

CONSOLIDATED WORKSHOP AGENDA
Rate Case Plan Workshop 4 – General Rate Cases, Safety Modeling and Reporting (D.20-01-002)
Risk-Based Decision-Making Framework Rulemaking (R.20-07-013)
February 9, 2021; 11:00 am – 4 pm

WORKSHOP PURPOSE AND BACKGROUND:

In D.14-12-025, the California Public Utilities Commission (CPUC)¹ instituted a risk-based decision-making framework for its General Rate Case (GRC) proceedings as part of the CPUC’s Rate Case Plan (RCP) and ordered the creation of three Commission processes.²

1. The Safety Model Assessment Proceeding (S-MAP) to develop consistent risk assessment and risk mitigation approaches as part of the GRC process. The first S-MAP, Application (A.)15-05-002 (et. Seq.), issued decisions³ dictating the design of Investor-Owned Utility (IOU) RAMPs.
2. The Risk Assessment and Mitigation Phase (RAMP) of the GRC examines how each utility plans to assess top risks and mitigate these risks through its proposed GRC expenditure requests.⁴
3. The Risk Mitigation Accountability Report (RMAR) and Risk Spending Accountability Reporting process (RSAR) to provide the assist in improving accountability for “risk mitigation efforts...”⁵

This workshop is mandated by both D.20-01-002 and the Commission’s new Rulemaking (R.) 20-07-013 (OIR) to continue S-MAP refinement. The purpose of the workshop as called for by both of those Commission orders, is:

- Better integrate RAMP into the GRC and GRC-related reporting into the RSAR.
- Standardizing the organization and format of GRC and RAMP filings.

REQUIREMENTS:

This Workshop will discuss how RAMP filings interrelate with GRC filings.⁶ Discussions of RAMP standardization should cover formats for mapping RAMP risk mitigations to GRC chapters and methods for separating RAMP and non-RAMP-related costs in GRC workpapers. They will also cover a Master Data Request (MDR) format to proactively meet stakeholder needs and include specific metadata (p 59).

The RCP ordered workshops and reports.⁷ Three workshops have occurred, covering Stipulated Terms and Rebuttable Presumptions, GRC Filing Standardization, and Results of Operations (RO) Modeling. The fourth workshop will also address issues in Track 3 of the OIR. This workshop will take direction from these previous workshops. For instance, the Workshop #2 Report indicated that basic guidelines may be the best option for standardizing GRC testimony because GRC terminology vary according to each IOU’s organization and existing formats have proven useful. That report also indicated that the existing MDR should be simple, transparent, and predictable.

¹ R.13-11-006 Rulemaking to Develop a Risk-Based Decision-Making Framework

² D.14-12-025 Ordering Paragraph (OP) 1

³ See D.16-08-018; D.18-12-014; D.19-04-020; S-MAP R.20-07-013 (Risk-Based Decision-Making Framework OIR)

⁴ D.14-12-025 pp 2-3

⁵ D.14-12-025 p 43

⁶ D.20-01-002 Sections 5.5.1.3. and 5.5.1.1.

⁷ *ibid* Sections 4 and 5.5; OP 5

Likewise, this fourth workshop will address issues in Track 3 of the OIR, and this Staff proposal prompts parties to provide input on issues scoped into it. Track 3 should address how the RAMP is integrated into the GRC and how existing GRC related reporting is integrated into each IOUs RSAR.

This workshop covers three topics in Track 3 of the OIR:

- a. Cost tracking, risk reductions, terms, and processes across RAMPs, GRCs, and RSARs.
 - i. Standardize risk mitigation and cost presentation to allow comparison of RAMP and non-RAMP activities;
 - ii. Merge the RSAR and other accountability reports;
 - iii. Addressing potential redundancies between RAMP, GRC, and RSAR filings; and
 - iv. Clarify RAMP and RSAR requirements for GRCs in the event of a Settlement Agreement.
- b. Updating Rate Case Plan requirements.
- c. RAMP clarifications or refinements.

Staff issue the proposed workshop topics (see Appendix) in advance to ensure efficient use of time at the workshop.⁸

⁸ D.20-01-002 pp 56-57

APPENDIX

PROPOSED WORKSHOP TOPICS

Track 3.a.

Cost tracking, risk reductions, terms, and processes across RAMPs, GRCs, and RSARs

Risk Mitigation and Cost presentation Standard: Comparing RAMP and Non-RAMP Activities (Track 3.a.i.)

Staff Proposal: Workshop discussions should explore how costs and activities to mitigate RAMP risks might better resemble activities, chapter numbers, and costs in GRC workpapers.

Staff propose that IOUs:

- Present unified methods for identifying RAMP mitigations in the GRC.
- Commit to presenting activities in the same manner in both the GRC and RAMP.

Staff propose that parties develop and adopt guidelines to:

- Identify elements common between the RAMP and GRC.
- Match RAMP information to the subsequent GRC.

Summary of Issues:

GRC testimony structure should mirror how the RAMP presents mitigations to standardize cost representation between the GRC and RAMP. Discussion should consider how cost presentation in the GRCs may enable comparisons over time and distinguish RAMP related costs from general utility programming unrelated to the RAMP (non-RAMP costs).

While RCP workshop #2⁹ indicated differences between IOUs make many types of GRC standardization difficult to achieve, RAMP filings are more naturally suited to standardization because they contain costs and activities mirrored in the GRC. However, RAMP related costs or activities have problems fitting into GRC testimony and workpapers because they often have different chapter names, can be split between GRC chapters or are more detailed than GRC workpapers.

GRC decisions are meant to approve or reject RAMP related mitigation costs based upon their presentation in the RAMP. However, RAMP related items can be more detailed than the workpapers within which they appear in the GRC. This can complicate the ratemaking process because changing revenue requirement for non-RAMP costs may materially change the revenue requirement or activities for associated RAMP related revenue requirements.

⁹ ED hosted the second workshop ordered in Decision (D.) 20-01-002 on 10/7/20.

Merge the RSAR and Other Accountability Reports (Track 3.a.ii.)

Staff Proposal: Workshop discussions should consider merging existing spending accountability reports with the RSAR format in D.19-04-020. A partial list of accountability reports with potential for change include:

- Gas Transmission and Safety Report (GT&S Report, PG&E);
- Gas Distribution Pipeline Safety Report (GDPSR, PG&E);
- Gas Transmission and Storage Safety Report (GT&SSR, SCG); and
- Gas Transmission and Distribution Safety Report (GT&DSR, SDG&E).

Staff Proposal: Workshop discussions should consider ways to further improve the process. Parties to IOU RAMPs, GRCs and the S-MAP have expressed interest in receiving more detail on safety spending and ensuring reports more effectively achieve their intended objectives. Tools that can be used include PU Code §451 and resolution M-4846.

Staff propose parties develop new and improved methods for:

- Imputing authorized costs;
- Relating authorized costs to actual costs for
 - work done;
 - actual units of work done.

Staff also propose IOUs:

- Explicitly reference workpaper description activities in variance explanations;
- Identify authorized activities which used no funding as cancelled or deferred.

Summary of Issues:

As each report has its own set of issues, IOUs should present requirements and controls. Workshop presentations should reflect proposed next steps and a timeline with the workshop report to clarify any inconsistencies. Staff anticipates that the most likely process for change would be a formal decision; since the Commission ordered each of the reports. However, all changes slated for adoption would have to be noticed in a ruling in both this OIR and the originating proceeding.¹⁰

While the intention for this workshop is to develop a common framework for harmonizing the RSARs, it would be difficult to change decisions in unrelated proceedings without some additional work. Parties to the decisions creating each report will have to determine which reporting requirements should be replaced with a new RSAR based requirement for each report. IOUs should then follow controlling documents to address issues for making any changes. This should also identify any issues making the reports incompatible (e.g., unique items in the GDPSR or PU Code §958.5).

Working groups can then deliberate on how to complete the process to integrate the reports and address any attendant issues. For instance, reports may be filed more frequently, be more- or less-detailed, or have different requirements than the RSAR.

¹⁰ Per Public Utilities (PU) Code §1708

Address potential redundancies between RAMP, GRC, and RSAR Filings (Track 3.a.iii):

Staff Proposal:

Workshop discussions should identify any significant redundancies between RAMP, GRC, and RSAR filings.

Summary of Issues:

The RAMP, GRC and RSAR filings are meant to support and complement each other and each filing generally does not duplicate the cost presentations, mitigations, or activity descriptions in the others. However, if a workshop participant has found that this is not true in practice, they should present examples and provide ideas for how to address the redundancy.

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GRCs Resolved via a Settlement Agreement must Provide Strong Relationships to Related RAMPs and Authorized Values for RSARs (Track 3.a.iv):

Staff Proposal:

Workshop discussions should state how GRC proceedings resolved via Settlement Agreement will provide needed support to related RAMPs and authorized values for RSARs.

Summary of Issues:

GRCs are sometimes resolved by a settlement among the parties. In cases where parties do reach a settlement, it would be beneficial to have guidelines for parties to provide enough information on the record to help in the evaluation of RAMPs and RSARs.

Track 3.b.

Rate Case Plan requirements should be updated

Staff Proposal:

Workshop discussions should list processes for revising or supplementing the RAMP when parties or staff identify deficiencies or inconsistencies with RAMP requirements, particularly requirements for the multi-attribute value function (MAVF) risk analysis, costs, and proposed mitigations.

Staff Proposal:

Workshop discussions should identify ways to link the RAMP's findings, particularly regarding the costs for RAMP mitigations, to the GRC. The processes should allow both costs and mitigations to be reviewed in tandem so that issues related to the way that safety projects are approved as a whole may be considered.

Summary of Issues:

Participants should discuss ways to improve the evaluation of RAMP related costs and better integrate the RAMP process into the GRC. While the GRC reviews proposed RAMP mitigations for reasonableness, better integration of the RAMP and GRC processes is needed to ensure that the RAMP report's findings, SPD's review, and costs for RAMP mitigations can be more fully considered in the GRC. For example, more precise information would allow Commission staff to better validate RAMP cost projections such as Risk Spend Efficiencies (RSE) for RAMP mitigations, which describe the relationship between estimated risk reductions and their costs.

Likewise, the OIR should consider perspectives on how the RAMP should be procedurally integrated into the GRC. D.14-12-025 defined no formal process for issuing a decision, leaving ALJs, staff and judges to consider problems in each RAMP on an ad hoc basis. While every RAMP to run its course has been closed through a formal decision, other options have been proposed at various points since the adoption of D.14-12-025.

For example, D.20-09-004 closed Sempra's 2019 RAMP filing (I.19-10-010/011) because D.20-01-002 eliminated Sempra's TY 2022 leaving it with no associated TY to inform. The decision directed Sempra to create a completely new RAMP for the next GRC cycle because there is no procedural way to keep the proceeding open or integrate the RAMP into the subsequent Petition for Modification of A.17-10-007/008.

As this OIR is the more appropriate venue to address the procedural and substantive conflicts detailed in the record of Sempra's 2019 RAMP, parties should discuss some of the issues which came up in that proceeding. Furthermore, parties should also discuss issues which may arise due to the lack of integration between the RAMP process and the GRC.

Track 3.c.

RAMP clarifications or refinements (Track 3.c.):

Staff Proposal:

Workshop discussions should consider requiring mitigation risk scores in RAMPs for attrition years (i.e., post-test years) which are yet to occur.

Staff Proposal:

Workshop discussions should cover a basic Master Data Request (MDR) guideline that reflects the format and data used as support within the most recent RAMP filings and conforms to each IOU's specific organization.

Summary of Issues:

Attrition years from prior GRCs are generally unrelated to the RAMP because Risk Spend Efficiencies (RSEs) and Risk Scores are based upon estimates for the upcoming test year. However, providing recalculated RSEs and Risk Scores for mitigations in the attrition years to follow would provide a means for greater accountability. Not only would they show how mitigations fared based on the latest models, but they would also assist the Commission in developing new guidelines for the RMARs, a cost/benefit comparison of adopted and actual risk mitigation.¹¹

Furthermore, as parties in Workshop #2 explained, roadmaps and workshops are the preferred method for conveying the intricacies of each application because the terminology and filings on the subject reflect each company's organization. However, Staff recommend that the workshop should still consider adopting a standard MDR format to ease the RAMP review process. The format should conform to the ranking, selection, and scoring process defined in the S-MAP Settlement Agreement and provide means for greater integration between the RAMP and GRC. Discussions should also seek to explain how the process may continuously evolve and informal comments or even a Commission decision.

¹¹ D.14-12-025 p12