

From: Thomas Jacobs, Caroline Caroline.ThomasJacobs@cpuc.ca.gov

Subject: RE: Permission to late file comments on the Roadmap

Date: July 1, 2020 at 12:59 PM

To: Katy Morsony kmorsony@turn.org, Semcer, Melissa K. Melissa.Semcer@cpuc.ca.gov, Wildfire Safety Division wildfiresafetydivision@cpuc.ca.gov



Hi, Ms. Morsony,

I grant TURN permission to submit comments today, July 1.

Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission
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(916) 208-5614 c
Pronoun: she/her/hers

-----Original Message-----

From: Katy Morsony <kmorsony@turn.org>

Sent: Wednesday, July 1, 2020 10:02 AM

To: Thomas Jacobs, Caroline <Caroline.ThomasJacobs@cpuc.ca.gov>; Semcer, Melissa K. <Melissa.Semcer@cpuc.ca.gov>;

Wildfire Safety Division <wildfiresafetydivision@cpuc.ca.gov>

Subject: Permission to late file comments on the Roadmap

Good Morning Director Thomas Jacobs,

Due to an internal oversight, TURN did not serve its comments on the Roadmap yesterday. The comments were sent to the service list earlier this morning. May TURN have permission for late service?

Thank you.

Best,

Katy Morsony



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VIA EMAIL ONLY

June 30, 2020

Ms. Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: TURN COMMENTS ON WILDFIRE SAFETY DIVISION DRAFT ROADMAP

Dear Ms. Jacobs:

Pursuant to the May 11, 2020 Request for Stakeholder Input, TURN appreciates this opportunity to comment on the Proposed Strategic Roadmap: *Reducing Utility Related Wildfire Risk: Strategy and Roadmap for the Wildfire Safety Division* (Roadmap) issued by the Wildfire Safety Division (WSD).

TURN shares the WSD's vision of a "sustainable California with no catastrophic utility wildfires, with access to safe, reliable and affordable electricity."¹ This goal should not only drive the work of the WSD, but the California Public Utilities Commission (CPUC) more generally as well as the Investor Owned Utilities (IOUs) it regulates. This goal, however, is best served by considering the input of a diverse group of stakeholders, each with a unique perspective on what safe, reliable and affordable means.

Specifically, affordability, a key element of the WSD's vision, is best understood as a function of its impact on ratepayers, and the WSD should ensure its stakeholders include ratepayer advocates, particularly for the needs and interests of disadvantaged communities and vulnerable customers. While the Roadmap presents a bold vision for the work of the WSD, it is not clear how ratepayer advocates will participate in its work or how affordability will inform its decisions. Also unclear is the extent to which the WSD will adopt and expand the work on wildfire mitigation already begun at the Commission.

TURN recommends that, at the outset of its work, the WSD adopt clear standards for understanding affordability and ratepayer impacts. TURN further recommends that the WSD build on existing processes and ensure that there is a role for all stakeholders in its proceedings.

¹ Wildfire Safety Division, Draft Reducing Utility-Related Wildfire Risk: Utility Wildfire Mitigation Strategy and Roadmap for the Wildfire Safety Division (May 2020) at 7 (hereinafter Roadmap).

Otherwise, the WSD risks adopting processes that will be dominated by the IOUs whose activities and behavior it intends to regulate.

These comments outline TURN's recommendations on the issues of affordability and collaboration. Thank you for your consideration.

Background Regarding TURN's Experience and Perspective Regarding Wildfire Safety Issues

Before offering its comments on the WSD Roadmap, TURN would like to explain why it views the work of WSD as vital and why advocacy before the WSD is important to TURN's mission.

TURN has a long history of representing residential and small commercial customers of California's IOUs before the CPUC, with a particular focus on vulnerable customers. In addition to its work advocating for affordable rates for IOU customers, TURN has been actively participating in CPUC efforts on risk management, wildfire mitigation and safety. In recognition of the fact that ratepayer dollars are not an unlimited resource, TURN has advocated that wildfire mitigation spending be directed to the activities that are most cost-effective, rather than what is most profitable for utility shareholders. In this way, when tough decisions need to be made to cap utility spending to promote affordable rates, ratepayer spending is achieving the highest possible safety benefit. TURN offers both experience and a customer-focused perspective on balancing the requirements for a safe utility system with the goal of affordable utility rates.

TURN's experience and expertise gives TURN a unique perspective on the work of the WSD evidenced by TURN's extensive comments on the 2019 and 2020 Wildfire Mitigation Plans. The WMPs have obvious impacts on wildfire safety, but also can have indirect impacts on rates. The IOUs must ultimately demonstrate that their execution of the WMP is just and reasonable in its General Rate Case (GRC), but the WMP review remains an important forum for the discussion of the overall scope and budget of the utility wildfire mitigation work. The IOUs are likely to attempt to exploit any tacit approval of their WMP in the follow-on GRC as permission to pass on higher costs to ratepayers. Thus, to the extent that WSD is mindful of the need for cost-effective mitigation activities, it can make an important contribution to the affordability of electric rates.

In addition, TURN believes that well-crafted performance metrics and executive incentive compensation programs are a critical means of driving the utilities to focus limited ratepayer dollars on the most cost-effective wildfire mitigations. TURN has served as a leading member of the Commission's Safety Metrics Working Group for several years and has submitted detailed comments on metrics issues, including in January 2020 on the WSD proposals for wildfire safety metrics.² TURN also provided detailed comments to the WSD in January 2020 on the Executive Compensation Plans submitted by Southern California Edison and SDG&E³ and further provided

² Comments on The Utility Reform Network on the December 16, 2019 Administrative Law Judge's Ruling, R.18-10-007 (Jan 1, 2020 CPUC).

³ TURN Letter to Caroline Thomas Jacobs, Re. Executive Compensation (Feb. 5, 2020), available at:

extensive testimony and briefing on PG&E's Executive Compensation Plan in the Bankruptcy case, I.19-09-016.⁴ TURN believes that it is critical that WSD not underestimate the importance of AB 1054's detailed requirements for executive incentive compensation plans. Metrics and incentive compensation are powerful tools to focus utility leadership on achieving tangible results in sharply reducing the risk of catastrophic wildfires, and in doing so more quickly than if utilities were left to their own profit-focused devices. The WSD needs to change utility behavior and do it quickly.

In this regard, AB 1054 has given the WSD another critical tool in driving utility change – the Safety Certificate. A utility with a valid Safety Certificate benefits from a relaxed burden of proof in the review of certain wildfire claim costs, an outcome which is of tremendous financial value to utility shareholders. An executive incentive compensation program that meets AB 1054's detailed and demanding requirements is a key element of achieving safety certification. The WSD needs to recognize the importance of these determinations with which it has been entrusted, and TURN intends to advocate forcefully for the faithful application of these key AB 1054 requirements.

In the remainder of these comments, TURN offers its feedback on the proposed Roadmap documents, informed by this perspective and experience.

The WSD Strategic Roadmap

Beyond the WSD vision for its work, highlighted above, the Roadmap lays out the principles and objectives for the WSD's work. WSD principles include 1) effective collaboration; 2) local perspective; 3) long-term resilience; and 4) risk informed, data-supported decisions.⁵ Objectives identified by the WSD include the consideration of 1) public safety; 2) property; 3) natural resources; 4) reliability; 5) affordability; 6) climate action.⁶ Consideration of these objectives when assessing a proposed wildfire mitigation plan or report is "meant to create safer communities while also encouraging utilities to reduce the most risk with prudent investments while maintaining reliability."⁷ The Roadmap document and its associated appendices further describe how its vision, principles and objectives will shape the work of the WSD now and as it moves to the California Natural Resources Agency (CNRA) in Summer 2021.

https://www.cpuc.ca.gov/uploadedFiles/CPUCWebsite/Content/About_Us/Organization/Divisions/WSD/TURN_Ltr_WSD_Re_2020-ExecComp_2-5-20.pdf

⁴ The Utility Reform Network's Opening Brief and Comments on the February 18, 2020 Assigned Commissioner's Ruling, I.19-09-016 (Mar 13, 2020 CPUC) at 61-84; The Utility Reform Network's Reply Brief, I.19-09-016 (Mar. 26, 2020 CPUC) at 50-60.

⁵ Roadmap at 7.

⁶ Roadmap at 28-29.

⁷ Roadmap at 28.

The WSD Should Build On Risk-Management Principles and Requirements Already Adopted by the CPUC

While TURN supports the WSD's articulated vision, TURN is concerned that WSD is not taking full advantage of important foundational work that has already occurred at the CPUC. Priority actions for the WSD's near term work include 1) utility wildfire mitigation plans; 2) utility metric reporting; 3) detailed risk assessment and 4) data and analytic strategy.⁸ Throughout a series of proceedings, the Commission has developed and is continuing to develop a detailed framework for risk-based decision-making, including the adoption of a settlement in Decision 18-12-014 prescribing requirements for quantitative assessment of risk and mitigations. This work should inform and provide the basis for the identified near-term work of the WSD, and the further development of risk management principles should be done in lock step with the CPUC.

Specifically, in the Safety Model Assessment Proceeding (SMAP) the CPUC reviews the risk assessment models to be used by the IOUs in each of their Risk Assessment Mitigation Phase (RAMP) proceedings. RAMP proceedings, in turn, provide an early opportunity to review the utilities' selection and prioritization of risk mitigation activities, in advance of each utility's general rate case (GRC). In Decision 18-12-014 in SMAP, the Commission adopted a settlement (in which TURN was the lead non-utility representative) that prescribes detailed requirements for the quantitative risk and mitigation assessment methodology that utilities must use in their RAMP and GRC proceedings. Because the RAMP/GRCs include funding requests for the wildfire mitigations in approved WMPs, there should be consistency in the risk analysis used for the WMPs and for the RAMP/GRCs.

The work of the WSD must be closely coordinated with that of the CPUC to ensure consistency across the organizations, especially after the WSD moves to the CNRA. As the WSD completes its near-term work, it should strive to build on the foundation built in the SMAP and related proceedings. Further, the WSD should work to ensure that any future development of these ideas does not conflict with the direction provided to the IOUs by the CPUC.

Establishing a clear and close working relationship between the WSD and the CPUC is one way of ensuring coordination. Recognizing the importance of consistency and coordination between the WSD and the CPUC has led to TURN's support for the Wildfire Safety Advisory Board (WSAB) proposal that the WSD remain housed in the Commission rather than move to the CNRA.⁹

Affordability Should be Considered in Terms of its Ratepayer Impact

While the Roadmap identifies affordability as part of its vision for the agency, the discussion of how considerations of affordability will impact the WSD work is limited. Further the limited

⁸ Roadmap at 31.

⁹ TURN Letter to the Wildfire Safety Advisory Board, Re. Comments on Recommendations on the 2021 Wildfire Mitigation Plan Guidelines, Performance Metrics and Safety Culture Draft for Public Comment (June 15, 2020), available at: <https://www.cpuc.ca.gov/wsab/publiccomment/>

discussion of affordability is inconsistent with the definition of affordability adopted in the Commission’s Affordability proceeding, R.18-10-007. That proceeding defines affordability as “the degree to which a representative household is able to pay for an essential utility service charge, given its socioeconomic status.”¹⁰

Rather than focus on ability to pay, the Roadmap states “[t]o set an affordability goal ... more than only ratepayer costs must be considered.”¹¹ Instead, WSD understanding of affordability will consider cost-effectiveness and “whether utility wildfire mitigation spend is being done in an intelligent, efficient way.”¹² TURN fully supports the view that prioritizing cost-effective work is a key means of promoting affordable rates. However, WSD should not lost sight of the fact that affordability is a broader goal that promoting cost-effective work will not necessarily achieve by itself. TURN recommends that at the outset of its work, the WSD adopt clear principles for affordability tied primarily to the impact of utility spending on its customers. Cost-efficiency should indeed be recognized as an important intermediate objective that contributes to affordability. But affordability in its own right needs to be an ultimate objective for the WSD’s work.

The Roadmap discussion of affordability highlights the extraordinary increase in monthly bills of the 2019 WMP submissions, up to 7% in some cases.¹³ Cost impacts cannot be considered without the context of other pending rate impacts as well as the overall economic conditions, and considered together, California ratepayers face large rate increases. While it is imperative that California prepare to meet the threat of wildfire, the state is also combating massive income inequality, which is predominately impacting Black and Brown customers of the IOUs. Analysis of the state of California’s economy finds that “households of color are twice as likely as white households to lack adequate income to meet their basic needs.”¹⁴ Further, the impacts of the Covid-19 pandemic have had a disproportionately negative impact on these communities from both an economic and a health perspective.¹⁵ Any consideration of affordability should include a lens that protects against deepening these inequalities.

Ultimately, affordability requires not just cost-effective spending, but a recognition that vulnerable customers cannot afford unbounded utility expenditures. Clarifying the definition of affordability relied on by the WSD to focus its efforts on ratepayer impact should not hinder its ability to demand utility spending that is reasonable and cost-efficient. Instead, by separating the two concepts, the WSD can ensure each concept is given sufficient consideration.

¹⁰ Proposed Decision Adopting Metrics and Methodologies for Assessing the Relative Affordability of Utility Service, R.18-10-007 (June 4, 2020 CPUC) at 2.

¹¹ Roadmap, Appendix 2 at 9.

¹² *Id.* at 9.

¹³ Roadmap App 2 at 9.

¹⁴ Insight Center for Community Economic Development, April 2018, *The Cost of Being Californian: A Look at the Economic Health of California Families* (Insight Report), p. 2.

¹⁵ Among others, see NPR, <https://www.npr.org/2020/06/03/868469779/black-americans-bear-the-brunt-of-the-covid-19-pandemics-economic-impact>; ABC News, <https://abc7news.com/coronavirus-by-race-sutter-health-study-african-american-community-deaths/6202118/>.

Further, throughout the Roadmap document, the WSD highlights collaboration as a principle guiding its work. The Roadmap identifies four areas of collaboration: governance and coordination, culture and behavior, applied science, technology and data, and workforce development.¹⁶ Given the potential scale of wildfire spending, TURN recommends the WSD also adopt ratepayer impact as a category for collaboration.

The WSD Should Encourage Intervenor Engagement

As described in the Roadmap, efforts at collaboration are primarily focused on cooperation with IOUs and other government actors to address wildfire risk.¹⁷ While the Roadmap does state that they must work together with “private actors” it is unclear how the WSD will ensure that ratepayer input is sufficiently considered.¹⁸ To be effective, collaboration must mean receiving input from a diversity of stakeholders, including representatives of residential and small business ratepayers. As discussed above, TURN has significant experience working at the CPUC in a variety of safety-related proceedings and can provide valuable input on issues such as quantitative risk and mitigation assessment, safety metrics, incentive compensation, and safety culture.¹⁹

In general, TURN and many other intervenors fund their advocacy by participating in the intervenor compensation program. Any TURN advocacy before the WSD that leads to a WSD written decision should be eligible for intervenor compensation. Before the adoption of Assembly Bill (AB) 111 and AB 1054, advocacy related to wildfire mitigation before the CPUC was compensable. To date, however, TURN has not received promising indications from the WSD or Commission that compensation will continue to be available for work related to WSD decisions not ratified in a CPUC Resolution. Given that statute does not preclude intervenor compensation, compensation should be available for the work that is now under the purview of the WSD. If WSD has a different view of the availability of compensation, TURN would appreciate clarification.

TURN highlights these issues as significantly impacting the potential for collaboration on WSD work by all stakeholders, particularly those representing the interests of vulnerable ratepayers. If there is no potential for compensation, the voices of TURN and other intervenors who rely on the Intervenor Compensation program may be lost. This will leave the work of the WSD predominated by the interests of the IOUs and, perhaps, representatives of industrial and other large ratepayers. A demonstrated intent on collaboration should encourage and empower the participation of advocates for a variety of different ratepayer interests by providing access to intervenor compensation.

TURN encourages WSD to recognize that effective intervenor participation is important to the success of its efforts. The WSD should give careful thought to how it will facilitate such participation, including through intervenor compensation. If legislative change is needed,

¹⁶ Roadmap at 8.

¹⁷ Roadmap at 7-8.

¹⁸ Roadmap at 42.

¹⁹ Roadmap at 44.

particularly if WSD moves to the CNRA, WSD should prioritize seeking such change to enable advocacy related to the IOUs to be eligible for intervenor compensation. This would ensure the WSD's collaborative efforts include intervenors with a diversity of experience, expertise and perspectives.

Conclusion

TURN appreciates this opportunity to provide feedback on the proposed Roadmap. TURN recommends that the final Roadmap document clarify the plans for coordination of the work of the WSD with the CPUC, identify both affordability and cost-efficiency as WSD objectives and ensure a path for effective intervenor participation. Thank you for your attention to these comments.

Please do not hesitate to contact me at kmorsony@turn.org if you have any questions about these comments.

Sincerely,
/s/
Katy Morsony
Staff Attorney

CC: CPUC Service List for R.18-10-007