

Treating Foundational Activities In Risk-Informed Framework

Speaker: Kris Vyas, Southern California Edison

June 22, 2021

Overview

Parties would benefit from Staff providing guidance regarding next steps for this workstream. Does Staff intend to propose a prescribed methodology for treatment of foundational activities in the Proposed Decision (PD)? Will proposals for the PD consist of items that are “dictated” regardless of Parties’ positions? Or are Staff’s proposals intended to obtain Commission action on items where some consensus or agreement has been reached by Parties through Staff’s leadership? If the former, then it appears that further discussion and record-building is needed prior to any imposition of new requirements or restrictions.

- Proposed Definition and Treatment of Foundational Activities
- Threshold Discussion
- Discussion on Allocation of Costs of Foundational Activities to Mitigations and/or Risks
- Conclusion and Next Steps

Proposed Definition and Treatment of Foundational Activities

- Staff Proposed Definition for Foundational Activity:
 - *Initiatives that support multiple mitigation programs but do not directly reduce the consequences or reduce the likelihood of risk events.*
- SCE appreciates Staff's efforts, and we support Staff's proposed definition of Foundational activities. However, further discussion may be needed concerning how to treat various types of foundational activities.

Sub-Types of Foundational Activities	Potential Examples	Proposed Treatment in RDF
Activities Necessary for General Business Operations	<ul style="list-style-type: none">• Vehicles and computers for employees• Billing System• Financial and Accounting Systems	<ul style="list-style-type: none">• Costs should <u>not</u> be included in RAMP or allocated to other mitigations.• Reasonableness review is appropriately conducted in the GRC.
Activities that Directly Enable Other Mitigations	<ul style="list-style-type: none">• Weather Stations	<ul style="list-style-type: none">• It may be productive to generate an RSE for this activity if combined with another activity, or to allocate costs over mitigations. For efficiency and transparency, this endeavor could be subject to a reasonable threshold test.
Activities that Indirectly Enable Other Mitigations	<ul style="list-style-type: none">• Technosylva Fire Modeling• Pilot Programs	<ul style="list-style-type: none">• Difficult to calculate a meaningful RSE.• It may be possible to allocate these costs over other mitigations, depending on the particular activity.

Determining Thresholds for Foundational Cost Allocation

- Some type of threshold test may ultimately be useful. However, SCE has not yet completed preparing its first RAMP that will be contoured by the terms of the SMAP Settlement Agreement (SA). Logically, at this juncture we cannot provide concrete and informed recommendations regarding how best to treat these activities.
- If a threshold test must be established now, then the SA appears to provide one that can be examined by stakeholders. (See line 28 in the SA.)
 - **Threshold from SA:** Cumulative \$75 million over three years for capital programs, and \$15 million in the test year for expense programs.
- The record in Phase I of proceeding has not been fully or formally established, and it would be premature to unilaterally impose other suggested threshold tests based on one or two TWGs. Such proposals have not been vetted, and SCE should not be a “test case” for them in our in-progress RAMP.
- SCE’s RAMP preparation is underway. Placing additional requirements on SCE at this point would be counterproductive.

Allocation and Apportionment of Foundational Costs to Different Mitigations

Staff Proposed two Methods for Parties' Consideration: Apportionment based on 1) Mitigation Program Costs or 2) Risk Reduction Benefits

- Concerns with Staff Allocation Proposals:
 - Staff's suggested methodologies are necessarily subjective; and may only dilute or distort RSE results.
 - Finding a productive allocation approach would require additional studies, which could prove to be counterproductive, and costly.
 - Any allocation methodology adopted could present challenges and inconsistencies in presenting costs and RSE's in our General Rate Case (GRC) Application.
 - Any methodology must be consistent with guidance or requirements in the Wildfire Mitigation Plans (WMP) to minimize differences in modeling and reporting between the WMP and RAMP.
- **For transparency and efficiency, each IOU should have the flexibility to determine the specific allocation methodology that:**
 - **Aligns to the particular risk analyses the IOU performs in its RAMP; and**
 - **Clearly translates to the IOU's subsequent GRC.**

Conclusion and Next Steps

- SCE appreciates the discussion and exchanges on these critical subjects. We are learning from other stakeholders and wish to continue the dialogue.
- At this point, it is difficult to adopt recommendations based on one/two TWGs. Proposals need to be more fully vetted before they are required, and SCE should not serve as a “test case” for such proposals. Allocations and thresholds can significantly impact RSE showings.
- It is premature to impose new requirements on SCE on top of the SA provisions; SCE has not even had the opportunity to file a RAMP that is governed by the SA.
 - (See SCE’s prior written comments and workshop exchanges.)