision-Making Framework outlines a timeline for the Companies to transition to a
1413 Benefit Cost Ratio (BCR) framework and adjust other risk methodologies, specifically when
1514 they submit their respective RAMP filings in 2025.¹⁵ Moreover, the BCR framework remains a
1615 work in progress, with many key elements left to be resolved through the ongoing Risk OIR
1716 Phase III proceeding.¹⁶ Given the ongoing Risk OIR Phase III proceeding and the continued
1817 adjustment and consideration of the BCR framework, it is inappropriate for TURN to propose an
1918 alternative risk evaluation methodology here. Recommended improvements to the risk decision

The CPUC Safety and Enforcement Division (SED) agreed that RSE were not the only factor for consideration in selecting mitigations.).

¹² D.16-08-018, Interim Decision Directing Utilities to Take Steps Toward a More Uniform Risk Management Framework, at 35-36 (discussing requirements in D.14-12-025).

¹³ D.22-12-027, Phase II Decision Adoption Modification to the Risk-Based Decision Making Framework Adopted in Decision 18-12-014 and Direction Environmental and Social Justice Pilots, at 24-25 (In their discussion of refining the RDF, SED maintains language from the original Settlement Agreement that upholds the limitations of RSEs and CBRs and notes their lack of being a singular decision making point.).

¹⁴ D.18-12-014; *Id.*, Appendix A, Settlement Agreement.

¹⁵ D.22-12-027, Appendix B, Risk-Based Decision-Making Framework Regarding Required Elements for Risk and Mitigation Analysis in the Risk Assessment Mitigation Phase (RAMP) and General Rate Case (GRC) Applications.

¹⁶ R.20-07-013, Assigned Commissioner And Assigned Administrative Law Judges' Ruling Issuing Phase III Roadmap For Comment And Scheduling Prehearing Conference, March 13, 2023, Attachment A, Safety Policy Division Proposed Phase III Roadmap.

1 making process are being addressed in the ongoing Risk OIR to allow for broad stakeholder
2 input.

3 TURN also suggests that 2021 dollars and not 2024 dollars are being used by SoCalGas
4 and SDG&E for RSEs and Risk Reduction calculations.¹⁷ This is incorrect. As discussed in the
5 Companies' direct testimony,¹⁸ the Companies used known and measurable dollars in 2021 to
6 escalate costs to 2024 for O&M (which is the most appropriate way of forecasting expected
7 increases in dollars in the future) and used an averaging method which includes an escalation
8 factor for Capital to arrive at Capital dollars to 2024.

9 The Companies offer further responses to specific arguments below. However,
10 SoCalGas and SDG&E reiterate that the ongoing Risk OIR is the proper venue to determine
11 changes to the Risk Decision Framework, not their respective GRCs.

12 **III. REBUTTAL TO PARTIES' PROPOSALS**

13 **A. RSEs Are but One Factor in the Risk Decision Framework and TURN's** 14 **Proposals Run Counter to Established Commission Policy**

15 TURN states that its "B-C ratios provide a stand-alone indication of cost effectiveness"
16 for the Commission.¹⁹ TURN further states that "RSEs can be converted to B-C ratios which
17 show whether the value of expected risk reduction benefits exceed the expected costs."²⁰
18 However, RSEs cannot be simply converted to BCRs, as evidenced by the Commission's
19 decision to have utilities transition to the use of BCRs prospectively, not retroactively.²¹ As
20 TURN acknowledges: "Utilities are required to use this new methodology in the next round of
21 RAMP and GRC proceedings, beginning with the RAMP that PG&E will submit in 2024. In the
22 meantime, the MAVF approach adopted in the D.18-12-014 Settlement continues to apply to this
23 GRC."²² Notwithstanding this acknowledgement, TURN creates and applies its own B-C ratios,
24 which should not be accepted.

¹⁷ Ex. TURN-04 (Eric Borden & Courtney Lane) at 10.

¹⁸ Ex. SCG-03, Ch.1 (Direct Testimony of Deana M. Ng) and Ex. SDG&E-03-2R, Ch. 2 (Second Revised Direct Testimony of Gregory S. Flores and R. Scott Pearson).

¹⁹ Ex. TURN-04 (Eric Borden & Courtney Lane) at 32; see also *Id.* at 26-27.

²⁰ *Id.* at 26.

²¹ *Id.* at 27 (citing to D.22-12-017 at 11, 63, Ordering Paragraph 2).

²² *Id.*

1 The Commission, in its decisions, consistently refers to RSEs as being used for informing
2 the relative prioritization of investments within a risk area or “chapter” (which the Companies
3 have done within their respective RAMP filings). Commission precedent has established that
4 RSE calculations help inform decision-making, but are not the singular basis for determining
5 whether to authorize cost recovery in a GRC.²³ Nowhere has the Commission stated that a BCR
6 of greater than 1—or any other indicator derived from RSE calculations—should be the
7 determining factor for funding safety and reliability investments by the utilities.

8 Further, RSE calculations rely substantially on subject matter expert assumptions and
9 estimates, rather than empirical data. As such, RSEs are an inexact proxy for the relative value
10 of risk-reducing investments and fall short of being reliable for purposes of establishing an
11 absolute threshold for justifying mitigation investments. This is particularly true where the
12 inputs are not supported by sufficient empirical data – for example, in the case of high
13 consequence events that occur infrequently. As such, transforming RSEs into a different
14 mathematical expression, as TURN has done with its B-C Ratio, does not purge those B-C
15 Ratios of the RSE’s shortcomings – the same underlying issues remain.

16 TURN’s proposals run contrary to the Commission’s recognition of the limitations of
17 RSEs and would erode the ability of SoCalGas and SDG&E to keep customers, communities,
18 and workers safe. Further, TURN’s approach of utilizing ~~RSEs—or the~~ B-C Ratios ~~TURN~~
19 ~~derives from them~~—as deterministic for funding decisions, could place unnecessary safety risk
20 on the Companies and the public, as well as undermine the ability of the Companies to comply
21 with State and Federal safety and reliability regulations.²⁴

22 **B. RSEs Do Not Allow for Absolute Comparison of Costs and Benefits**

23 TURN characterizes the Companies’ RSEs as ~~absolute~~ measures of cost-effectiveness in
24 order to ascribe deterministic value to RSEs and justify derivation of its B-C Ratios from those
25 RSEs. For example, TURN states that RSEs are intended for “measuring and comparing the cost
effectiveness of [the Companies’] programs proposed in this case,”²⁵ and that “RSE analysis

²³ D.22-12-027 at 24-27.

²⁴ See e.g., Senate Bill 901 (2018 Cal. Legis. Serv., Ch. 626; adding Pub. Util Code § 8386(c)(13) regarding restoration of service after wildfire event); Assembly Bill 1054 (2019 Cal. Legis. Serv. Ch., 79, §§ 1(a)(4), 2(a), 2(b)); 49 C.F.R. Section 192, Subparts O and P (DIMP and TIMP programs).

²⁵ Ex. TURN-04 (Eric Borden & Courtney Lane) at 4.

1 contributes to the Commission’s decision-making process by providing an important tool for
2 measuring and comparing the cost-effectiveness of the programs proposed in this case.”²⁶ While
3 RSEs provide a measure of relative risk-mitigation effectiveness that helps inform the
4 prioritization of investments within a risk chapter, RSEs do not allow for an absolute comparison
5 of costs and benefits. As noted by the Commission, “RSE values produced by the MAVF
6 approach have had limited utility. While the RSE values produced by the MAVF approach allow
7 for comparison of the relative cost-effectiveness of various mitigation measures, the RSE values
8 do not indicate whether the Benefits of a proposed mitigation measure outweigh its costs.”²⁷

9 RSE calculations are intended to inform and aggregate risk decision-making based on the
10 MAVF or Multi Attribute Value Function. Regarding the use of RSEs in prioritizing a portfolio,
11 the Commission has stated: “We caution, however, that prioritizing a portfolio based on cost-
12 effectiveness measures, such as the RSE, is not the same as choosing an optimal mix of
13 mitigation activities based on some rigorous optimization routines[.]”²⁸ SoCalGas and SDG&E
14 agree with the Commission that an RSE is not a replacement for optimization. While RSEs are
15 an informative data point for the Companies to consider, they are not deterministic for mitigation
16 selections. As provided for in direct testimony,²⁹ no matter the quantification methodology
17 employed, judgment and expertise must be utilized when making decisions. Interpretation of the
18 results of a quantification model are just as, if not more, valuable than the outputs themselves
19 and cannot replace prudent and reasonable risk policies and practices. Certain mitigations are
20 recognized by essentially all interested parties to be important – yet if the RSEs are deterministic,
21 it would suggest important safety and reliability related activities could be treated as a lower
22 priority work.

23 C. TURN’s Use Of Its Own B-C Ratios Should Not Apply

24 TURN’s translation of the Companies’ RSEs to its own B-C Ratios should not be
25 applied, as it is outside the scope of this proceeding and does not reflect the purpose of the risk

²⁶ *Id.*

²⁷ D.22-12-027 at 26.

²⁸ A.15-05-002, CPUC, *Safety and Enforcement Division Evaluation Report on the Risk Evaluation Models and Risk-based Decision Frameworks in A.15-05-002, et al*, at 50.

²⁹ Ex. SCG-03, Ch.1 (Direct Testimony of Deana M. Ng) and Ex. SDG&E-03-2R, Ch. 2 (Second Revised Direct Testimony of Gregory S. Flores and R. Scott Pearson), at 14-15.

1 mitigation programs at the Companies. In addition, TURN’s approach fails to incorporate
2 concepts critical to the Companies’ investment strategy to promote safe and reliable service. For
3 example, International Organization for Standardization (ISO) 31000 provides that: “Justification
4 for risk treatment is broader than solely economic considerations and should take into account all
5 of the organization's obligations, voluntary commitments and stakeholder views.”³⁰

6 First, stating that RSEs can or should be expressed as BCRs in dollar terms is premature
7 and outside the scope of this case. The Risk OIR Phase II Ruling³¹ establishes that the inaugural
8 application of BCRs as a successor to the prevailing MAVF/RSE framework is deferred to the
9 Companies’ 2025 RAMP and ensuing 2028 GRC.³² Second, TURN’s B-C Ratios are derived
10 from RSEs which, as discussed above, are neither deterministic nor allow for absolute
11 comparisons of costs and benefits. Lastly, TURN’s approach to deriving its B-C Ratios fails to
12 account for critical elements of the evolving Cost Benefit Framework that remain to be settled,
13 including tail risk, risk tolerance, and risk attitude.

14 **D. TURN’s Recommendation to Use the Weighted Average Cost of Capital**

15 TURN compares RSEs with a Program Administrator Cost Test (PACT),³³ and then uses
16 this comparison to argue that the Weighted Average Cost of Capital (WACC) should be used to
17 discount risk mitigation spend.³⁴ TURN, however, does not provide evidence or rationale to
18 support the comparison between RSEs and a PACT. According to the California Standard
19 Practice Manual,³⁵ a PACT is more suited to consideration of the cost effectiveness of a
20 program, such as an energy efficiency program associated with end user consumption. In other
21 words, a PACT is suited to evaluating cost, but not risk. The RSE, which is intended to evaluate
22 relative risk reduction benefits, is not comparable to a PACT or any other framework for which

³⁰ ISO 31000 Risk Management – Guidelines.

³¹ D. 22-12-027.

³² *Id.* at 23-24 (One of the primary reasons the Commission cited for superseding the current MAVF with a prospective Cost Benefit Framework (CBF) is RSEs do not provide for “comparable values and trade-offs in dollars[.]”).

³³ Ex. TURN-04 (Eric Borden & Courtney Lane) at 19-20.

³⁴ *Id.* at 6-7, 11-13, 15, 18-20.

³⁵ Regulatory Assistance Project, *California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects*, October 2001, at 23; available at: <https://www.raponline.org/wp-content/uploads/2016/05/cpuc-standardpractice-manual-2001-10.pdf>.

1 the numerator and denominator are both dollar-denominated. The numerator of a RSE is not a
2 dollar-denominated value; it is a unitless combination of reductions to safety, reliability, and
3 financial risk attributes; thus application of a common discount factor to both the numerator and
4 denominator is not justified.

5 The Companies also disagree with TURN's statement that the Companies incorrectly
6 used base year direct dollars and a 3% discount rate.³⁶ TURN notes that the purpose of the
7 original rulemaking, R.13-11-006, was to "incorporate a risk-based decision-making framework
8 into the Rate Case Plan (RCP) for the energy utilities' GRCs[.]"³⁷ TURN, however, then goes
9 on to state: "In fact, the Rate Case Plan (RCP) has no bearing on RSE calculations."³⁸ The
10 Companies disagree and believe that the Rate Case Plan does have a bearing on RSE calculations
11 since costs utilized in the calculation of RSEs are consistent with the Companies' presentation in
12 their respective General Rate Cases.

13 As mentioned in their 2021 RAMP Reports, the Companies are not opposed to the
14 concept of discounting.³⁹ The 3% discount rate represents a federally accepted value for societal,
15 and safety impacts,⁴⁰ hence it is used in the Companies' RAMPs and GRCs. TURN states that
16 because the RSE accounts for other benefits, like electric and gas reliability, the discount rate of
17 3%, which is primarily referencing a safety benefit, should not be used.⁴¹ The WACC, however,
18 takes no consideration of safety into its determination and is therefore inappropriate for
19 discounting in RAMP. Further, in SCE's 2022 RAMP filing, the Commission neither endorsed
20 nor rejected SCE's 3% discount rate for the numerator, stating that SCE should use its best

³⁶ Ex. TURN-04 (Eric Borden & Courtney Lane) at 6, 8-9, 15, 24.

³⁷ *Id.* at 11-12 (citing D.18-12-014 at 3).

³⁸ *Id.* at 13.

³⁹ A.21-05-014, Application Of Southern California Gas Company (U 904 G) To Submit Its 2021 Risk Assessment And Mitigation Phase Report; D.21-05-011, Application Of San Diego Gas & Electric Company (U 902 M) To Submit Its 2021 Risk Assessment And Mitigation Phase Report.

⁴⁰ CDC, The National Institute for Occupational Safety and Health, *Economic Burden of Occupational Fatal Injuries in the United States Based on the Census of Fatal Occupational Injuries, 2003-2010*, August 2017, available at: <https://www.cdc.gov/niosh/data/datasets/sd-1002-2017-0/default.html>.

⁴¹ Ex. TURN-04 (Eric Borden & Courtney Lane) at 17-18.

1 expert judgment, accompanied by a transparent justification, to apply a reasonable discount rate
2 for the numerator.⁴²

3 **E. The Companies Appropriately Calculated Post-Test Year RSEs**

4 TURN also takes the position that the determination of Post-Test Year forecasts is
5 inconsistent with the determination of Test Year forecasts,⁴³ but there is no Post-Test Year
6 requirement or mechanism currently in place. The methodologies used to forecast Post-Test
7 Year dollars and risk benefits are a balance of the new requirement to calculate Post-Test Year
8 RSEs by the Commission in this proceeding,⁴⁴ the existing Settlement Agreement, and the Rate
9 Case Plan. Additionally, Commission precedence favors escalation-based forecasting for the
10 Post-Test Years.⁴⁵ TURN's argument here does not make the important connection between the
11 Rate Case Plan and the Risk Decision Framework, which the Commission is further looking to
12 expand upon in Phase III of Risk OIR.⁴⁶

13 In sum, the exact value of the discount rate, nature of costs, and application of both
14 thereof, is appropriately scoped for Phase III of the SMAP,⁴⁷ and not this GRC proceeding.

15 **F. The Companies Have Performed Sufficient Tranching and are in**
16 **Compliance with the Settlement Agreement**

17 TURN states there is insufficient granularity of tranches in specific risk calculations
18 associated with Wildfire, and Medium and High Pressure Gas Systems.⁴⁸ The Companies

⁴² A.22-05-013, CPUC, *Safety Policy Division Staff Evaluation Report on the Southern California Edison Company's 2022 Risk Assessment and Mitigation Phase (RAMP) Application*, November 10, 2022, at 18.

⁴³ Ex. TURN-04 (Eric Borden & Courtney Lane) at 10.

⁴⁴ A.21-05-011, Assigned Commissioner's Ruling Directing Sempra Utilities to Incorporate Staff Recommendations on their Risk Assessment and Mitigation Phase in the Upcoming 2024 General Rate Case Applications, March 30 2022, at 3 (requiring the Companies to calculate PTY RSEs for their TY2024 GRC).

⁴⁵ D.19-09-051 at 708 ("We find that Global Insight escalation rates are specific to the utility industry and more accurately reflects SDG&E's and SoCalGas' inflationary cost increases.").

⁴⁶ R.20-07-013, Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities. Safety Policy Division Proposed Phase III Roadmap.

⁴⁷ *Id.*

⁴⁸ Ex. TURN-04 (Eric Borden & Courtney Lane) at 34.

1 disagree. As discussed in direct testimony,⁴⁹ and as recommended by SPD, the Companies
2 added more tranches between the 2021 RAMP and the current GRC⁵⁰ across key risk areas and
3 have met the requirements of the Settlement Agreement.⁵¹ Specifically, the Companies
4 incorporated 31 additional levels of tranche granularity across 11 of the Companies' 15 key
5 risks. These key risk areas included high pressure (added facilities and supply line), medium
6 pressure (added service/main and steel/plastic), and wildfire (where SDG&E continued
7 expanding its WiNGS-Planning model to identify hardening mitigations at the circuit-segment
8 level). The selection of tranches is based on how risks and assets are managed, data availability,
9 best practices, and model maturity.

10 **IV. CONCLUSION**

11 To summarize, any changes to the Risk Decision Framework should appropriately be
12 discussed and decided within the confines of the Risk OIR. As detailed in our direct testimony,
13 the Companies' RAMP showing in the GRC is based on the requirements adopted by the
14 Commission.

15 Our direct and rebuttal testimony establishes that RSE calculations are useful to help
16 inform decision-making, but do not allow for absolute determination of costs and benefits, and
17 are not intended to be used as the singular basis for determining whether to authorize cost
18 recovery for proposed safety and reliability activities in a GRC. Indeed, RSEs are not fit for that
19 purpose. We recommend that the Commission continue to evaluate proposed utility safety and
20 reliability investments in light of all relevant information.

21 This concludes our prepared rebuttal testimony.

⁴⁹ Ex. SCG-03, Ch.1 (Direct Testimony of Deana M. Ng) and Ex. SDG&E-03-2R, Ch. 2 (Second Revised Direct Testimony of Gregory S. Flores and R. Scott Pearson), at 10.

⁵⁰ A.21-05-011 and A.21-05-014, San Diego Gas & Electric Company (U 902 M) and Southern California Gas Company (U 904 G) comments on Safety Policy Division's evaluation on SDG&E and SoCalGas's Risk Assessment and Mitigation Phase Report, December 6, 2021.

⁵¹ D.18-12-014; *Id.*, Appendix A, Settlement Agreement.

APPENDIX A
GLOSSARY OF TERMS

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ACRONYM	DEFINITION
BSRP	Bare Steel Replacement Program
BCR	Benefit Cost Ratio as determined by the Commission
B-C Ratio	Benefit Cost Ratio as determined by TURN
GRC	General Rate Case
OIR	Order Instituting Rulemaking
PTY	Post Test Year
RAMP	Risk Assessment Mitigation Phase
RCP	Rate Case Plan
RDF	Risk-Informed Decision-Making Framework
RSE	Risk Spend Efficiency
SA	Settlement Agreement
SDG&E	San Diego Gas & Electric Company
SED	Safety Enforcement Division
S-MAP	Safety Model Assessment Proceeding
SPD	Safety Policy Division
TURN	The Utility Reform Network
TY	Test Year
WACC	Weight Average Cost of Capital