Energy Division Staff Proposal for Standardized Reporting and Outline

Energy Division (ED) with the Safety and Enforcement Division (SED) submit the following "Staff Proposal for Standardized Reporting and Outline" (Proposal) in compliance with ALJ Kersten's Ruling of October 5, 2017. The Proposal intends to guide the investor-owned electric and gas utilities (IOUs) in compliance with the reporting requirements of the annual Risk Spending and Accountability Report (Report) as described in Commission Decision (D.) 14-12-025 and elaborated upon and refined within the ensuing consolidated Safety Model Assessment Proceedings (S-MAP) and General Rate Cases (GRCs).

The Commission wrote that the Report "would compare the utility's GRC projected spending for approved mitigation projects to the actual spending on those projects, and to explain any discrepancies between the two."[1] The Proposal intends to accomplish this directive and should serve as "a starting point for achieving utility accountability for risk mitigation spending."[2] Furthermore, the Proposal addresses the need for a "project-by-project (above an appropriate Commission-determined dollar cut-off) comparison of authorized vs. actual spending, accompanied by the utility's narrative explanation of any significant differences between the two."[3] ED and SED agree that the Proposal will "assist in the goal of improving utility accountability for ratepayer money spent on risk mitigation efforts…"[4]

The ED offers a template for this Proposal in the form of ED's safety-related spending report for SCE covering the 2015 reporting period that was prepared in compliance with Action Item 5 of the updated CPUC Safety Action Plan (see Attachment for the Table of Contents). It is available online on the Safety Policy and Action Plans website (please visit Safety Policy and Action Plans) and on the Electric Costs Section's reports webpage.

ED acknowledges that the guidance contained here is being provided too close to the time of PG&E's issuance of its March 2018 report on 2017 spending for the company to be able to comply with it. This guidance, then, will apply to spending reports submitted in 2019 and in the years following.

The ED and SED have drafted the following standardized reporting procedure that will be presented to the IOUs at the workshop scheduled to be held on February 22, 2018.

- The IOUs should provide a list of all spending programs that impact safety (i.e., score within the safety dimension of their current risk-informed decision-making framework.)
- The spending programs should report down to the FERC sub-account level. For example, utilities may report expenses for distribution overhead and underground line expenses within FERC account 583 – Overhead Line Expenses.
- Where feasible, the spending programs should report to a more specific level, such as distribution overhead inspections within the FERC subaccount. These programs may form the basis for forecasting some of the items within the GRC.

[1] D.14-12-025 at 44.
[2] Refined Straw Proposal at 10 as excerpted in D.14-12-025 at 45.
[3] Refined Straw Proposal at 9-10 as excerpted in D.14-12-025 at 44.
[4] Refined Straw Proposal at 9 as excerpted in D. 14-12-025 at 43.

- The program spending should be separated into categories consistent with the organization of the company (e.g. lines of business, operating units, etc.).
- The program spending should be separated into expensed items and direct capital expenditures (i.e. the cost of labor, non-labor, and division overhead).
- Total safety spending should be compared (in percent and in dollars) to total base rate revenue requirement.
- The IOUs should report actual spending, authorized funding, and the variance between them (actual less authorized) for the spending programs at the level described above.
- The IOUs should select spending programs for discussion according to a set of criteria which contains both an absolute and a proportional value to capture variances among programs that receive higher and lower funding amounts. The criteria should be specific to each utility. Proposed criteria are as follows:
    - GRC expensed items: A variance of at least $10 million, or a percentage variance or at least 50% subject to a minimum variance of $5 million.
    - Capital programs: A variance of at least $20 million, or a percentage variance of at least 100% subject to a minimum variance of $10 million.
- The IOUs should provide a detailed explanation for the variance and should include issues such as reprioritization of funds, changes in internal procedures, new standards, changes in unit costs or replacement/installation scheduling, environmental conditions, governmental orders, etc.)
- The IOUs should note the effect balancing and memorandum accounts have on the actual and authorized spending.

The ED will work with SED to refine this Proposal after the workshop before submitting it to ALJ Kersten for consideration.

ATTACHMENT

Energy Division May 11, 2017

Contents