



Bear Valley Electric Service, Inc.  
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A Subsidiary of American States Water Company

Via Electronic Mail

February 5, 2021

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

Subject: Response to Public Advocates Office Comments on BVES 2021 Executive Compensation Plan

Dear Ms. Jacobs:

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission and Director Caroline Thomas Jacobs' guidance letter of December 22, 2020, Bear Valley Electric Service, Inc. ("BVES" or "Bear Valley") submits its response to the January 29, 2021 comments ("Comments") of the Public Advocates Office ("Cal Advocates") to Bear Valley's 2021 Executive Compensation Plan ("Plan").

**There Are More Non-Capital Outcome Metrics Than Capital Metrics**

While conceding that capital-based infrastructure upgrades may be instrumental to a utility's efforts in preventing wildfires, Cal Advocates assert that BVES should keep its focus squarely on safety outcomes. Cal Advocates claims that there are "only a few" performance metrics in the Safety Category that are out-come based, while 32% of Bear Valley's Short-Term Incentive Plan ("STIP") are capital-focused.<sup>1</sup> Cal Advocates description misinterprets the STIP.

There are actually *more* outcome metrics in the Safety Category that are non-capital-focused than there are capital-focused. While there are *four* capital-focused metrics, there are actually *five* outcome metrics in the Safety Category that are non-capital-focused. Those five outcome metrics comprise 26% of the STIP as compared to 32% of the capital-focused metrics.

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<sup>1</sup> Comments at p. 10.

It is a mischaracterization of the facts for Cal Advocates to claim that non-capital Safety-Category outcome metrics, which *exceed* the number of capital Safety Category outcome metrics and nearly equal the same payout percentage, comprise “only a few” of the Safety-Category metrics. Indeed, the outcome metrics in the Safety Category of the STIP that are not capital focused, whether judged in sheer numbers or payout percentages, are more accurately described as either dominant or quite substantial, respectively. BVES has developed a Plan which does, in fact, focus squarely on safety outcomes.

### **Level of Capital Infrastructure Metrics Is Appropriate and Reflects Support for Implementing WMP**

Cal Advocates claim that “a set of metrics that emphasizes building capital infrastructure, with few outcome-based metrics, will not likely yield the most effective strategies for safety and wildfire prevention”, and “can encourage” system hardening without regard to where the risk is greatest. Cal Advocates assert that such metrics can encourage a utility to pursue slow, expensive and potentially ineffective measures rather than measures that “expeditiously reduce risk.”<sup>2</sup> Cal Advocates’ statements imply that they are applicable to Bear Valley’s Plan but are devoid of any specific facts or analysis to support such a conclusion. In fact, the implications are unfounded.

First, the Plan does not “emphasize” building capital infrastructure. There are 4 capital-related metrics out of a total of 15 metrics in the STIP. In terms of payout percentages, the four capital-related metrics comprise 32%, while non-capital metrics comprise 68% of the STIP. The STIP clearly does not “emphasize” building capital infrastructure at the expense of other metrics. The metrics are appropriately balanced.

Second, as stated above, it is a mischaracterization of the facts to claim that Bear Valley’s STIP has “few outcome-based metrics.” Indeed, the STIP includes 8 outcome-based metrics out of a total of 15 metrics. And outcome-based metrics comprise 50% of the payout percentages of the STIP. Clearly, the STIP has substantially more outcome-based metrics than “a few” as Cal Advocates claim.

Third, Cal Advocates imply, but do not support with any facts, that the capital infrastructure metrics in Bear Valley’s STIP do not address the greatest BVES wildfire risks.

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<sup>2</sup> Comments at p.10

Neither the statutory provisions of Section 8389 nor the WSD requirements of an executive compensation plan require that capital infrastructure metrics be included in a plan in the first instance, or if they are included that they represent the greatest wildfire risk to that utility. More importantly, the capital infrastructure metrics in the STIP are important parts of Bear Valley's Wildfire Mitigation Plan ("WMP") approved by WSD. By including those metrics in the STIP, Bear Valley's executives are incentivized to implement its approved WMP, which is designed to mitigate wildfire risks.

And finally, as to Cal Advocates inference that capital infrastructure metrics in the STIP are taking the place of measures that "expeditiously" reduce risk, Cal Advocates provide no factual basis for its inference or its claim. Nor do Cal Advocates claim, or provide any evidence, that Bear Valley's capital construction metrics are, in fact, slow, expensive or ineffective. And finally, Cal Advocates identify no measures that more "expeditiously" reduce risk than Bear Valley's proposed capital infrastructure metrics.

In short, Cal Advocates' comments rely almost exclusively on inferences, and multiple *possible* outcomes without any specific recommendation to address its claimed concerns. And Cal Advocates ignore the fact that including capital infrastructure metrics in the STIP incentivizes BVES executives to effectively implement important programs approved by WSD in Bear Valley's WMP.

### **Section 8389 Does Not Require Safety Outcomes**

Cal Advocate requests WSD to direct BVES to "evaluate" its Plan so that it includes "more emphasis" on "safety outcomes" in "compliance with Public Utilities Code Section 8389(e)(4)."<sup>3</sup> Again, Cal Advocates make no specific recommendations other than to "evaluate" the Plan, rather than "change" or "modify" the Plan in some specific manner.

In addition, Cal Advocates seems to suggest that increasing the emphasis on "safety outcomes" will bring the Plan into "compliance" with Section 8389(e)(4). Here again, Cal Advocates implies, but does not explicitly state that the Plan is not in compliance with Section 8389(e)(4). Indeed, the Plan is in compliance in all respects with the provisions of Section 8389(e)(4), as methodically set forth in Bear Valley's January 15 submission.

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<sup>3</sup> Comments at p. 11.

And Cal Advocates imply that Section 8389(e)(4) includes some reference or specific requirements for “safety outcomes.” Cal Advocates are mistaken. Nowhere in Section 8389(e)(4) is the term “safety outcomes” used. There are references to meeting “performance metrics” that are “measurable and enforceable” and that promote “safety as a priority” and “ensure public safety and utility financial stability.” Indeed, performance metrics may be both “outcome” (e.g., number of utility equipment ignitions) as well as “input” or “target” (e.g., miles of covered conductor installations) metrics. However, none of these statutory requirements are characterized as, or use the term of, “safety outcomes.”<sup>4</sup>

### **Conclusion**

In sum, Cal Advocates make a number of unsubstantiated claims or inferences about the Plan, but do not specially assert that the Plan fails to comply with any specific statutory or WSD requirements. Nor do Cal Advocates recommend any specific changes in, nor the rejection of, the Plan by the WSD.

BVES believes that the Plan as submitted requires no changes, is in full compliance with all statutory and WSD requirements, and it should be approved without any change or modification.

BVES appreciates the opportunity to submit these reply comments.

Respectfully submitted

**Paul Marconi,**  
**President BVES, Inc.**

/s/ Paul Marconi  
President, Treasurer and Secretary  
Bear Valley Electric Service, Inc.

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Cc: R.18-10-007

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<sup>4</sup> Although it does not use the term “safety outcome, Section 8389(e)(4) includes one metric that could be characterized as a safety-outcome metric where it refers to an electrical corporation that causes a catastrophic wildfire that results in one or more fatalities may deny an executive 100% of the performance bonus. On page 10 of the Plan, it provides that in such a catastrophic event, a BVES executive will receive no STIP bonus whatsoever.