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R2007013

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Further Develop a Risk-Based Decision-Making Framework for Electric and Gas Utilities.

Rulemaking 20-07-013

ASSIGNED COMMISSIONER’S RULING AMENDING PHASE 3 SCOPING MEMO AND RULING, SCHEDULING DECEMBER 6, 2023 WORKSHOP AND UPDATING PROCEEDING SCHEDULE

This Assigned Commissioner’s Ruling amends Phase 3 Scoping Memo and Ruling issued on May 31, 2023, by adding one additional issue to the scope of Phase 3, and schedules a workshop to be held December 6, 2023 (Workshop #6). Aside from the single additional Phase 3 issue added by this ruling, the issues, schedule and other matters included in the May 31, 2023 Phase 3 Scoping Memo remain in effect.

1. Additional Phase 3 Issue

The Phase 3 Workshop #1 held on July 12, 2023, addressed two topics: (a) evaluation of general rate case (GRC) “post-test” years;¹ and (b), uncertainty: transparency pilot. The Safety and Policy Division (SPD) staff proposal presented at the workshop made several recommendations pertinent to the Phase 3 post-test year issue of whether the Commission should provide more

¹ GRC applications focus in detail on the revenue requirements requested for a “test year,” and use assumptions based on the test year to identify revenue requirements for the three years following the test year, which are known as “post-test years.”

prescriptive guidance regarding post-test year cost-efficiency calculations, potentially including a template with instructions.

One of staff's recommendations addressed the potential need for minimum "tranche" sizing requirements to ensure that any additional Risk-Based Decision-Making Framework (RDF) information provided for post-test years would be clear and useful to the Commission and parties. Staff proposed the potential use of "quintiles of Likelihood of Risk Event (LoRE) and Consequence of Risk Event (CoRE)" to define tranches such that "portions of risk with the highest 20 percent of LoRE would be grouped within a tranche, and the highest 20 percent of CoRE would be grouped in another tranche."² Staff's recommendation was partially in response to current RDF requirements that tranches "will be based on how the risks and assets are managed by each utility, data availability and model maturity, and *strive to achieve as deep a level of granularity as reasonably possible.*"³

Discussion at the workshop and subsequent comments filed by parties emphasized the importance of tranche sizing in the post-test year evaluation discussion.⁴ Comments further clarified that discussions of potential tranche requirements for post-test years imply a potential need for similar requirements

² SPD, "Evaluation of Post-Test Years Staff Proposal on Phase 3 of Rulemaking 20-07-013," issued July 21, 2023 as Attachment 1 to Administrative Law Judge's Ruling Entering Workshop #1 Materials into Record and Inviting Comment," available as of October 3, 2023, at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M514/K815/514815751.PDF>.

³ D.22-12-027, Attachment A at Row 14, emphasis added, available as of October 4, 2023 at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M500/K043/500043720.PDF>.

⁴ Energy Producers and Users Coalition and Indicated Shippers (EPUC/IS), Opening Comments on Workshop #1 at 3, August 10, 2023.

for test years. This suggests the need for further examination and opportunities for comment on this issue.⁵

To address this development, this ruling adds a discrete issue regarding tranches into the scope of Phase 3 as a new issue “i”:

- i. Should the Commission provide additional guidance regarding tranche granularity in the RDF?

This new Phase 3 issue will be explored during the December 6, 2023, workshop, amongst other topics as outlined below.

2. December 6, 2023 Workshop

This ruling schedules Workshop #6 to be held on December 6, 2023, from 10:00 am to 4:00 pm. The workshop will be held remotely via Webex and will address two issues:

- Tail Risk: Consequence Modeling (approximate time: 10:00 am to noon); and,
- Tranche Granularity (approximate time: 1:00 pm to 4:00 pm).

Workshop #6 discussions of Tail Risk: Consequence Modeling will primarily address the Phase 3 Scoping Memo issue (c)(2), namely: is additional Commission guidance needed regarding modeling of low probability, high risk events more generally in the RDF and in Risk Assessment and Mitigation Phase (RAMP) filings? As such, presentations and discussions in this area will focus primarily on non-wildfire risks, which were not fully discussed during Workshop #2, which primarily addressed wildfire tail risk. We expect that Southern California Edison Company (SCE) and/or one of the Sempra

⁵ The Utility Reform Network (TURN), Opening Comments on Workshop #1 at 2, August 10, 2023; Pacific Gas and Electric Company (PG&E), Reply Comments on Workshop #1 at 2, August 17, 2023.

companies (San Diego Gas & Electric Company or Southern California Gas Company) will present a proposal on this topic during Workshop #6.

Workshop #6 discussions of Tranche Granularity will, in alignment with the new Phase 3 issue identified above, focus on the possible need for additional Commission guidance regarding the granularity of tranches used in the RDF and presented in RAMP and/or GRC filings, for both test years and post-test years. We expect that TURN will briefly present its tranche granularity proposal at Workshop #6.⁶ Similarly, we require investor-owned utility (IOU) parties to attend Workshop #6 and to come prepared to, at minimum: (a) discuss scenarios where TURN's proposal would not be workable; and (b) offer modifications or alternative proposals that include defining a minimum levels of granularity (which could vary across mitigation types or risk areas). We encourage one or more IOU representatives to formally present on this topic.

Parties not identified above that would like to present on either topic during the December 6, 2023 workshop shall indicate their interest no later November 8, 2023, by contacting: Edwin "Eddie" Schmitt: Edwin.Schmitt@cpuc.ca.gov phone: 1-213-215-4297. A subsequent ruling will provide Webex links and call-in information for Workshop #6, which will also be added to the Daily Calendar.

3. Updated Phase 3 Proceeding Schedule

Materials for Workshop #6 will be provided in advance of and after December 6, 2023, as occurred for Workshops #1 - #5, during 2023. The proceeding schedule is therefore updated to add the following events and dates regarding Workshop #6 materials and commenting opportunities. Aside from

⁶ See TURN Opening Comments on Workshop #1 at 5.

these additions, all other events and dates included in the Phase 3 Scoping Memo proceeding schedule remain unchanged.

Additions to Phase 3 Proceeding Schedule:

Event	Date
Planning questions served	November 15, 2023
Notification of speakers and proposals served	November 22, 2023
Detailed workshop agenda and workshop presentations served	November 29, 2023
Workshop #6	December 6, 2023
Workshop #6 final proposals served and filed	December 12, 2023
Ruling with questions about Workshop #6 for party comment served and filed	Approximately December 15, 2023
Opening comments on proposals and ruling questions served and filed	January 10, 2024
Reply comments on proposals and ruling questions served and filed	January 17, 2024

IT IS RULED that:

1. The May 31, 2023 Phase 3 Scoping Memo is amended to add a new issue in scope (issue "i") as follows: Should the Commission provide additional guidance regarding tranche granularity in the RDF?
2. Workshop #6 is scheduled for December 6, 2023 from 10:00 am to 4:00 pm, with the topics of Tail Risk: Consequence Modeling and Tranche Granularity.
3. TURN shall briefly present on the topic of Tranche Granularity at the December 6, 2023 workshop.

4. IOU parties shall attend Workshop #6 and shall come prepared to, at minimum: (a) discuss scenarios where TURN's proposal would not be workable; and (b) offer modifications or alternative proposals that include defining a minimum levels of granularity (which could vary across mitigation types or risks).

5. SCE and/or one of the Sempra companies shall present on the topic of Tail Risk: Consequence Modeling at the December 6, 2023 workshop.

6. Other parties that would like to present during the December 6, 2023 workshop shall indicate their interest no later than November 8 by contacting: Edwin "Eddie" Schmitt: Edwin.Schmitt@cpuc.ca.gov phone: 213-215-4297.

7. The Phase 3 proceeding schedule is updated as described above.

Dated October 13, 2023, at San Francisco, California.

/s/ JOHN REYNOLDS

John Reynolds
Assigned Commissioner