BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-007 (Filed October 6, 2017)
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THE PROTECT OUR COMMUNITIES FOUNDATION COMMENTS ON THE RISK SPENDING ACCOUNTABILITY REPORT OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY

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Pursuant to D.19-04-020 and the California Public Utilities Commission (Commission) Rules of Practice and Procedure (Rules), The Protect Our Communities Foundation (POC) submits its comments on the Risk Spending Accountability Report of San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (RSAR) which the utilities filed in the above-captioned proceedings on April 1, 2020.

POC's comments are timely filed on the first business day after May 10, 2020.[1]

As discussed below, the RSAR lacks any foundation and does not serve its intended purpose. To the contrary, POC submits that the RSAR makes it more difficult for the Commission to hold the utilities accountable for their risk mitigation spending.[2] The RSAR does not enable a comparison between the utilities' "projected spending for approved risk mitigation projects to the actual spending on those projects," or "explain any discrepancies between the two"[3] as the Commission has repeatedly required in D.14-12-025, D.16-08-018,[4] and D.19-04-020.[5]

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[1] D.19-04-020, *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities* (April 25, 2019), p. 47-48 (authorizing party comment by May 10); Cal. Code Regs., tit. 20, § 1.15 ("If the last day falls on a Saturday, Sunday, holiday or other day when the Commission offices are closed, the time limit is extended to include the first day thereafter.").

[2] D.14-12-025, *Decision Incorporating a Risk-Based Decision-Making Framework Into the Rate Case Plan and Modifying Appendix A of Decision 07-07-004* (December 4, 2014), p. 45 (RSAR intended as the starting point for "achieving utility accountability for risk mitigation spending").

[3] D.14-12-025, p. 44; *see also id.* at p. 46 ("The two reports shall also describe any deviation, and the reasons for doing so, from what activities were originally requested and authorized in the GRC, to what activities were actually performed. This will allow Commission staff to more readily review and verify these safety-related activities, and to understand the reasons for the changes in priority that may have taken place…Both reports shall report on the activities and spending the utility undertook during the GRC test year, and during each attrition year.").

[4] D.16-08-018, *Interim Decision Adopting the Multi-Attribute Approach (Or Utility Equivalent Features) and Directing Utilities to Take Steps Toward a More Uniform Risk Management Framework* (August 18, 2016), p. 157.

[5] D.19-04-020, p. 42 ("We direct the IOUs to provide a description of each program included in its RSAR and specific references to GRC testimony where the program is described. For each program selected for a narrative explanation in accordance with the criteria below, the IOUs should provide: (1) a detailed explanation of the causes of the difference including whether any projects were canceled, deferred or expanded that may have led to the difference; (2) a description of how the program relates to safety, reliability and/or maintenance; and, (3) the location in the prior GRC and current GRC testimony where the program is described, where applicable. Attachment 2 explains these requirements in more detail. We also find that it is reasonable for the IOUs to provide narrative explanations of activities for those risk mitigation programs for which work unit data is available and where the deviation between authorized work units and performed work units is equal to or greater than 20 percent. D.12-14-025 required IOU accountability reports to report on risk mitigation activities performed as compared to risk mitigation activities approved and to explain "any deviation." Where data is available, work units are the most practicable unit with which to report on activities. We direct the IOUs to provide narrative explanations of activities for those risk mitigation programs for which work unit data is available and where the deviation between authorized work units and performed work units is equal to or greater than 20 percent.

SDG&E's and SoCalGas' RSAR lacks any foundation because the starting point for the so-called comparisons made in the RSAR comprises the fundamentally defective approach to risk assessment and risk reduction employed by SDG&E and SoCalGas as revealed in the utilities' Joint 2019 Risk Assessment and Mitigation Phase Report of Southern California Gas Company (U 904-G) and San Diego Gas & Electric Company (U 902-M) (2019 RAMP Report). To make matters worse, the authorized amounts for the activities listed in the RSAR are "imputed" from D.19-09-051, meaning that they do not equate to or track any fact-based amounts that were actually authorized in D.19-09-051, but rather are SDG&E's and SoCalGas' interpretation of what was "imputed" from D.19-09-051.

The utilities argue in their RSAR that D.19-09-051 did not authorize funds "in a manner that comports with" the requirements of D.19-04-020[6] because their TY2019 GRC applications were filed before D.19-04-020 was issued. However, the utilities fail to take responsibility for refusing to provide sufficient risk-related information so that the Commission could determine "what spending is proposed to mitigate risks, and how has past spending reduced risk per dollar spent"[7] when the Commission decided D.19-09-051.

D.19-09-051 is the subject of an application for rehearing by POC[8] as well as of the utilities' petition for modification. POC's response to the utilities' petition for modification[9] is submitted herewith as Attachment 1, as it contributes to and informs these comments.

The IOUs shall describe deviations of 20 percent or more both in the quantity of work units performed and in the type of work units performed.").

[6] A.17-10-007/008, Risk Spending Accountability Report of San Diego Gas & Electric Company (U 902 M) and Southern California Gas Company (U 904 G) for 2019 (March 31, 2020), p. 1.

[7] D.19-09-051, *Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company* (September 26, 2019), p. 23.

[8] A.17-10-007/008, Application of the Protect Our Communities Foundation for Rehearing of D.19-09-051 Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company (October 31, 2019).

The "pattern of overspending for many capital projects and underspending in most operations and maintenance projects" that the Energy Division astutely observed from its review of SDG&E's and SoCalGas' Interim Risk Spending Accountability Reports,[10] likely results from the utilities' failure to comply with the minimum requirements of the Commission's risk assessment and risk reduction mandates which are discussed in detail in POC's attached response to the utilities' petition for modification of D.19-09-051.

POC's comments in opposition to the utilities' petition for modification also support the Energy Division's finding that little correlation exists between D.19-09-051's authorized budget and the projects that the utilities are actually carrying out:

> In other words, there is little correlation between the authorized budget and any commitments on SDG&E's part in completing projects. Therefore, it is difficult to evaluate SDG&E's spending in 2018 on an accountability basis. As the Sempra Utilities transition to a risk-informed investment decision making framework, their capital forecasts need to be based on specific programs and associated projects to aid the Commission and the public in their evaluation of the cost effectiveness of risk mitigation spending.

As an example, one cannot ascertain which if any of SDG&E's wildfire mitigation proposals are included in the RSAR. Senate Bill 901 was enacted and SDG&E's 2019 wildfire mitigation plan (WMP) was filed after SDG&E's and SoCalGas' TY2019 GRC applications were filed in 2017. Thus, it is not appropriate for the utilities to "impute" any authorization in D.19-09-051 for most of SDG&E's WMP activities. The vast majority of SDG&E's WMP activities have never been through a reasonableness review, and ratepayers should not be required to pay for them in rates unless and until the appropriate reasonableness review occurs.

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[9] A.17-10-007/008, The Protect Our Communities Foundation Response to Joint Petition for Modification of D.19-09-051 of Southern California Gas Company and San Diego Gas & Electric (May 11, 2020).
[10] Edward Randolph, Director, CPUC Energy Division to Dan Skopec, Vice President, Regulatory Affairs, SDG&E and SoCalGas, Subject: Review of the 2017 and 2018 Interim Risk Spending Accountability Report of San Diego Gas & Electric and Southern California Gas (April 28, 2020), available at https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442464886.

POC also agrees with the Energy Division's observation that SDG&E's spending for maintenance programs should be scrutinized by the Commission:

> SDG&E also stated that it completed a lower number of patrol inspections in 2018 as compared to 2013. Furthermore, SDG&E performed fewer maintenance activities such as circuit breaker overhauls, insulator washing, and weed control. In sum, the reduction in maintenance spending in this program may be due to a lower number of inspections performed in 2018 and may have an impact on safety. The reduced number of inspections should be evaluated.

As POC explains in its comments on SDG&E's 2020 WMP, SDG&E fails to calculate risk spend efficiencies (RSEs) for, and thus fails to quantify, a number of maintenance activities[11] including inspection activities – a cost-effective strategy for reducing wildfire risk.[12] SDG&E's purported justifications for refusing to calculate RSEs for inspection activities, including that the costs "are embedded in internal labor" [13] that programs are "mandated pursuant to GO 165,"[14] or are "related to assets in the jurisdiction of the FERC,"[15] fail to justify SDG&E's failure to comply with the Commission's repeated directives to assess risk reduction strategies based on the cost-effectiveness of each activity.

[11] Wildfire Safety Division Review of the 2020 Wildfire Mitigation Plans, The Protect Our Communities Foundation Comments on the 2020 Wildfire Mitigation Plans Pursuant to Resolution WSD-001 (April 7, 2020), p. 15, available at ftp://ftp.cpuc.ca.gov/WMP/PublicComments/POC%20Comments%202020%20WMP.pdf [last accessed May 11, 2020]; *see also* I.19-11-010/011, Joint 2019 Risk Assessment and Mitigation Phase Report of Southern California Gas Company (U 904-G) and San Diego Gas & Electric Company (U 902-M) (November 27, 2019) (2019 RAMP Report), p. SDG&E 8-31, 8-32 (SDG&E failing to quantify pipeline maintenance as a risk reduction mechanism).
[12] 2019 RAMP Report: SDG&E 1-88, 1-89.
[13] 2019 RAMP Report: SDG&E 1-21, fn. 35 ("Costs were not identified for this activity because they are embedded in internal labor. A Risk Spend Efficiency calculation is therefore not being performed."), SDG&E 1-22 (field observations are included in SDG&E-1-C1-Operating Conditions category for which no RSEs are provided); SDG&E 1-87.
[14] 2019 RAMP Report: SDG&E 1-90 ("Because this program is mandated pursuant to GO 165, an RSE calculation is not being performed.).
[15] 2019 RAMP Report: SDG&E 1-91 ("Because this control is related to assets in the jurisdiction of the FERC, SDG&E is not including the associated costs from this activity in this Report…Accordingly, a Risk Spend Efficiency calculation is not being performed.").

SDG&E's focus on capital programs[16] further evidences SDG&E's failure to "to remove shareholders' financial interests from consideration in their risk models and decision frameworks used to support rate case expenditure proposals, especially at the operational level, unless the utility can make a good case for an exception in its Risk Assessment Mitigation Phase filing" as required by D.16-08-018.[17] D.16-08-018, the first decision issued in the first S-MAP proceeding, highlighted the importance of a cost effectiveness analysis and clarified that calculating risk reduction per dollar as required by D.14-12-025 was necessary for the Commission to meet its statutory obligation to "take all reasonable and appropriate actions necessary to carry out the safety priority policy" set forth in Section 963(b)(3) in a manner "consistent with the principle of just and reasonable cost-based rates."[18]

As POC explains in its comments on SDG&E's 2020 WMP, its comments on the 2019 RAMP Report,[19] and its response to the utilities' petition for modification of D.19-09-051, SDG&E and SoCalGas were not required to conform to the safety requirements mandated by

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[16] In its 2020 WMP, SDG&E cites to its 2019 RAMP Report in emphasizing the importance to SDG&E of its capital projects and assets. *See* San Diego Gas & Electric Company Wildfire Mitigation Plan Rev 1 (March 2, 2020) (SDG&E 2020 WMP), p. 145, available at https://www.sdge.com/sites/default/files/regulatory/SDG%26E%202020%20Wildfire%20Mitigation%20Plan%20Revised%2003-02-2020.pdf.

[17] D.16-08-018, p. 195-196 (OP 6).

[18] D.16-08-018, p. 187 (Finding of Fact 81); D.16-08-018, p. 188 (Conclusion of Law 1), citing to Pub. Util. Code, § 963, subd. (b)(3).

[19] I.19-11-010/011, The Protect Our Communities Foundation Reply in Support of its Proposal Regarding How This Proceeding Should Move Forward in Light of the Directives in D.20-01-002 and Comments on the Joint 2019 Risk Assessment and Mitigation Phase Report of Southern California Gas Company (U 904-G) and San Diego Gas & Electric Company (U 902-M) (April 6, 2020), p. 5 http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M336/K149/336149003.PDF; I.19-11-010/011, The Protect Our Communities Foundation Proposal Regarding How This Proceeding Should Move Forward in Light of the Directives in D.20-01-002 and Comments on the Joint 2019 Risk Assessment and Mitigation Phase Report of Southern California Gas Company (U 904-G) and San Diego Gas & Electric Company (U 902-M) (March 23, 2020), p. 6-7, available at http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M335/K411/335411179.PDF.

D.16-08-018 in their initial 2016 RAMP report.[20] However, SDG&E and SoCalGas no longer have any excuse for failing to provide the necessary analysis on the effectiveness of mitigation per dollar spent or for failing to remove shareholder interests. Nevertheless, in SDG&E's 2020 WMP, SDG&E "utilized the same approach regarding RSEs as it did in its 2019 RAMP."[21]

As POC commented in I.19-11-010/011, the utilities did not even attempt to calculate RSEs for half of their risk reduction activities. SDG&E and SoCalGas claimed to have calculated RSEs only for "all in-scope non-mandated activities, certain mandated Controls, and all Mitigations whether they were mandated or not."[22] The utilities' failure to prioritize risk reduction measures based on cost-effectiveness as required by D.14-12-025, D.16-08-018 all but ensures that the Commission's safety and risk reduction mandates will not be achieved.

Moreover, the utilities' failure to calculate RSEs for all of its risk reduction activities violates D.18-12-014 which approved the terms of a Settlement Agreement to which SDG&E and SoCalGas agreed."[23] D.18-12-014 required that the utilities measure risk reduction provided by *all* risk mitigations;[24] and that the utilities calculate risk spend efficiency (RSE) "by dividing the mitigation risk reduction benefit by the mitigation cost estimate."[25]

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[20] D.16-08-018, p. 153, 196 (OP 9) ("Because the Sempra utilities…have limited time to file a Risk Assessment Mitigation Phase (RAMP), SDG&E and SoCalGas shall file a RAMP based on its current risk evaluation and risk-based decision-making methodologies, and additional requirements as listed in the ten major components that shall be included in the RAMP filings.").
[21] SDG&E 2020 WMP, p. 149.
[22] 2019 RAMP Report: SDG&E D-9; SoCalGas D-9, D-10.
[23] I.19-11-010/011, Order Instituting Investigation into the Risk Assessment and Mitigation Phase Submission of San Diego Gas & Electric Company (November 7, 2019) (SDG&E OII), p. 3-4 (the Settlement Agreement approved in D.18-12-014 "provided a more robust and stronger version of the ten recommended RAMP components than was first introduced in D.16-08-018," including the requirement "that risk spend efficiency [RSE] calculations for risk mitigations are independent of RAMP risk selection.").
[24] D.18-12-014, *Phase Two Decision Adopting Safety Model Assessment Proceedings (S-MAP) Settlement Agreement with Modifications* (December 13, 2018), Attachment A, p. A-12.
[25] D.18-12-014, Attachment A, p. A-13.

SDG&E's and SoCalGas' failure to calculate RSEs for all of their risk reduction activities provides a distorted view of the companies' risk assessments and strategies and fails to provide the comprehensive analysis repeatedly required by the Commission.[26] The utilities' failure to even attempt to quantify risk reduction per dollar spent for the majority of their risk reduction activities means, as the Commission has previously recognized, that "no meaningful ranking, prioritization or optimization of risk mitigations is possible, and the Commission's goals and processes set forth in D.14-12-025 are compromised."[27]

In summary, POC supports the Energy Division's review of the utilities' Interim Risk Spending Accountability Reports. The Energy Division's findings are consistent with POC's review of SDG&E's and SoCalGas' 2019 RAMP Report as well as POC's related review of the SDG&E's proposed wildfire mitigation activities and associated spending in the wildfire mitigation plan related proceedings.

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[26] *See also* D.14-12-025, p. 39-40 (a utility's RAMP submission is required to provide a "comprehensive view of the utilities potential safety risks, and its plans for addressing those risks," and must "include all of [a utility's] risk assessments and mitigation plans")
[27] D.16-08-018, p. 182 (Finding of Fact 33: "Without quantifying risk reduction, no meaningful ranking, prioritization or optimization of risk mitigations is possible, and the Commission's goals and processes set forth in D.14-12-025 are compromised.").