

R.20-07-013, Phase 3, Workshop #1: Pre-Workshop Planning Questions

June 21, 2023

Topic 1: Evaluation of Post-Test Years

Description of the Issue:

Staff review has found that the investor-owned utilities (Pacific Gas and Electric Company [PG&E], Southern California Gas Company [SoCalGas], Southern California Edison Company [SCE], and San Diego Gas & Electric Company [SDG&E], or IOUs) are inconsistent in how they present Risk Spend Efficiency (RSE) calculations for mitigations beyond the Test Year in their general rate case (GRC) applications. The Risk-based Decision-making Framework (RDF) adopted in D.18-12-014 and modified in D.22-12-027 does not require IOUs to provide Post-Test Year RSE calculations or Cost-Benefit Ratios. Providing this information could be important, however, because it could help decision-makers determine whether a mitigation program has diminishing safety reduction benefits from one post-test year to the next.

Discussions on this issue will center on whether the Commission should provide more prescriptive guidance regarding Post-Test Year Cost-Benefit Ratios (CBRs), including potentially a template with instructions.

Planning Questions:

- 1.1 Should the IOUs be required to submit CBRs in each of the GRC post-test years rather than an aggregate CBR for the entire post-test year period? (RSE calculations have been replaced by CBRs, as ordered in D.22-12-027.)
- 1.2 Is it reasonable to assume that the reporting of CBRs for *reducing-type* mitigations in each of the GRC post-test years more accurately reflects the smaller remaining universe of risk than an aggregate reporting of CBRs? Reducing-type mitigations are mitigations that permanently reduce the level of risk. These mitigations shift the risk score downward for the life of the new asset, thereby establishing a new baseline level of risk each year after the mitigation work is completed.
- 1.3 Should the IOUs be required to divide their risk tranches for capital-intensive mitigation proposals to a sufficiently granular level in order for the reporting of CBRs in each of the GRC post-test years to be useful? If so, how should “sufficiently granular” be defined?
- 1.4 How should the RDF be modified to accommodate new GRC post-test year reporting requirements?
- 1.5 Should parties consider a reporting template by which IOUs must produce the post-test year information?

Topic 2: Uncertainty: Transparency Pilot

The Commission in D.21-11-009 ordered SCE to “test drive,” or pilot, a transparency proposal prepared by PG&E. The Commission ordered the test drive to explore if the framework increases the transparency

of uncertainties inherent in the parameters and estimated values used in and produced by the RDF. The Commission required SCE to complete the templates appended to D.21-11-009 to the “best of its ability,” did not require SCE to use the completed template to select its mitigation choices, and indicated that the results of SCE’s test were intended to be “purely informational.” D.21-11-009 also noted that while the Commission ordered testing of the PG&E proposal, “additional proposals to refine PG&E’s Proposal should be considered” to improve IOU disclosure of uncertainties surrounding mitigation benefits estimates. In this regard, D.21-11-009 highlighted the Risk Quantification Framework included in SDG&E and SoCalGas’s most recent RAMP filing, and parties’ feedback on that framework, as additional sources of ideas that should be considered.

Work in this area will focus on whether the PG&E transparency proposal, as modified and appended to D.21-11-009, should be further modified and adopted for use by all IOUs, whether the framework should continue to be piloted or tested, or whether some other course of action is more appropriate. The goal is to improve the transparency associated with uncertainties inherent in parameters and estimated values used in and produced by the RDF for inclusion in RAMP filings.

SCE filed the results of its [Transparency Pilot](#) as ordered in in D.21-11-009 on June 14, 2023. The original guidelines for the Transparency Pilot were issued as [Appendix C of D.21-11-009](#) on Nov. 4, 2021. The following planning questions were developed based on the concepts and definitions contained within these two documents and we strongly encourage parties and participants to review these documents before the Workshop on July 12th.

Planning Questions:

- 2.1 Are parties familiar with the information contained in, and the purpose of the:
 1. Risk Results Table (See pg. 3-5 of Appendix C)?
 2. Risk Sensitivity Analysis Table (See pg. 6-8 of Appendix C)?
 3. Risk Model Listing Table (See pg. 8-9 of Appendix C)?
- 2.2 Does the Risk Results Table provide a useful means to summarize and explore Risk scores across various categories (e.g., by Tranche/Attribute)? Are there other analyses on Risk scores that the Risk Results Table could support?
- 2.3 Does the Risk Sensitivity Table provide a useful means to explain the role and importance of specified parameters and assumptions to Risk scores, etc.? The Risk Sensitivity Table quantifies how much a Risk result (e.g., risk score) would change if a specified parameter changes by a predetermined amount. Are there other measures of sensitivity that would be useful in your analysis?
- 2.4 Does a scenario analysis (See pg. 3 of SCE Transparency Pilot) help provide the same amount of transparency that a sensitivity analysis can provide?
- 2.5 If an IOU’s sample risk does not assume a probability distribution, what analytical method/approach should be used to assess the impact of uncertainty on key parameters used in the risk modeling process?

- 2.6 Does the Risk Model Listing Table provide a quick and useful means to determine the maturity of the models employed by the IOU?
- 2.7 Did the criteria employed for determining Estimate Quality (See pg. 9-11 of Appendix C) help you to assess the Quality of the Data and calculations? Are there suggestions or modifications that you would make to the criteria? Can the Estimate Quality Criteria approach employed in the Transparency Proposal be improved or refined? If so, how?
- 2.8 Are there other kinds of analysis that you are considering that is not currently supported by the Transparency Proposal?