Company:	Southern California Gas Company (U 904 G)/San Diego Gas & Electric Company (U 902 M)
Proceeding:	2019 General Rate Case
Application:	A.17-10-007/008 (cons.)
Exhibit:	SCG-202/SDG&E-202

SOCALGAS/SDG&E

REBUTTAL RISK MANAGEMENT TESTIMONY VOLUME

***

REBUTTAL TESTIMONY OF DIANA DAY
(RISK MANAGEMENT POLICY)

***

REBUTTAL TESTIMONY OF GREGORY FLORES
(ENTERPRISE RISK MANAGEMENT ORGANIZATION)

***

REBUTTAL TESTIMONY OF JAMIE YORK
(RAMP TO GRC INTEGRATION)

JUNE 18, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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SOCALGAS/SDG&E REBUTTAL TESTIMONY OF DIANA DAY, GREGORY FLORES, AND JAMIE YORK

I. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company's (SoCalGas or SCG) and San Diego Gas & Electric Company's (SDG&E) (collectively, the Companies) risk-related showing in the Test Year (TY) 2019 General Rate Case (GRC), including the Risk Assessment Mitigation Phase (RAMP), addresses the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA), as submitted by Mr. Nils Stannik (Exhibit ORA-03), dated April 13, 2018.[1]
- The Utility Reform Network (TURN), as submitted by Mr. Eric Borden (Exhibit TURN-01), dated May 14, 2018.[2]
- Coalition of California Utility Employees (CUE), as submitted by Mr. David Marcus, dated May 14, 2018.[3]
- Utility Consumers' Action Network (UCAN), as submitted by Mr. Brandon Charles, dated May 14, 2018.[4]
- Indicated Shippers (IS), as submitted by Mr. Michael Gorman (Exhibit IS-1), dated May 14, 2018.[5]

This testimony also addresses various RAMP-related arguments raised in other ORA witness reports regarding the Companies' operations.

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1 April 13, 2018, Prepared Direct Testimony of Nils Stannik, Risk Management Policy; Enterprise Risk Management Organization; RAMP/GRC Integration; Pipeline Integrity; SoCalGas PSEP, Ex. ORA-03.

2 May 14, 2018, Prepared Testimony of Eric Borden, Addressing the Proposals of San Diego Gas & Electric Company and Southern California Gas Company in their Test Year 2019 General Rate Case, Related to Electric Distribution Capital, Gas Transmission Operation, Gas Major Projects, Cash Working Capital, and Customer Forecast, Ex. TURN-01.

3 May 14, 2018, Opening Testimony of David Marcus on Behalf of the Coalition of California Utility Employees (CUE).

4 May 14, 2018, Testimony of Brandon Charles on Behalf of the Utility Consumers' Action Network Concerning San Diego Gas & Electric Company's 2019 General Rate Case Phase 1 Application (UCAN).

5 May 14, 2018, Direct Testimony and Schedules of Michael P. Gorman on Behalf of Indicated Shippers, Ex. IS-1.

Please note that the fact that we may not have responded to every issue raised by others in this rebuttal testimony does not mean or imply that SoCalGas or SDG&E agrees with the proposal or contention made by these or other parties.

The Risk Management Policy testimony of Diana Day discusses how the Companies' TY 2019 showing "present[s] the very first risk-informed GRC application, that transparently demonstrates how the Companies' key safety risks have been prioritized under the California Public Utilities Commission's (CPUC or Commission) new GRC framework."[6] The Enterprise Risk Management (ERM) Organization testimony of Gregory Flores sponsors the Operations and Maintenance (O&M) expenses for SoCalGas and SDG&E to support the trajectory described in Ms. Day's testimony related to the Enterprise Risk Management function.[7] The RAMP to GRC Integration testimony of Jamie York "describes the process used to integrate the RAMP process into these GRC applications."[8]

In their direct testimony proposals, parties generally commented and provided recommendations as to whether the RAMP information put forth in the Companies' GRC showing should or should not be utilized for evaluating the Companies' requests in this proceeding, based largely on the assertion that the RAMP process and related information is not fully mature. However, the Commission has found that the "[p]roposed spending for safety mitigation activities and the efficiency of risk mitigation funding are to be reviewed in the Test Year 2019 GRC applications[.]"[9] The Companies' based their risk-informed presentation in this case on D.16-08-018 and D.14-12-025, which modified the Rate Case Plan to incorporate a risk-based decision-making framework including establishing the RAMP process and required the Companies to integrate "RAMP results into [their] GRC filing[s],"[10] beginning with their TY

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[6] December 2017, Revised Direct Testimony of Diana Day (Chapter 1: Risk Management Policy), Ex. SCG-02-R/SDG&E-02-R at DD-ii.

[7] December 2017, Direct Testimony of Gregory Flores (Chapter 2: Enterprise Risk Management Organization), Ex. SCG-02-R/SDG&E-02-R at GSF-1.

[8] December 2017, Direct Testimony of Jamie York (Chapter 3: RAMP to GRC Integration), Ex. SCG-02-R/SDG&E-02-R at JKY-ii.

[9] Decision (D.) 18-04-016 at 2, 14.

[10] D.14-12-025 at 42.

2019 showing.[11] The Commission has found that their Safety and Enforcement Division (SED) has "reviewed the RAMP Report for compliance,"[12] the Companies have "incorporated RAMP results into their respective Test Year 2019 GRC applications,"[13] "the requirements set forth [in] D.14-12-025 and D.16-08-018 have been satisfied,"[14] and "the [RAMP] process is now complete."[15] Thus, the Companies' RAMP-related information in this proceeding was presented in accordance with Commission-adopted requirements and is "to be reviewed in the TY2019 GRC applications."[16] RAMP-related information should be used to inform funding decisions in this proceeding, as supported by ORA,[17] and as required by the Commission.

A. ORA

ORA issued its report on Risk Management Policy, Enterprise Risk Management Organization, and RAMP/GRC Integration on April 13, 2018.[18] The following is a summary of ORA's positions:

- Recommends using the data produced by the RAMP and integrated into this GRC "to <u>inform</u> funding decisions, but not to dictate these decisions or bypass the traditional review process in the GRC."[19]
- Supports SoCalGas/SDG&E's efforts to better assess, manage, and mitigate risk through its risk management policies, but is concerned about SCG/SDG&E's continued use of the 7X7 matrix and recommends that the matrix be phased out by the next SDG&E/SoCalGas RAMP filing.[20]

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[11] D.16-08-018 at 154.

[12] D.18-04-016 at 1.

[13] *Id.*

[14] *Id.* at 14.

[15] *Id.* at 1 and Conclusion of Law (COL) 2.

[16] *Id.* at 12.

[17] Ex. ORA-03 (Stannik) at 2, 15.

[18] Ex. ORA-03 (Stannik).

[19] *Id.* at 2.

[20] *Id.* at 4-5.

- Does not oppose the request for an additional Full-Time Equivalent (FTE).[21]
- Does not oppose the request for additional funding for outside expert support, but expects that future requests will be more specific.[22]
- Recommends that incremental funding to contract with outside experts to continue to develop risk management practices be provided via a one-way balancing account.[23]
- "…as the RAMP and SMAP [Safety Model Assessment Proceeding] processes mature, the changes between RAMP and the GRC should decrease."[24]

B. TURN

TURN submitted testimony on May 14, 2018.[25] The following is a summary of TURN's position:

- Recommends that RAMP projects be tracked in a one-way balancing account, subject to an overall cost cap.[26]

C. CUE

CUE submitted testimony on May 14, 2018.[27] The following is a summary of CUE's position:

- The numbers provided in the RAMP are "meaningless in terms of this GRC. Any RAMP computations should be ignored by the Commission for purposes of determining project costs and setting rates in this GRC."[28]

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[21] *Id.* at 7.

[22] *Id.* at 8.

[23] *Id.*

[24] *Id.* at 13.

[25] Ex. TURN-01 (Borden).

[26] *Id.* at 28.

[27] Ex. CUE (Marcus).

[28] *Id.* at 37, 99.

D. UCAN

UCAN submitted testimony on May 14, 2018.[29] The following is a summary of UCAN's positions:

- "There is such a large disconnect between the RAMP and GRC processes that a program's showing in the RAMP process should carry no weight in this GRC process."[30]
- "The RAMP process did not, therefore, provide the transparent and analytically robust ranking of risk mitigation activities that was hoped-for."[31]
- "The Commission should address safety spending as it has in past GRC proceedings, by evaluating each proposed safety program on its own merit…[i]n light of the deficiencies in Sempra's RSE [Risk Spend Efficiency] calculations and assessments of alternatives."[32]

E. IS

IS submitted testimony on May 14, 2018.[33] The following is a summary of IS' positions:

- There is a material deficiency in the Companies' filing as adequate project cost/benefit and prioritization for safety and risk mitigation was not provided.[34]
- "Certain critical program costs of safety and RAMP should not be limited due to a rates criterion."[35]

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[29] Ex. UCAN (Charles).

[30] *Id.* at 121.

[31] *Id.* at 124.

[32] *Id.* at 125-126.

[33] Ex. IS-1 (Gorman).

[34] *Id.* at 7.

[35] *Id.* at 10.

- The Commission should "impose limits to increases on rates as a RAMP planning criterion."[36]
- "SoCalGas's success in addressing safety and RAMP risks to operating its system has not been carefully scrutinized, and SoCalGas is still evolving its risk management capability and efficiency." Therefore, IS argues that the Commission should limit increases in spending levels to allow "time to evaluate SoCalGas's success in managing its capital spend and implementing its RAMP-related programs."[37]

II. REBUTTAL TO PARTIES' PROPOSALS

A. The Companies' RAMP-Related Showing Informs their GRC Proposals.

1. The Companies Have Satisfied the Commission's Risk-Informed GRC Showing Requirements.

The Companies agree with ORA's recommendation that the "data produced by the RAMP and integrated into this GRC be used to <u>inform</u> funding decisions, but not to dictate these decisions or bypass a traditional review of proposals and their alternatives."[38] As the Commission has stated with respect to RAMP-related funding requests: "The reasonableness of spending decisions must be supported in the record of the TY2019 GRCs."[39] However, "RAMP-related testimonies, the level and amount of safety mitigation planned, proposed spending for safety mitigation activities, and efficiency of risk mitigation funding are to be reviewed in the TY2019 GRC applications."[40] Further, "the requirements set forth [in] D.14-12-025 and D.16-08-018 have been satisfied"[41] and "the [RAMP] process is now complete."[42] Thus, the

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[36] *Id.*

[37] *Id.* at 15.

[38] Ex. ORA-03 (Stannik) at 15.

[39] D.18-04-016 at 12.

[40] *Id.*

[41] *Id.* at 14.

[42] *Id.* at 1 and COL 2.

Companies' showing is not deficient, as UCAN and IS suggest,[43] and the RAMP process and RAMP-related information put forth in this proceeding should not be ignored.

The risk-related data in the Companies' direct showing is provided in a manner the Commission has approved as being useful and informative in the context of this GRC proceeding. For this reason, the Companies believe that it should and must be considered. Many parties question the maturity of the RAMP process, however, and take issue with the information labeled "RAMP" in the Companies' direct showing.[44] Parties claim that the RAMP-related information should be ignored, because the methodologies and processes used for the RAMP and GRC are not fully mature and have "not been carefully scrutinized."[45] IS appears to rely on this assertion as the basis for limiting or delaying the Companies' funding requests.[46] The Commission "recognize[d] that the S-MAP and RAMP will continue to evolve over time as the utilities and the parties gain more familiarity and experience with these new processes."[47] Therefore, parties, including IS, cannot expect the RAMP process to be at its end-state in the first-ever submission by any utility. Additionally, the appropriate proceeding to evaluate the effectiveness of risk tools and methodologies is the S-MAP, not the GRC. If parties want to comment on the Companies' risk processes and tools, parties should so in the second S-MAP.

The "purpose of RAMP is 'to examine the utility's assessment of its ***key*** risks and its proposed programs for mitigating those risks.'"[48] Thus, identifying a project or program as RAMP-related is a useful indicator that the project or program is intended to mitigate one of the Companies' key safety risks, and should be viewed in that light. The "RAMP" designation in the GRC alerts parties that more information is also available in the RAMP Report, including information about risk mitigation activities that are ongoing (and may have been ongoing for some time), as well as risk mitigation activities that are newly proposed in this proceeding.

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[43] Ex. UCAN (Charles) at 125-126; Ex. IS-1 (Gorman) at 7.

[44] Ex. ORA-03 (Stannik) at 11-12.

[45] Ex. IS-1 (Gorman) at 15.

[46] *Id.*

[47] D.14-12-025 at 21.

[48] *Id.* at 31 (emphasis added).

Finally, the RAMP designation also alerts parties to the fact that *the Companies will be held accountable for risk spending and effectiveness through accountability reporting.*[49]

Although the Companies and parties are continuing to gain familiarity with the Commission's formal, risk-informed processes, as explained in Ms. Day's direct testimony, "the Companies have a long history of prioritizing safety and managing risks in their electric and gas operations proposals in their GRC proceedings before the Commission."[50] Thus, evaluating risks within the context of the GRC is not new. Parties simply have additional information to consider, in a new format. Therefore, allegations that safety and risk management should not be considered in this proceeding are misguided.

2. The Companies Presented More Risk-Informed Testimony and Information than Ever Before, which Informs the Companies' GRC Proposals.

The Companies have provided a robust RAMP-related showing. In the first phase of this risk-informed GRC, the Companies filed (in I.16-10-015/-016 (cons.)) their RAMP Report, which comprised over 900 pages of written descriptions and analysis of the Companies' key risks, and their baseline and proposed risk mitigation activities.[51] The RAMP Report was subject to review and scrutiny by SED, who "reviewed the RAMP Report for compliance," and several parties, who "were given the opportunity to file comments."[52] Because this was the Commission's first-ever RAMP proceeding, and first-ever RAMP Report, the information provided in the Report offered unprecedented detail and analysis of the Companies' risk mitigation activities. The recent decision closing the Companies' RAMP proceedings noted the Commission's SED observation that "the risks identified in the RAMP Report offer a complete description of risk scenarios and proposed mitigation measures and provides a reasonable basis

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49 *See* Ex. SCG-02-R/SDG&E-02-R (Day) at DD-3 – DD-7, discussing accountability reporting requirements outlined in D.14-12-025. The Commission's new risk mitigation and spending accountability reporting requirements are discussed further in Section II.C below.

50 *Id.* at DD-1.

51 The RAMP Report is available at https://www.sdge.com/regulatory-filing/20016/risk-assessment-and-mitigation-phase-report-sdge-socalgas. I.16-10-015/-016 (cons.), Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company (Filed November 30, 2016).

52 D.18-04-016 at 1.

for understanding the intent of the mitigations and how they might be able to reduce the impact or frequency of [RAMP risk-related] incidents."[53] The decision further noted that "the risk rankings and proposed mitigations provide more data, information, and analysis regarding SDG&E's and SoCalGas' methodologies in assessing risks and how to mitigate those risks."[54]

The Companies also presented in this proceeding direct policy testimony including a mapping of RAMP risks and requested costs to various GRC witnesses, direct testimony explaining the RAMP to GRC process, RAMP sections in the direct testimony of each GRC witness sponsoring RAMP-related activities, and RAMP workpapers.[55] ORA recognized that the Companies have "presented more detail on specific funding requests and [have] associated each funding request with one or more risks detailed in the RAMP, as described in Ex. SCG-02-R/SDG&E-02-R."[56] In addition, the Companies responded to discovery related to RAMP activities.

The Companies' RAMP Report, specifically information related to the Companies' key safety risks themselves (including the explanation of the risk) and the related mitigants (*i.e.*, the programs, projects and activities that are designed to mitigate the Companies' key risks) are highly relevant to this proceeding. As the Commission has stated, "When evaluating the revenue requirements requested by SDG&E and SoCalGas, the Commission has placed an emphasis on programs and activities that enhance the safety and reliability …."[57]

Nonetheless, various ORA witness reports regarding the Companies' operations recommended large-scale cuts to the Companies' RAMP-related projects and programs, often without explanation, and presumably under the assumption that the Companies' provision of RAMP-related information in and of itself was meant to provide sole support for the RAMP-related projects and programs described in testimony.[58] Other ORA witnesses simply

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53 *Id.* at 8.

54 *Id.* at 9.

55 *Id.* at 11-12; Ex. SCG-02-R/SDG&E-02-R (Day) at DD-19.

56 Ex. ORA-03 (Stannik) at 10 (internal citations omitted).

57 D.16-06-054 at 37.

58 For examples, s*ee* June 18, 2018, SDG&E Rebuttal Testimony of Alan Colton (Electric Distribution Capital), Ex. SDG&E-214, at III.B. and IV.A.1, *discussing* Ex. ORA-06 (Roberts) and Ex. ORA-07 (Wilson); *see, e.g.,* June 18, 2018, SDG&E Rebuttal Testimony of William H. Speer, Electric Distribution

recommended the Commission adopt the low end of the RAMP range, as provided in GRC workpapers, on the basis that it is "a more conservative estimate to protect ratepayers from overpaying a new program."[59] However, it is not reasonable to reduce funding for RAMP projects merely because those projects have been identified as RAMP-related, or to otherwise ignore or mischaracterize RAMP-related testimony and information, as certain witnesses support.[60] CUE is correct that the forecasted range of dollars included in the RAMP Report were not intended to be a funding request and have been superseded in this GRC with specific funding requests supported by testimony.[61] Therefore, parties should not simply take the low value in the forecasted range of costs from the Companies' RAMP Report to use as the basis for recommending funding reductions.

B. SoCalGas and SDG&E's Risk Evaluation Methodology is Commission-Approved in S-MAP, and Is Therefore Beyond the Scope of this GRC.

Several parties raise concerns regarding SoCalGas and SDG&E's risk evaluation process. Such concerns are misplaced and outside the scope of this proceeding. As the Commission has stated, "the requirements set forth [in] D.14-12-025 and D.16-08-018 have been satisfied."[62] And, "recommended improvements to the RAMP process should be addressed in the next RAMP filing or if applicable, in the ongoing S-MAP proceeding."[63]

As discussed in Ms. Day's direct testimony, the first S-MAP is currently pending before the Commission and a Phase 2 has been initiated.[64] Since Ms. Day's revised testimony was

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O&M, Ex. SDG&E-215 at II, *discussing* Ex. ORA-05 (Godfrey); and *see, e.g.,* June 18, 2018, SoCalGas Rebuttal Testimony of Omar Rivera (Gas System Integrity), Ex. SCG-205 at OR-2, *discussing* Ex. ORA-12 (Enyinwa).

59 *See* June 18, 2018, SDG&E Rebuttal Testimony of Tashonda Taylor (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SDG&E-230 at IV.A.2, *discussing* Ex. ORA-23 (Hunter). *See* June 18, 2018, SoCalGas Rebuttal Testimony of Mary Gevorkian (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SCG-232 at IV.A.1, *discussing* Ex. ORA-23 (Hunter).

60 *See, e.g.,* Ex. SDG&E-214 (Colton) at III.B and IV.I.1, *discussing* Ex. ORA-07 (Wilson); Ex. SDG&E-215 (Speer) at II, *discussing* Ex. ORA-05 (Godfrey).

61 Ex. CUE (Marcus) at 37, 99.

62 D.18-04-016 at 14.

63 *Id.*

64 Ex. SCG-02-R/SDG&E-02-R (Day) at DD-6.

submitted on December 20, 2017, a Motion for Approval of Settlement Agreement (Motion)[65] was jointly filed by the parties to the settlement (Settling Parties)[66] on May 2, 2018 in Phase 2 of the S-MAP. The settlement "reflects the Settling Parties' collective view on how key issues in Phase 2 of this proceeding should be resolved."[67] As explained in the Motion, "[t]he issue at the core of Phase 2 was whether the Joint Intervenor [TURN, EPUC, and Indicated Shippers] Approach or a utility proposed alternative should be adopted as the uniform approach for all large utilities to be used in future RAMP and GRC filings."[68]

The settlement, if adopted, sets forth "minimum required elements to be used by the large utilities for risk and mitigation analysis in the RAMP and GRC."[69] These minimum requirements include, among other things, a process for selecting risks for the RAMP, principles for performing risk assessment and risk ranking in preparation for the RAMP, a methodology for mitigation analysis for risks in RAMP including the calculation of risk-spend efficiency, and global items such as ensuring transparency, using data when practical and appropriate, and using Subject Matter Expert (SME) judgment if data is not available.

Many of the parties' recommendations in this proceeding, such as UCAN's allegations regarding the lack of transparency, clearly defined mitigation alternatives, robust ranking of mitigations,[70] as well as ORA's concerns over the 7X7 matrix and reliance on subject matter expertise,[71] are being addressed through the pending settlement in the S-MAP, to be implemented in the 2019 RAMP of SoCalGas and SDG&E. While SoCalGas and SDG&E

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[65] A.15-05-002/-003/-004/-005 (cons.), Joint Motion for Approval of Settlement Agreement Plus Request for Receipt into the Record of Previously Served Documents and for Expedited Comment Period (Filed May 2, 2018) (Motion).

[66] The Settling Parties include the following entities: Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), the Energy Producers and Users Coalition (EPUC), and Indicated Shippers(IS).

[67] Motion at 1.

[68] *Id.* at 4.

[69] *Id.* at 10.

[70] Ex. UCAN (Charles) at 123-124.

[71] Ex. ORA-03 (Stannik) at 5.

appreciate parties' recommendations regarding potential improvements to their risk management practices, these suggestions have been addressed and/or are better suited for the S-MAP.

C. Additional Regulatory Mechanisms for RAMP Spending Are Incompatible with the Commission's Risk-Informed GRC Framework.

The Companies disagree with TURN's[72] and IS's[73] suggestions that the Commission should limit RAMP-related spending either through one-way balancing account treatments, cost caps, or both. These recommendations are incompatible with the Commission's decision in D.14-12-025 (and confirmed in D.16-08-018) to verify utility accountability for RAMP-related activities and costs through the two annual accountability reports. The Commission found that this new "verification process and reporting requirements…will improve utility accountability of ratepayer money spent on risk mitigation."[74] The Commission actively chose to adopt new reporting requirements to achieve utility accountability, rather than other options such as regulatory accounts and cost caps as proposed by TURN and IS in this proceeding. Further, although IS recommends cost caps on RAMP-related spending, they also state that "[c]ertain critical programs costs of safety and RAMP should not be limited due to a rates criterion."[75] The Companies agree; however, IS seems to contradict this notion by also recommending limits on RAMP.

As stated by Ms. Day, "Risks are dynamic."[76] Flexibility is required as the Companies may need to shift resources to pressing or emerging risks. Setting a cost cap specific to how much the Companies should be authorized to manage its key safety risks would set an unwise public policy precedent.

D. Comparing Risk Scores to Determine Funding Is Inappropriate.

The Companies do not support the recommendations of ORA's electric distribution capital witness, Mr. Thomas Roberts, as they appear to suggest that SDG&E should align its

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72 Ex. TURN-01 (Borden) at 28.

73 Ex. IS-1 (Gorman) at 10.

74 D.14-12-025 at Findings of Fact (FOF) 27.

75 Ex. IS-1 (Gorman) at 10.

76 Ex. SCG-02-R/SDG&E-02-R at DD-9.

highest cost increases to the highest risk scores.[77] For example, and as addressed in Mr. Alan Colton's rebuttal testimony, ORA takes issue with the fact that the RAMP risk score for Electric Infrastructure Integrity (EII) is 0.2% of the risk score for Wildfire (SDG&E's top risk), but only 8% of the Reliability Portfolio request is related to Wildfire (compared to 59% for the EII risk).[78] Based on this analysis, ORA appears to argue that SDG&E's highest cost percentage increases due to RAMP risks do not match up with the risk scores assigned to the risk that the spend is intended to address; *i.e.*, ORA believes that the risk score is not high enough to warrant a high percentage increase spend.

ORA fails to recognize that all the risks designated as RAMP are important as they are the Companies' key safety risks. Additionally, risk scores provide a relative ranking of the Companies' key risks, but it would be misguided to mirror that prioritization when developing funding portfolios. If that is the case, certain risks that are lower on the list would never get funded, which could cause a significant increase in risks and could jeopardize the safety and reliability of the Companies' operations. This methodology would also be inconsistent with the recommendation offered by Mr. Stannik, ORA's witness examining RAMP-GRC integration, who observes that "it is not appropriate to compare risk scores, expected results of mitigations, and funding of those mitigations between risks."[79] As stated above, the Companies agree with Mr. Stannik's recommendation.

Further, ORA witness Mr. Roberts' theory of linking funding to RAMP risk score comparisons (*e.g.*, wildfire versus electric infrastructure integrity) ignores the fact that many of SDG&E's risk mitigating activities, programs and projects may mitigate several different types of risks. Electric infrastructure integrity and wildfire risks are interrelated, and several mitigations that address infrastructure integrity would also help manage the wildfire risk. For example, tree trimming helps to mitigate both wildfire and electric infrastructure integrity risks. As ORA's Mr. Stannik observes, "the Commission has not yet fully determined how to assess …

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[77] April 13, 2018, Prepared Direct Testimony of Thomas Roberts, SDG&E – Electric Distribution Capital Expenditures, Part 1 of 2, Ex. ORA-06 at 8-10.

[78] As discussed in Mr. Colton's rebuttal testimony, 62% of the Reliability Portfolio request relates to Electric Infrastructure Integrity, rather than the 59% cited in ORA's testimony. Ex. SDG&E-214 (Colton) at section IV.H.1.b, Table 19.

[79] Ex. ORA-03 (Stannik) at 12.

risks whose drivers or outcomes are varied and not always quantified (for example, wildfire sparked by utility equipment) … [or] mitigations that address multiple risks (for example, vegetation management, which can address both reliability and wildfire risk)."[80] Thus, although the Companies' RAMP Report may show several different types of risk mitigation effects of a certain project, its GRC showing does not show that duplicate funding requests were avoided, as explained in the RAMP-to-GRC Integration testimony of Jamie York.[81]

E. Parties' RAMP-to-GRC Analyses is Based on a Misinterpretation of Data and Should be Disregarded

ORA and UCAN separately performed an analysis of "potential funding requests described in RAMP and the actual requests for those programs (or any others added) in the GRC."[82] Based on this analysis, ORA makes observations with regard to "how effectively SCG/SDG&E's RAMP filing reflects or predicts actually funding requests in the GRC, with the goal of improvement over subsequent RAMP cycles."[83] ORA cautions that "such metrics do <u>not</u> assess the reasonableness or value of any program, and should not be used in determining funding for any program or set of programs."[84]

ORA misinterprets the information contained in the Companies' RAMP Report, particularly that the range of dollars were "potential funding requests," meant to "predict" funding requests in the GRC. This is not the intention of the RAMP. Rather, as explained above, the purpose of RAMP is "'to examine the utility's assessment of its key risks and its proposed programs for mitigating those risks.'"[85] In other words, the focus of RAMP is on risks and the associated mitigation activities, not funding requests. As the Companies stated in the RAMP Report and again in Ms. Day's revised direct testimony "the purpose of RAMP was not to request funding," "'funding requests will be made in the GRC. RAMP mitigation forecasts

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[80] Ex. ORA-03 (Stannik) at 12.

[81] Ex. SCG-02-R/SDG&E-02-R at JKY-3.

[82] Ex. ORA-03 (Stannik) at 13.

[83] *Id.*

[84] *Id.*

[85] D.14-12-025 at 31.

are provided only to estimate a range that will be refined with supporting testimony in the GRC.'"[86] Funding requests were always intended to be made in the GRC.

ORA suggests that one goal is to improve the RAMP filing to reflect or predict actual funding requests in the GRC and minimize changes from RAMP to GRC over time.[87] Because a utility's RAMP Report will be filed close to one year before the filing of the GRC, pursuant to D.14-12-025, changes will likely exist between RAMP and the GRC. As such, improvement of the ranges put forth in the RAMP Report may not be a worthwhile or realistic goal. Plus, this is not the role or purpose of the RAMP. If ORA wants to discuss this "goal," the Companies suggest ORA raise such matters in a different proceeding, such as the S-MAP or risk order instituting rulemaking, R.13-11-006.

SoCalGas and SDG&E did provide ORA and UCAN the underlying data for their analyses through discovery. In doing so, the Companies' provided caveats on the treatment of the data: "the calculations requested in this question and any comparisons based on the calculations should not be taken as a defining data point. Further, SoCalGas and SDG&E notes that the ranges presented in the RAMP were superseded by the specific requests made in supporting testimony in the GRC."[88] The Companies provided these statements because "the RAMP range reflected in the GRC workpapers may not always align with the range put forth in the RAMP Report. This largely occurred because RAMP mitigation activities may not have cleanly mapped to a single witness area, forecast adjustments or line items due to how the teams entered the activities into our GRC forecasting application."[89] The Companies then provided examples that illustrate their point, such as "if a GRC team entered an activity as multiple adjustments, the RAMP range may have been duplicated by the GRC team, since a RAMP range is associated with each adjustment."[90] In other words, for this example, the Companies explained that in some instances, the RAMP range associated with an activity was entered

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86 Ex. SCG-02-R/SDG&E-02-R at DD-15.

87 Ex. ORA-03 (Stannik) at 13.

88 ORA-SCG-DR-090-NS4, Question 3, available at: https://socalgas.com/regulatory/documents/a-17-10-008/ORA-SCG-090-NS4-Final.pdf. UCAN-SDG&E-DR-05, Question 2b, available at: https://www.sdge.com/sites/default/files/regulatory/UCAN%20%20DR-05%20Combined.pdf.

89 *Id.*

90 *Id.*

multiple times. Yet, ORA took the summation of all the RAMP ranges, including those duplicated values, for their analysis. The resulting effect is an overstatement of the RAMP ranges.

ORA did not consider the Companies' appropriate forewarnings and, therefore, incorrectly compares the Companies' GRC requests to the RAMP ranges. Nonetheless, based on ORA's analysis, it concludes "[t]he data produced by the RAMP and integrated into this GRC should be used to inform funding decisions,"[91] with which, as stated above, the Companies agree.

UCAN conducted a similar analysis and found "a number of programs" where "there was apparently no RAMP funding estimate, but for which Sempra has requested tens of millions of dollars in the GRC and programs for which the GRC request far exceeds the RAMP estimate."[92] UCAN provided examples and two tables (Tables 10 and 11)[93] to allege that there were large deviations from the RAMP Report to the GRC. While UCAN, unlike ORA, acknowledges the Companies' cautionary statements, it too misinterprets the data. If no value was provided for the RAMP range, that could mean that: (1) this is a RAMP Post-Filing activity (*i.e.*, risk mitigation activity contributes to the mitigation of one or more of the 28 RAMP risks, but was not identified until after the filing of the RAMP Report),[94] or (2) the RAMP range was included in its entirety in another line item. An example of the second point is what the Companies have referred to as overlapping mitigations. As described in Ms. York's RAMP to GRC Integration direct testimony, overlapping mitigations are activities in the RAMP Report that mitigated multiple risks. "For example, security guards help to mitigate the risk of Workplace Violence, but also Physical Security of Critical Infrastructure."[95] Generally for overlapping mitigations, the RAMP range was entered in one workpaper and the other workpaper would show a zero value.

Based on their analysis, UCAN concluded that "GRC funding requests do not directly flow from the RAMP process" and "there is such a large disconnect between the RAMP and

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[91] Ex. ORA-03 (Stannik) at 2.

[92] Ex. UCAN (Charles) at 118-119.

[93] *Id.* at 120.

[94] *See* Ex. SCG-02-R/SDG&E-02-R at JKY-5.

[95] *Id.*

GRC processes that a program's showing in the RAMP process should carry no weight in this GRC process."[96] UCAN's assertions are an overstatement. As explained in Ms. York's testimony, the starting point for the Companies' GRC requests for RAMP mitigation activities was indeed the RAMP Reports. That being said, the Companies refined their assumptions and forecasts for purposes of the GRC in light of, among other things, "new, more recent or additional information."[97]

UCAN also claimed that the Companies "selectively or on an ad-hoc basis" made "post-RAMP updates."[98] This is also incorrect. The RAMP Reports provided ranges of cost estimates. At a minimum, during the RAMP to GRC integration process, each GRC witness sponsor RAMP mitigation activities needed to review and revisit each RAMP item to determine the appropriate a single value to seek funding in the GRC. In that sense, each mitigant presented in the RAMP Report was "updated" in the GRC. There was no preference given to certain mitigants over others.

UCAN also claimed that "these updates have not been evaluated by SED or intervenors or subject to any external scrutiny."[99] While UCAN's comments may be true in terms of evaluation and scrutiny in the RAMP proceedings, parties have the opportunity in this GRC, the proceeding that presumably will authorize funding, to scrutinize the Companies' RAMP-related funding requests. Additionally, SED stated that its job in the RAMP proceeding is "not to make a determination of whether projected funding for mitigations is reasonable."[100] Such a determination will occur in the TY 2019 GRC.

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[96] Ex. UCAN (Charles) at 116, 121.

[97] Ex. SCG-02-R/SDG&E-02-R at JKY-4.

[98] Ex. UCAN (Charles) at 122.

[99] *Id.*

[100] Risk and Safety Aspects of Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, Investigation 16-10-015 and I.16-10-016 (March 8, 2017) (SED Report), at 4, *available at* http://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/Safety/Risk_Assessment/RCR/Final%20Sempra%20RAMP%20030717.pdf.

F. Balancing ERM Incremental Funding is Unnecessary.

ORA recommends that the Enterprise Risk Management incremental "funding be provided via a 1-way balancing account since Commission requirements may change and exact funding purposes have not been defined."[101] However, ORA does not take issue with the TY 2019 O&M forecast for the ERM organization.

SoCalGas and SDG&E disagree with ORA's recommendation to apply a one-way balancing account mechanism to ERM-related costs regardless whether the Commission's requirements change and exact funding purposes have yet to be defined. Because risks and risk mitigations are dynamic, setting the precise scope of the Companies' efforts years in advance may be challenging and unreasonable. The TY 2019 GRC funding request presented in Mr. Flores' Prepared Direct Testimony represents a marginal amount of the total costs requested in the TY 2019 GRC, and segregating one relatively small category of costs would create an administrative burden without adding value to the regulatory accounting record; thus, the costs should not be tracked separately. Further, although the "exact funding" has not been defined, the uncertainty related to the S-MAP and the pending settlement is likely to be a short-term issue and does not warrant one-way balancing. Applying the one-way balancing account treatment to ERM related costs is an unnecessary and unreasonable additional regulatory mechanism.

III. CONCLUSION

To summarize, the Companies believe that the risk evaluation-related concerns raised by the parties are premature and will be addressed through the S-MAP and as the Companies continue refining risk, asset, and investment management concepts and tools.

The Companies' RAMP showing in the GRC is based on the requirements adopted by the Commission in decisions and the modification of the Rate Case Plan to include a new risk-based decision-making framework, including the RAMP. Rather than ignoring the RAMP information presented in this proceeding and evaluating safety risks consistent with prior GRCs which were not subject to the new risk-based framework, the Commission should use the RAMP-related showing in this proceeding to inform funding decisions.

RAMP-related spending should not be tracked in a one-way balancing account, subject to an overall cost cap, nor tracked separately to inform future budgeting decisions, as these

[101] Ex. ORA-03 (Stannik) at 8.

proposals are inconsistent with the Commission's decision in D.14-12-025 (and confirmed in D.16-08-018).

The Companies oppose the recommendation to apply a one-way balancing account mechanism to ERM-related costs. Instead, the Commission should adopt the Companies' funding request in its entirety in Mr. Flores' direct testimony of $7.035 million in direct O&M expenses ($0.0292 million and $6.743 million at SoCalGas and SDG&E, respectively).

This concludes our prepared rebuttal testimony.

APPENDIX A
GLOSSARY OF TERMS

Commission/CPUC	California Public Utilities Commission
CUE	Coalition of California Utility Employees
D	Decision
EII	Electric Infrastructure Integrity
EPUC	Energy Producers and Users Coalition
ERM	Enterprise Risk Management
FTE	Full-Time Equivalent
GRC	General Rate Case
IS	Indicated Shippers
O&M	Operations and Maintenance
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
PTY	Post-Test Year
RAMP	Risk Assessment and Mitigation Phase
RSE	Risk Spend Efficiency
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SED	Safety and Enforcement Division
S-MAP	Safety Model Assessment Proceeding
SME	Subject Matter Expert
SoCalGas/SCG	Southern California Gas Company
TURN	The Utility Reform Network
TY	Test Year
UCAN	Utility Consumers Action Network