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**MUSSEY GRADE ROAD ALLIANCE COMMENTS ON THE OFFICE OF ENERGY  
INFRASTRUCTURE DECEMBER 2021 RISK SPEND EFFICIENCY WORKSHOP**

Dear Office of Energy Safety Infrastructure,

The Mussey Grade Road Alliance (MGRA or Alliance) files these comments pursuant to the instructions provided by the Office of Energy Infrastructure Safety (OEIS) during the December 9, 2021 Risk Spend Efficiency workshop and by subsequent email,<sup>1</sup> inviting public comments on the meeting by January 9, 2021. As January 9<sup>th</sup>, was a Sunday, these comments are filed timely on the following working day.

Comments have been prepared by Alliance expert Joseph W. Mitchell, Ph.D.

**1. OVERVIEW**

The Mussey Grade Road Alliance has been an active participant in the development of utility risk-based decision-making frameworks for general rate cases since the original S-MAP proceedings were proposed in CPUC Rulemaking 13-11-006. A primary goal of these efforts is to provide sufficient transparency to allow utility programs to be compared with one another. Such comparisons help to clarify the similarities and differences between utility safety programs and

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<sup>1</sup> Email: From: [Ming.Wu@energysafety.ca.gov](mailto:Ming.Wu@energysafety.ca.gov); Re: RSE Workshop Thank You and Follow-up; Date: December 9, 2021, 5:02 pm.

thereby help to ensure that all California residents can expect a baseline of utility safety. Comparisons can show areas where a specific utility is lacking and needs remediation, and conversely where a specific utility is outperforming its peers in certain safety programs. Utility Risk-Spend Efficiency, or RSE calculations, based on the Multi-Attribute Value Function (MAVF) methodology, are supposed to provide a common language to express risk estimates. The fact that MAVF and RSE calculations by different utilities are not directly comparable is a matter of concern,<sup>2</sup> and so MGRA welcomes Energy Safety's efforts to begin discussions on how utility risk and RSE estimates can be better standardized.

## **2. OEIS RISK SPEND EFFICIENCY WORKSHOPS EXPERT PANEL QUESTIONS**

The following questions are selected from the set presented to the workshop's expert panel, and the answers given by MGRA's expert are summarized.

*1. How should utilities use RSE values in decision-making? How big of a role should RSEs have in decision-making? How useful are RSE values compared to other decision-making factors?*

Risk Spend Efficiencies are intended to quantify risk avoidance in terms of the actual dollar value to be spent, and thus provide an impartial metric for evaluating mitigation options. In their presentations and filings, utilities point to other factors that need to be taken into account such as operational factors, feasibility, and regulation. While these are all valid considerations, they are utility-specific and lack the transparency that an RSE can provide. Hence, excessive reliance on factors other than RSEs occlude the utility decision-making process and can defeat the purpose of a risk-based decision-making framework.

Ideally, these other factors not currently included in the RSE should themselves be quantified in a transparent manner so that they can be rolled into an expanded definition of risk-spend efficiency. For example, consider two projects that underground distribution lines, one routed mainly through agricultural fields and the other through a solid granite mountain. One project might be characterized as "feasible" and the other not. Alternatively, these projects could be characterized

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<sup>2</sup> See MGRA Comments on the 2020 and 2021 WMPs: MGRA 2020 WMP Comments; pp. 38-43. MGRA 2021 WMP Comments; pp. 65-70.

by a dramatic difference in cost. While methodologies to quantify currently intangible decision criteria may not yet exist, Energy Safety workshops are a good venue to identify and discuss them.

*3.a. Should all utilities use a uniform multi-attribute value function (MAVF) with the same attributes, weights, and scaling functions?*

Ideally, utilities should be using a uniform MAVF function. None of the utilities has presented argument that would indicate that its choices for MAVF weights, attributes, or scaling is superior to the choices made by other utilities. To the extent that there are new innovations, such as SDG&E's introduction of a acres-burned dependent risk function, OEIS help lead the evaluation of and standardization of such improvements. Utilities should also be required to demonstrate where deviations from choices made by other utilities are justified in their particular circumstances.

These process improvements would require that all stakeholders understand the differences in MAVF and RSE methodologies. That should be the next step of this process. The utilities have presented their methods in their attached filings and in WMPs, which is an important first step. Currently, there is general agreement that consequences should not be capped, the approximate weighting of risk attributes, and, aside from PG&E, on linearity of scale. MGRA, TURN, and other stakeholders prefer a linear scale, as it gives the true proportionality between risk and consequence.

*3.b. Should utilities use a value of statistical life (VSL) that is consistent with the values used by US federal agencies?*

Utilities should adhere to federal standards. However, all stakeholders and the public need to be aware of the implications of such a choice. As MGRA has repeatedly pointed out, "Wildfires are expensive",<sup>3</sup> because financial losses are high compared to fatalities and injuries. People can usually evacuate from an approaching wildfire. Their homes cannot. Using the standard federal VSL will result in financial risk components from wildfire that far outweigh the safety

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<sup>3</sup> CPUC A.20-06-012; Safety Policy Division Staff Evaluation Report on SDG&E's and SoCalGas' Risk Assessment and Mitigation Phase (RAMP) Application Reports (A.) 21-05-011, (A.) 21-05-014; November 5, 2021; Appendix 3, MUSSEY GRADE ROAD ALLIANCE INFORMAL COMMENTS TO THE SAFETY POLICY DIVISION REGARDING SAN DIEGO GAS AND ELECTRIC COMPANY'S RAMP FILING; p. 16.

risks. SDG&E's innovation of incorporating health effects from smoke will reduce this imbalance.<sup>4</sup> Regardless, regulators need to recognize that incorporating a lower VSL will decrease the importance of safety losses and increase the importance of financial losses, and the implications of such a choice need to be frankly discussed in public fora.

*4. What are reasonable levels of granularity of analysis for RSEs? For instance, is it reasonable for RSEs to achieve a level with tranches in which all assets in the tranche have homogenous risk profiles? What instances would allow for varying levels of granularity?*

Tranche size should be "right sized" so that adequate statistics support risk estimates for each tranche, and so that the variations of risk profiles within the tranche are minimal. Tranching by risk type is also appropriate, so that the tranche captures specific risks to attributes. The specific example MGRA has used would be extreme weather tranches, which may have different geographic risk distributions and different effects on assets.

*9. How can the RSE calculation methodology be improved? Where can utilities reach more consistency with these improvements?*

The meeting on December 9<sup>th</sup> and subsequent utility filings were good first steps that entail identification and description. The next step is comparison, to see where the big differences are between utility methodologies and whether these differences represent legitimate differences between utility risk profiles or whether they are due to arbitrary utility choices. After OEIS understands why the utility results are different it can decide what if anything needs to be "improved".

One alternative framing of this question is "What can the Office of Energy Infrastructure Safety do to improve the RSE calculation methodology?", which is different than the stated question because some of the activities for RSE improvement will take place under the auspices of the CPUC' S-MAP (RDF) proceeding. This question is addressed in the next section.

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<sup>4</sup> Id.; Appendix 3; pp. 5-18.

### **3. SUGGESTIONS FOR OEIS ACTIONS**

Aside from the answers to the questions provided above, MGRA would like to suggest that Energy Safety consider the following steps to facilitate improvements in the utility risk-spend efficiency calculation and use.

#### **3.1. OEIS Should Participate in and Coordinate with the CPUC RDF Proceeding**

Risk calculation and risk-spend efficiencies arose out of CPUC proceedings intended to develop risk-based decision-making frameworks for utility funding priorities. The CPUC proceedings have included Rulemakings 13-11-006 and 20-07-013 (RDF), and Applications A.15-05-002,3, and 4 (S-MAP), as well as a number of utility RAMP (Risk Assessment Mitigation Phase) filings that were precursors to their GRC (General Rate Case) filings. As such, risk quantification and RSEs form a core component of the utilities' ratesetting process, a process which is under the jurisdiction of the CPUC.

Nevertheless, risk estimation and RSEs also form core components of the Wildfire Mitigation Plans, and therefore Energy Safety is right to be concerned with their improvement and optimization, and taking action in this area is also within its own jurisdiction. Any changes to the risk estimation and RSE calculation process initiated by either the CPUC or Energy Safety will affect both organizations, however, so it is vital that these two agencies do not work at cross purposes. OEIS participation in the CPUC RDF proceeding, either in an advisory or stakeholder role, will help to align the goals of both agencies.

From the standpoint of CPUC intervenors, there are some considerations regarding compensation that we request that Energy Safety keep in mind. Currently, work performed solely under the auspices of Energy Safety is not compensable. However, should this work result in products that are later adopted into CPUC decisions or resolutions, there is still a potential for the work to be compensable under Commission rules. Hence, MGRA requests that OEIS work products relating to risk and risk-spend efficiency calculations be put into a form that can be used in CPUC proceedings, that they be offered into the record of the RDF proceeding where appropriate, and furthermore that stakeholder input that is used in the OEIS work products be given attribution.

### 3.2. Example Exercises

The utilities have laid out their risk and RSE calculation methodology in their WMPs and in their filings in this docket. Exactly how these calculations are applied and why the results from utility to utility are so different is still not apparent. As a next step, it would be useful for Energy Safety to define a small set of example problems consisting of specific risk and RSE calculations, and then to ask the utilities to provide risk and RSE estimations for these specific cases, including detail sufficient to allow the methodologies to be compared between utilities. For this to work, utilities would need to have a common understanding of the scenarios to be addressed.

A process to facilitate this exercise would be:

- Energy Safety sends out a set of example scenarios for comment.
- IOUs and stakeholders comment on the example scenarios
- Energy Safety holds a workshop to address any questions from utilities
- Energy Safety sends out a final set of scenarios
- IOUs perform risk analysis and risk-spend efficiency calculations on the scenarios
- Stakeholders comment on the utility results

The results of this exercise could then be incorporated into template updates or into future stages of the RSE improvement process.

### 3.3. Tighten and Define Table 12 Categories

As MGRA noted in its 2021 WMP Comments, the increased granularity of Table 12 categories had the unfortunate effect of making the utility risk analyses less comparable between utilities:

*“The new templates introduced in December 2020 added considerably more detail at the program level. Each of the three major IOUs each adapted to this new template in its own way. None of the utilities calculated an RSE for every initiative, and the utilities all made different choices as to which initiatives were to be included in their RSE calculations.”<sup>5</sup>*

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<sup>5</sup> MGRA 2021 WMP Comments; p. 65.

While it is advantageous to have additional information included in the utility WMP filings, all information is context-dependent, and by not specifying or identifying the context the additional information is not particularly useful.

Energy Safety should therefore review Table 12 from the utility 2021 WMPs and identify areas of poor overlap. When these areas are identified, Energy Safety should:

- Request additional information from utilities to clarify how utilities are using the Table 12 categories
- Propose additional definitions and guidelines for Table 12 to eliminate the most urgent conflicts in utility reporting.
- Hold a workshop on Table 12 definitions where Energy Safety, utilities, and stakeholders can obtain further clarification of how Table 12 categories should be used.

#### 4. CONCLUSION

The Alliance thanks OEIS for the opportunity to participate in the RSE workshop and to contribute these comments.

Respectfully submitted this 10<sup>th</sup> day of January, 2022,

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