

May 27, 2020

Submitted via email

Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
wildfiresafetydivision@cpuc.ca.gov

**Re: Comments on Draft Resolution WSD-002, Draft Resolution WSD-003,
and Draft Resolution WSD-004**

Dear Ms. Jacobs and the Wildfire Safety Division:

The Energy Producers and Users Coalition¹ (EPUC) submit these comments on Draft Guidance Resolution WSD-002,² Draft Resolution WSD-003³ and Draft Resolution WSD-004.⁴ Draft Resolution WSD-003 conditionally approves the Wildfire Mitigation Plan (WMP) of Pacific Gas and Electric Company (PG&E) and Draft Resolution WSD-004 conditionally approves the WMP of Southern California Edison Company (SCE).

I. Introduction

The Wildfire Safety Division (WSD) draft Resolutions provide a detailed and thoughtful review of the utilities' 2020 WMPs, especially given the tight statutory deadlines. Three introductory observations are warranted. First, the WSD correctly determines that the cost recovery for the WMPs belong in the utilities' general rate

¹ EPUC represents Aera Energy LLC, California Resources Corporation, Chevron U.S.A., Inc., PBF Energy, Inc., Phillips 66 Company, and Tesoro Refining & Marketing Company LLC in this proceeding.

² Draft Resolution WSD-002, May 7, 2020 (Draft Guidance Resolution).

³ Draft Resolution WSD-003, May 7, 2020 (WSD-003).

⁴ Draft Resolution WSD-004, May 7, 2020 (WSD-004).

cases (GRC). Second, the WSD properly emphasizes the importance of accurate and functional cost effectiveness measures. Finally, in its transition from the CPUC to the Natural Resources Agency, the WSD should include specific procedural instructions to optimize public review of future WMPs. Aside from this last modification, the Commission should adopt the WSD's conditional approval of PG&E's and SCE's 2020 WMPs.

II. Comments on the WSD Draft Resolutions

a. Any Cost-Related Recovery Must Occur in the Utilities' General Rate Cases

The WSD correctly finds that approving the WMPs does not grant approval of any program costs and directs that those program costs must be evaluated in the utilities' GRCs. Ordering Paragraph 2 of the Draft Guidance Resolution states:

Nothing in this Resolution constitutes approval of the costs associated with electrical corporations' Wildfire Mitigation Plan (WMP) efforts. As set forth in Public Utilities Code §8386(g), and confirmed by Decision 19-05-036, the Commission will consider costs recovery related to WMPs in the electrical corporations' General Rate Cases or application permitted by Section 8386.4(b)(2).⁵

Deferring all cost considerations to the GRCs is an especially important paradigm because WMP costs from 2020-2022 will dwarf any recent IOU infrastructure investment.⁶ In fact, both PG&E's and SCE's 2020 WMPs exceed the total revenue requirement from each of their most recent Phase 1 GRCs.⁷ SCE's proposed WMP costs from 2020-2022 is approximately \$4.5 billion, shown below in WSD-004.⁸

⁵ WSD-002 at 34, Ordering Paragraph 2.

⁶ *Opening Comments of the Energy Producers and Users Coalition on the 2020 Wildfire Mitigation Plans* (EPUC Comments on 2020 WMPs), April 7, 2020, at 3.

⁷ *Id.* at 4.

⁸ WSD-004 at 4, Table 1.

Table 1: Proposed WMP costs

| Proposed WMP costs | |
|---------------------------|----------------|
| Total costs 2020-2022 | \$4.5 billion |
| Subtotal: 2020 | \$1.60 billion |
| Subtotal: 2021 | \$1.40 billion |
| Subtotal: 2022 | \$1.50 billion |

According to WSD-003, PG&E's proposed costs for 2020-2022 is estimated to be \$9.54 billion, shown in the table below.⁹ As noted in EPUC's comments to the 2020 WMPs, PG&E's WMP does not appear to contain its own estimate of total spend.¹⁰

Table 1: Proposed WMP costs

| Proposed WMP costs | |
|---------------------------|----------------|
| Total costs 2020-2022 | \$9.54 billion |
| Subtotal: 2020 | \$3.17 billion |
| Subtotal: 2021 | \$3.13 billion |
| Subtotal: 2022 | \$3.24 billion |

The staggering costs of the WMPs, combined with the IOUs' deficient cost effectiveness analysis, referenced further below, emphasize the importance of reserving cost, scope, and reasonableness reviews in the GRCs.

b. The Draft Resolutions Provide Robust and Effective Remedies for PG&E's and SCE's Deficient Cost Effectiveness Information

In evaluating PG&E's and SCE's WMP, the WSD astutely observes that an effective program should be deployed "with a key, strategic eye toward maximizing every scarce resource, whether it be direct costs, personnel, or time, to maximize its impact."¹¹ Unfortunately, both PG&E and SCE's 2020 WMPs lack meaningful risk-spend efficiency (RSE) and related "cost effectiveness" information to allow the CPUC or intervenors to conduct an effective review. The draft Resolutions recognize this

⁹ WSD-003 at 4, Table 1.

¹⁰ EPUC Comments on 2020 WMPs at 3.

¹¹ See, WSD-003 at 3 and WSD-004 at 4.

deficiency and provide a robust analysis of how PG&E and SCE should improve their submissions.

Measuring RSE is of critical importance for the proposed programs for two reasons. First, it ensures that WMPs themselves prioritize activities based on RSE models, and second, functional RSE information will allow the Commission to review the WMPs' cost effectiveness in future GRCs.¹² The Draft Guidance Resolution captures this sentiment in highlighting a “continuing issue from 2019 that persists in 2020 WMPs” of “the extensive use of non-committal equivocating language.”¹³ The WSD incisively observes that “[t]he prevalent use of equivocating language results in sparse commitment from utilities for achieving the intended goal of WMPs – reducing the risk of catastrophic wildfire posed by electrical lines and equipment.”¹⁴

1. PG&E's 2020 WMP Conditional Approval

In evaluating PG&E's WMP, the WSD observes that “all utilities must move away from traditional prioritization practices to ones informed and prioritized by risk.”¹⁵ It continues by noting that “PG&E must rigorously apply a risk-based prioritization lens to its portfolio of initiatives to reduce wildfire risk....”¹⁶

As highlighted by EPUC in its comments, PG&E's WMP does not provide enough information for stakeholders or the Commission to evaluate cost effectiveness.¹⁷ WSD-003 endorses this conclusion, stating that “...PG&E provides little description of how risk assessment and mapping are used to select mitigation measures and prioritize their deployment at the circuit or asset level.”¹⁸ WSD-003 states:

Overall, PG&E does not demonstrate sufficiently that it is allocating finite resources to initiatives that most effectively reduce wildfire risk and PSPS incidents. The 2020 Guidelines required utilities to provide RSE estimates for all initiatives, yet, PG&E provided estimates for only 4 initiatives. As

¹² EPUC Comments on 2020 WMPs at 6.

¹³ Draft Guidance Resolution at 23.

¹⁴ *Id.*

¹⁵ WSD-003 at 4.

¹⁶ *Id.*

¹⁷ EPUC Comments on 2020 WMPs at 8.

¹⁸ WSD-003 at 4.

mentioned above, some initiatives were aggregated into "programs," making it difficult to assess the cost of individual initiatives within a larger program.¹⁹

This is unacceptable given the breadth of initiatives included in PG&E's WMP. PG&E does not adequately explain why it failed to provide the required information and has not provided other forms of evidence or a discussion to support its allocation of resources among the selected wildfire initiatives or explain why its chosen initiatives are more effective than alternatives. During the WMP workshops conducted in February 2020, PG&E committed to improving its analysis in the future, but that does not excuse its lack of responsiveness this year. The WSD is imposing conditions to address this major gap.²⁰

WSD-003 continues with a series of deficiencies of PG&E's cost effectiveness methodology, experienced by EPUC and other parties to the proceeding. Problems include a lack of clarity in PG&E's risk scoring methodology,²¹ lack of information in its cost effectiveness calculations,²² and problems with its program prioritization.²³

Further, PG&E does not adequately explain how it prioritizes mitigation measures and aggregates program budgets in a way that makes it difficult to analyze its programs.²⁴

In addition to the deficiencies noted above, WSD-003 observes that PG&E's Plan does not effectively measure and account for the interrelationship of initiatives.

While PG&E outlines numerous efforts to improve its ability to more effectively conduct PSPS and minimize its impacts, there is a clear gap and absence of detail on the relationship between various hardening,

¹⁹ *Id.* at 5-6.

²⁰ *Id.* at 6.

²¹ *See id.*, Appendix A, at A6 ("It is not clear if PG&E's line risk scoring sufficiently incorporates all risk that cause ignition and PSPS.").

²² *See id.* at 5-6 ("Overall, PG&E does not demonstrate sufficiently that it is allocating finite resources to initiatives that most effectively reduce wildfire risk and PSPS incidents.").

²³ *See id.* at 4 ("PG&E outlines improvements being made to its risk assessment tools, but it is unclear how these tools are used to drive prioritization of specific wildfire mitigation initiatives to minimize wildfire risk and PSPS.").

²⁴ *Id.* at 57.

vegetation management and asset management initiatives and corresponding impacts on thresholds for initiating PSPS events.²⁵

To address these deficiencies, the WSD requires several remedies, including the filing of a Remedial Compliance Plan to update several initiatives, spend information, and cost effectiveness analysis.²⁶ In addition, PG&E is required to explain its methods for the following in its first quarterly report: (1) prioritization of programs, (2) leveraging past initiative performance data, and (3) balancing hardening and remediation work to reduce ignition probability, among other items.²⁷ EPUC supports the WSD's thoughtfully crafted solutions to address deficiencies in the WMP's methodologies for cost effectiveness and RSE.

2. SCE's 2020 WMP Conditional Approval

In evaluating SCE's 2020 WMP, the WSD endorses EPUC's position that SCE's plan does not provide details to enable parties to evaluate the reasonableness of the mitigation benefit and cost inputs to the RSE calculation.²⁸ WSD-004 states:

...the assessment does consider the effective use of resources to reduce wildfire ignition risk. Overall, SCE does not demonstrate sufficiently that it is allocating finite resources to initiatives that most effectively reduce wildfire risk and PSPS incidents. The 2020 Guidelines required utilities to provide RSE estimates for all initiatives, yet, SCE provided estimates for only 27 of 80 initiatives.²⁹

Akin to WSD-003, WSD-004 conditionally approves SCE's 2020 WMP and details several pending issues remaining in SCE's proposed cost effectiveness prioritization and methodology.

For those initiatives where RSE estimates were provided, RSE was not provided for alternatives, making the calculation alone insufficient to justify

²⁵ *Id.* at 60.

²⁶ *See id.* at 18, 30, 43, and 61.

²⁷ *Id.* at 60.

²⁸ EPUC Comments on 2020 WMPs at 11.

²⁹ WSD-004 at 7.

allocation decisions. In addition, gaps exist in the methodology for calculating RSE.³⁰

While SCE is developing models to estimate risk across its service territory, there is a lack of focus on how these models can be used in practice to prioritize initiatives to address specific ignition drivers and geographies....³¹

The WSD's critical review is especially important because as compared to the three large California IOUs, "SCE's planned spend of approximately \$318,000 per HFTD circuit mile is the high end."³²

To remedy deficiencies related to its RSE methodology, WSD-004 requires SCE to file a RCP to update information and output for risk models in its vegetation management program, one of its largest programs.³³ In addition, SCE is ordered to file a quarterly report that includes a description of its Wildfire Risk Reduction Model and how it will make decisions based on the model.³⁴ The WSD expects that SCE has "committed to improving capabilities which allow for thoughtful resource allocation and will need to work diligently to meet these commitments."³⁵

c. In its Move to the California Natural Resources Agency, the WSD Should Optimize Public Review of the WMPs

The Draft Guidance Resolution contemplates the upcoming move of the WSD from the CPUC to the Natural Resources Agency, noting that "by July 1, 2021, the WSD will transition to the CNRA and become the Office of Energy Infrastructure Safety

³⁰ *Id.*

³¹ *Id.* at 44; *see also id.* "Specifically, SCE does not outline in detail how it determines where to prioritize to improve asset management or determine portions of circuits that would benefit the most from hardening, and vegetation management. SCE also does not carefully identify circuits and assets in which vegetation management is less needed to reduce the scope of the vegetation management to where it is most effective.").

³² *Id.* at 42 ("On average, the large three electrical corporations plan to spend approximately \$305,000 per HFTD circuit mile. SCE's planned spend of approximately \$318,000 per HFTD circuit mile is the high end of the large three IOUs and is approximately 4% more than the average of the two other large IOUs.").

³³ *Id.* at 37.

³⁴ *Id.* at 26.

³⁵ *Id.* at 7.

(OEIS).”³⁶ The WSD states that it will “issue guidance as necessary to ensure electrical corporations and stakeholders are aware of any changes to the WMP submission, evaluation, reporting and compliance processes as a result of [the] transition....”³⁷

In its move to the California Natural Resources Agency, the WSD should optimize public review and participation, given the significant costs and size of the programs. EPUC recommends the WSD continue a procedural structure of workshops, public comment, expedited discovery, and the opportunity for evidentiary hearings for the following WMP submission. This will ensure a transparent and public vetting of these significant ratepayer-funded programs.

III. Conclusion

In its Draft Resolutions, the Commission properly observes deficiencies in PG&E’s and SCE’s cost-effectiveness analyses and RSE methodologies. The lack of adequate evaluative data is evident, and cannot be rewarded. EPUC recommends that the Commission adopt the remedies proposed in WSD-003 and WSD-004 to improve and update PG&E’s and SCE’s risk-based decisionmaking and program prioritization. Finally, EPUC recommends that the WSD adopt transparent procedures for future WMP review in its transition from the CPUC to the Natural Resources Agency.



Michael Alcantar
Counsel to the Energy Producers and Users Coalition



Lillian Rafii
Counsel to the Energy Producers and Users Coalition

Copy R.18-10-007 Service List

³⁶ WSD-002 at 31.

³⁷ *Id.*