

## Stakeholder Comments

Submitted by	Entity	Date Submitted
<b>CPUC Staff</b>	<b>California Public Utilities Commission</b>	<b>September 11, 2019</b>

### 1. TMCR Process Overview

#### **BACKGROUND**

Southern California Edison (SCE) frames the Transmission Maintenance and Compliance Report (TMCR) as an “annual public stakeholder process to provide additional transparency regarding transmission capital expenditures predominantly related to maintenance and regulatory compliance requirements to operate a safe and reliable transmission system” (2019 TMCR Final Report, p. 3). Considering the rapidly escalating proportion of projects occurring outside of the California Independent System Operator’s (CAISO) Transmission Planning Process (TPP), the need for a transparent stakeholder process is essential to ensuring that the right projects are being built at the right time. Unfortunately, the information included in the Final TMCR Report is very general in nature and does not provide the transparency needed for this process to really be useful to stakeholders. Given the extremely high level and generalized information presented in the TMCR report, and the lack of a meaningful exchange between SCE and the CPUC on the TMCR report, including inadequate time for information requests, the TMCR is not really a stakeholder participation process that allows any entity to contribute to the company’s significant transmission planning program.

#### **GENERAL COMMENTS**

Some aspects of the TMCR process do not operate to achieve the TMCR’s stated purposes (see above). Indeed, some aspects of the TMCR – and SCE’s very

first implementation of the TMCR – could operate to impede the TMCR’s stated purposes. Some of what SCE said in the stakeholder meeting included:

- The dollar amounts associated with specific projects in the Draft TMCR will not show up in rates and are expected to change;
- SCE has discretion on whether they will consider the comments, and they are not obligated to respond; and
- There were no clear answers to questions regarding to what degree the information presented and settled on in a given year’s TMCR process would inform subsequent formulas or annual updates in SCE’s Transmission Owner (TO) rate cases at the Federal Energy Regulatory Commission (FERC).

SCE states that a number of issues identified in stakeholder comments are beyond the scope of Appendix XI of Southern California Edison’s (SCE’s) Transmission Owner Tariff, which outlines the scope of the TMCR. As a potential remedy, we recommend the scope of the TMCR should be modified to address stakeholder identified issues.

### Areas Lacking Transparency

1. SCE should consolidate the Years 1-2 Projects in the TO rate filings with the Years 3-5 forecasts into a single document or platform.

SCE’s TMCR data only provides transmission projects forecasted for years 3-5. SCE’s “operational plans provide an estimated spend over the next 5 years, specifically, a more detailed look at the work identified for the next 1-2 years and forecasts for years 3-5.” (2019 TMCR Final Report, p. 6). While projects that are to become operative within two years of their determined need are not to be included in the TMCR, and instead are included in SCE’s TO rate filings, a truly transparent process would enable stakeholders to understand how projects are being prioritized and implemented for the full 5-year window. Any other approach could conceal what is occurring in the near future, enabling the opportunity to rely on unpredictability of forecasted projects and costs for years 3 – 5.

In addition, as the spending for years 1 and 2 have already been forecasted and included in the current rate case(s) at FERC, the information is readily available and should be incorporated into the Draft TMCR Report. To fragment the information by excluding data from years 1 and 2, claiming it is available elsewhere, makes the TMCR process less transparent and useful, ultimately not providing the full set of information needed to accomplish the stated purpose of the TMCR.

2. The TMCR should break out the data on an individual project basis, rather than on the basis of Project Identification Numbers (PINs), or programmatic categories.

Capital expenditures are forecasted on a year-by-year basis, but there is no indication of what individual projects' total costs are because capital expenditures outside of years 3-5 are not reported. For projects within the TMCR scope, full information – including capital expenditures occurring at any time - should be provided. Original total project costs, as well as the current expected total costs for specific projects, are a basic expectation of stakeholders. Simply reporting the millions forecasted to be spent in certain asset areas over the next few years does not demonstrate sufficient transparency. For example:

- In Appendix B of the Final TMCR Report, it is still unclear throughout the list of specific projects how inspection and assessment methodologies are applied to any of the asset categories, what findings occurred, and what methodologies were used to plan and prioritize specific projects. SCE needs to make these aspects of its projects clear.
- Given the extent of SCE's transmission assets, it is reasonable to assume that more than the approximately 50 projects listed will occur in the next five years. All of the specific projects should be identified and explained in detail.
- Work Order details or sub-project specific identifying numbers are needed – Project Identification Number (PIN) level data is insufficient. If a PIN represents a program, the TMCR should include the projects in the program. Information on each project or sub-project under the PIN should be provided. The information should include at a minimum the following:

- Description of the project;
  - Purpose of the project;
  - Justification for the need of the project including but not limited to the following:
    - Standards/requirements/policies encroached upon or expected to be violated;
    - Age;
    - Fire threat; and
    - Alternatives considered;
  - Estimated budget;
  - Estimated date of operation; and
  - Project status.
3. SCE should adopt a walk-through exercise with stakeholders, walking them through the process by which it considers, analyzes, and decides to pursue or not pursue individual capital projects.

Further, the Stakeholder meeting can be more efficiently utilized to provide stakeholders with more transparency on whether these proposed expenditures are prudent and will result in just and reasonable rates. For example, the SCE subject matter expert should provide a walk-through on select projects in each PIN and demonstrate the analysis and process that was conducted to justify the project, including input data and identification of the data sources. Without such a walkthrough, non-SCE participants are basically left in the dark about how SCE's planning process works.

### Stakeholder Discovery Opportunity is Limited

Lack of available opportunities for stakeholders to issue data requests as part of the TMCR process is a significant obstacle to a meaningful stakeholder process. If SCE is genuinely interested in receiving feedback and enabling stakeholders to have transparency into maintenance and regulatory compliance projects, then it should provide the opportunity and sufficient time to ask meaningful questions. For example, SCE stated in the Final 2019 TMCR Report

that the costs originally provided in the Draft 2019 TMCR Report for physical security included both FERC and CPUC jurisdictional costs. Therefore, in the Final Report SCE corrected 2021-2023 forecasted expenditures for physical security to be 100% FERC jurisdictional and excluded any CPUC jurisdictional costs.

According to the Final Report, the correct forecasted figures are: \$22.8M, \$24.5M, and \$12.6M for 2021, 2022, and 2023, respectively. In the Draft 2019 TMCR Report for physical security, the expected costs were stated to be \$19.9 million, \$19.4 million, and \$12.2 million for 2021, 2022, and 2023, respectively. Why are the costs now higher after removal of the CPUC jurisdictional costs? Denying the opportunity to issue data requests demonstrates a lack of transparency to stakeholders.

SCE agreed to respond to CPUC's data requests only because it is required by law. Other stakeholders should also have the opportunity through a transparent process to be able to ask written questions and expect good faith answers. Additional time is also needed for a robust discovery process. For instance, the TMCR tariff provides 14 days to review the Draft TMCR before the stakeholder meeting. This doesn't give stakeholders nearly enough time to review the document or submit and receive discovery, which is usually a 10-business day turnaround. Further, after the meeting, stakeholders had less than one month to prepare comments. This simply is not enough time to ask questions in order to facilitate meaningful stakeholder contributions. To ensure stakeholder engagement and transparency in the Process, the CPUC recommends a six-month timeframe after the release of the Draft SCE TMCR Report.

## 2. Compliance – TLRR

At the TMCR Stakeholder Meeting, SCE stated that there were over 11,700 discrepancies in compliance to be addressed in the next several years. About 4,000 have some CPUC General Order 131-D requirements (e.g., licensing requirements), while over 7,000 do not. According to WP-Schedule 10&16 of SCE's TO2018 Filing, as of the end of 2015, 6,167 discrepancies on CAISO facilities were to be remediated by the end of 2025. In Appendix B of the 2019 TMCR Draft Report, under compliance, there are 22 projects listed, 18 of which are TLRR "Exempt from Licensing." SCE staff clarified at the stakeholder meeting that many of these individual projects can have numerous discrepancies included that need

to be addressed. The TMCR report should identify and describe the discrepancies for each project listed. SCE, knowing what the issues are, should also identify and describe in the TMCR Report the methodologies for determining and prioritizing the work, and how and when the discrepancies are to be addressed. This is necessary for a transparent stakeholder process.

WP-Schedule 10&16 of SCE's TO2018 Filing (FERC Docket No. ER18-169) at page 8 of 20 notes that based on the study performed on SCE's CAISO-controlled facilities, SCE "prioritized the transmission line discrepancies that will require line clearance remediation." This prioritized list of discrepancies should be provided, along with the reasons for the prioritizations, explanations of whether the discrepancies have been completed, and expected completion dates of each discrepancy.

All compliance projects that are combined with distribution work must be noted and delineated because transmission capital expenditures are the focus here.

SCE also mentioned that like-for-like asset replacement projects are often performed to avoid triggering the CPUC's General Order 131-D. While the CPUC appreciates the candor of this statement, it begs the conclusion that this approach is a deterrent to incorporating new or advanced technology in an increasingly modernizing grid and could inhibit innovative approaches to reducing costs and promoting safety and reliability. Defaulting to like-for-like replacement of decades-old assets may not provide the greatest benefits to the grid or ratepayers.

SCE should also provide information regarding compliance projects that may be needed for SCE's Wildfire Mitigation Plan. Are any of these compliance projects fire-related? Are they related to any work detailed in SCE's Wildfire Mitigation Plan? Has SCE changed the priority of the Transmission Line Rating Remediation (TLRR) projects based upon its Wildfire Mitigation Plan? Stakeholders should reasonably expect these details.

### 3. Infrastructure Replacement – Substation

SCE explained that the Substation Infrastructure Replacement program is a programmatic replacement of substation equipment and structures for assets that are nearing the end of life, have become obsolete, have poor reliability, or have poor maintenance histories. The 2019 TMCR Draft Report states that many of the assets are identified through the Health Index Tool. As part of the TMCR Report, SCE should provide the 5-year forecast of the Health Index Tool for each set of assets, showing the priority of each project and expected date of replacement.

If certain projects are not based on the Health Index Tool, SCE should provide information describing how the project was identified (e.g., if transformers need to be replaced and SCE decides to rebuild a switchrack structure, maintenance records, inspections, etc.).

## 4. Infrastructure Replacement – Transmission

Transmission infrastructure replacement is also based upon age, obsolescence, poor performance, inspections, etc. The 2019 TMCR Report states that some programs schedule replacements based on order of importance and risk level, and notes that some programs have no transmission costs included for the relevant time period. (2019 TMCR Final Report, p. 16). Overhead conductor and underground cable replacements use the Outage Database and Reliability Metrics (ODRM) tracking system. The information from the ODRM should be provided in order to support the projects included in these programs. As for Tower Corrosion projects, SCE should provide data from the inspections and ranking of towers that need to be mitigated and the type of mitigation (e.g., repair, protective coating, or replacement).

As part of the stakeholder meeting, the SCE subject matter expert(s) should provide a walk-through on select projects in each PIN under Infrastructure Replacement and demonstrate the modeling/analysis process conducted to identify the need and justify the replacement activity including the input data used and identification of the data sources. Demonstrations of the analytical tools used (e.g. Health Index Tool, ODRM tracking system, etc.) should also be conducted.

## 5. Work Performed by Operating Agent

No comments.

## 6. Operation Support – Substation Capital Maintenance

SCE's Substation Capital Maintenance "seeks to preserve the value of SCE's buildings, equipment, and grounds." (2019 TMCR Final Report, p. 19). These projects are based on a prioritization methodology based on a Facility Condition Index, an Asset Priority Index, and an asset's "Fitness for Purpose." (Id.)

SCE claimed during the stakeholder meeting that these projects are "emerging," and therefore, it would be difficult to provide details on specific projects in this category. While many of the projects may be emergent to the point that they would not be known in years 3-5, there must be some work here that is known in advance. Furthermore, SCE should provide any of the previously mentioned indices that might provide insight into future projects (Note: Provided in response to TMCR CPUC-SCE-001-17). This is another area where seeing what is planned in the next year or two when the Draft TMCR Report is released would help stakeholders anticipate what is planned. Simply claiming projects are emergent, and then not having to disclose information because only years 3-5 are discussed, impedes stakeholders from fully participating in the TMCR process.

## 7. Operation Support – Seismic Activity

According to information provided at the stakeholder meeting, SCE's efforts to address seismic risks focus on substations, towers and priority corridors. Of SCE's 70 transmission substations, only 3 are included in the 2019 TMCR Draft Report. Specific information on these 3 substations and the priority corridors, and how methodologies were applied to prioritize this work, is needed. SCE discussed a 2016 study that identified the areas needing detailed assessments. This study, as well as any studies based upon the detailed assessments and prioritization thereof, should be provided for any transmission assets.



## 8. Physical/Cyber Security

In the Physical Security Enhancement Program, SCE indicated at the meeting that there were about 80 projects that would fall into this category that are represented in the TMCR forecasts. While still maintaining necessary restrictions on Critical Electric/Energy Infrastructure Information (as designated by FERC for specific projects) and other justifiable and supported claims of confidentiality, this is not a long list of projects forecasted to be worked on in the next five years, and the complete list should be included in Appendix B of the Report.

In addition, without knowing the specific locations of security enhancement deployments, it would be helpful to know the amounts of ratepayer funds spent on categories such physical deterrents (walls, fencing, equipment hardening, etc.), digital defenses (cameras, alarms, firewalls, etc.), and other forms of defense. (Partially provided in response to TMCR CPUC-SCE-001-36).

Also as mentioned in the General Comments section, SCE corrected 2021-2023 forecasted expenditures for physical security to be 100% FERC jurisdictional and excluded any CPUC jurisdictional costs. The correct forecasted figures are: \$22.8M, \$24.5M, and \$12.6M for 2021, 2022, and 2023, respectively. In the Draft 2019 TMCR Report for physical security, the expected costs were stated to be \$19.9 million, \$19.4 million, and \$12.2 million for 2021, 2022, and 2023, respectively. As the corrected forecasted costs are higher, it appears costs were added, rather than excluded.

## 9. Additional Comments

In Appendix C, the CPUC appreciates SCE's responses:

- Regarding their intention to include projects associated with their wildfire mitigation plans in the 2020 TMCR Report, we look forward

to this list of projects, including specific needs based on methodologies, criteria and/or processes for each project.

- Regarding the 5-year forecast of the Health Index Tool for each set of assets, we look forward to being provided more details for each set of assets, showing the priority of each asset and expected date of replacement in the 2020 TMCR Report.

The CPUC also appreciate SCE's offer of providing ten additional business days (20 business days total) of review after posting its 2020 Draft TMCR Report. However, we recommend more time and opportunity after the stakeholder meeting, and before the Final Report, to have a robust and transparent process.

## Reference

2019 Transmission Maintenance and Compliance Review (TMCR). (2019, August 28). Southern California Edison. Version: Final. Retrieved from <https://www.sce.com/regulatory/open-access-information?from=%20/aboutsce/regulatory/openaccess/default.htm>