

PUBLIC UTILITIES COMMISSION

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June 10, 2020

**Wildfire Safety Division Action Statement on
Liberty Utilities/CalPeco Electric's 2020 Wildfire Mitigation Plan**

This Action Statement is the conditional approval of Liberty Utilities/CalPeco Electric's (Liberty) Wildfire Mitigation Plan (WMP) and is presented to the California Public Utilities Commission (CPUC) for ratification, via the associated Resolution and Guidance Resolution.

Introduction

Wildfires have caused significant social, economic, and environmental damage on a global scale. In California, electric utilities are responsible for some of the most devastating wildfires in recent years. The Wildfire Safety Division (WSD) recognizes that the wildfire threat is only increasing, with utility-related ignitions responsible for a disproportionate share of wildfire-related consequences. To that end, the WSD has a vision of moving towards a sustainable California, with no catastrophic utility-related wildfires, that has access to safe, affordable, and reliable electricity. The WSD recognizes it is critical for utilities to act quickly to reduce utility-related wildfire risk effectively and prudently.

As utility wildfire mitigation has become an increasingly urgent priority, the California Legislature has passed several bills related to utility wildfire prevention and oversight. The main regulatory vehicle for the WSD to regulate utilities in reducing utility wildfire risk is the Wildfire Mitigation Plan (WMP), which was introduced in Senate Bill (SB) 1028 (Hill, 2016) and further defined in SB 901 (Dodd, 2018), Assembly Bill (AB) 1054 (Holden, 2019), and AB 111 (Committee on Budget, 2019). Investor-owned electric utilities are required to submit WMPs assessing their level of wildfire risk and providing plans for wildfire risk reduction. The first WMPs under the SB 901 framework were submitted by the utilities and evaluated by the CPUC in 2019.

AB 1054 and AB 111 transferred responsibility for evaluation and approval of WMPs to the WSD,¹ which, as of July 2021, will transfer and become the Office of Energy Infrastructure Safety within the California Natural Resources Agency. In this role, the WSD must ensure utility wildfire mitigation efforts sufficiently address increasing utility wildfire risk. To support its efforts, the WSD developed a draft long-term strategy and roadmap. This strategy and roadmap will inform the WSD's work in updating the WMP process and guidelines, and the WSD's evaluation of the WMPs.

AB 1054 mandates that the WSD complete its evaluation of WMPs within 90 days of submission. The utilities submitted 2020 WMPs on February 7, 2020. Upon completion of

¹ With CPUC ratification of the WSD's actions.

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the past 90 days of evaluation, the WSD recognizes that the utilities have made significant progress. Compared to their first submissions in 2019, the utilities utilize much more data and objective content in their 2020 WMP filings and share more critical information with key partners. However, while utilities are already undertaking wildfire mitigation activities and building capabilities subject to regulation, all utilities must continue to make meaningful progress. Utilities' activities need to incorporate longer-term thinking by focusing more systematically on increasing their maturity over time. All utilities should take a more robust strategic approach that leverages additional Risk Spend Efficiency (RSE) data to focus on the most impactful actions – all with a local lens. This statement outlines more specifically what the WSD sees as critical priorities for the upcoming year for Liberty and approves, with conditions, Liberty's 2020 WMP. Together, this statement, the associated Resolution and the Guidance Resolution represent the totality of the WSD's conditional approval of Liberty's 2020 WMP.

Background

To ensure that utility wildfire mitigation efforts sufficiently address increasing utility wildfire risk, new WMP Guidelines, a Utility Survey and a Maturity Model were launched for 2020. Together, these tools represent a milestone in the evolution of utilities' wildfire mitigation efforts and ensure consistency with the WSD's enabling legislation.

2020 Guidelines

The 2020 WMP Guidelines implement several changes to further enhance the depth, comparability and quality of utility WMP submissions. Specifically, the WMP Guidelines require reporting of consistent metrics, ignitions, risk data and specific utility initiatives to reduce wildfire risk. Utilities have provided historical metrics and data as a baseline, which can be used to evaluate a utility's wildfire risk level and to assess whether the utility's initiatives sufficiently address this risk. These metrics and data will be used to track utility progress in mitigating the risk of catastrophic wildfire over time.

Maturity Model and Utility Survey

In order to enhance the focus on safety, ensure consistent goals and evaluate performance, the WSD has developed a model for evaluating current and projected wildfire risk reduction performance. It is important to note that this model is not designed to immediately penalize utilities for poor performance, but rather it is an effort by the WSD to work collectively with the utilities it regulates² to facilitate improvement by identifying best practices, current strengths and current weaknesses across the utility

² The WSD (ultimately the Office of Energy Infrastructure Safety) and the CPUC have complementary regulatory roles to fill in ensuring a strong oversight in reducing the risk of ignition of wildfires from utility infrastructure. The WSD, CPUC, and other relevant agencies will work together to ensure roles are defined and regulatory outcomes are met.

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landscape. The WSD believes it is in the best interest of the utilities, ratepayers and other key stakeholders to take this collaborative, growth-oriented approach. While certain utilities are currently on the low end of the range for various categories of performance, the WSD is hopeful that providing clear review and evaluation of performance, including identifying such weaknesses, will help drive change in the utilities, allowing all regulated electric utilities in California to improve wildfire risk reduction performance.

As a consequence, the model results are best interpreted as levels – the results are not absolute scores. A utility, for example, could be on the borderline for level 2 in the model, but it would remain at level 1 until it completed 100% of the steps required to cross the threshold to level 2. In this example, the way the model works is the utility would get a result of 1, not 1.8. The purpose of the model is not to penalize the utility for achieving a result of 1 but to identify the specific actions it can take to reach level 2.

Summary of the WSD's Assessment

An effective WMP should have three, overarching components in which utilities should be striving to be "world class." First, the WMP should demonstrate an understanding of a utility's unique risk. Each utility should measure outcome and progress metrics and use a sophisticated model to lay the foundation for safe operation within its service territory. Second, with a deep understanding of its risk, the utility should deploy a suite of initiatives designed to incrementally and aggressively reduce that risk. Finally, this deployment should be done with a key, strategic eye toward maximizing every scarce resource, whether it be direct costs, personnel, or time, to maximize its impact. The result should be that with each passing year California is safer from wildfire threats, with a significant reduction and eventual elimination of the need to use Public Safety Power Shutoffs (PSPS) as a mitigation action.

The WSD evaluated 2020 WMPs considering the following factors:

- Completeness: The WMP is complete and comprehensively responds to the WMP requirements
- Technical feasibility and effectiveness: Initiatives proposed in the WMP are technically feasible and are effective in addressing the risks that exist in the utility's territory
- Resource use efficiency: Initiatives are an efficient use of utility resources
- Forward looking growth: The utility is targeting maturity growth

The WSD used the utilities' 2020 WMP submissions and subsequent updates, public comments, responses to the WSD's data requests, utility reported data and utility responses to the Utility Survey in its assessment of 2020 WMPs.

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Upon completion of this review, the WSD then determined whether each utility's 2020 WMP should either be:

- Approved without conditions (Full Approval)
- Approved with conditions (Conditional Approval)
- Denied (Denial)

Pursuant to Public Utilities Code Section 8386.3(a), this Action Statement and the discussion found in the associated Resolutions is the outcome of the WSD's review of Liberty's WMP and input from the public and other governmental agencies. As stated previously, this Action Statement is the conditional approval of Liberty's WMP and is presented to the CPUC for ratification, via the associated Resolution and Guidance Resolution.

The conditions for approval of Liberty's WMP are designed to address the gaps identified in Liberty's WMP. Some of the key deficiencies for Liberty's WMP are summarized below. The associated Resolution and Guidance Resolution capture the WSD's comprehensive review of Liberty's WMP submission.

Discussion of WMP Assessment

Summary

Liberty primarily serves customers in the Lake Tahoe Basin with significant portions of its grid in High Fire-Threat District (HFTD) areas. For Liberty's plan to be effective with its limited resources compared to larger utilities, strategic prioritization of initiatives by ignition driver to target the highest risk elements of Liberty's grid is crucial.

Liberty does not currently have the tools or models necessary for risk mapping, though the utility stated that it is in the process of developing a tool that would show ignition probability by circuit. Liberty outlines various wildfire mitigation programs that address the major risk drivers in its territory, however, its vegetation management and asset management programs are focused on meeting compliance requirements and are not risk-based.

Liberty also does not provide a detailed justification of how it determined its portfolio of planned initiatives to be the most effective use of its resources. Liberty, like peer small and multijurisdictional utilities (SMJUs), has not been subject to Safety Model Assessment Proceedings (S-MAP) or Risk Assessment Mitigation Phase (RAMP) requirements and is thus just beginning the process of risk-informed decision making when it comes to wildfire mitigation activities.

Finally, based on the WSD's assessment of Liberty's responses to the Utility Survey against the Utility Wildfire Mitigation Maturity Model, compared to its peer utilities, Liberty is on the lower end for maturity of its capabilities. Liberty has high projected maturity growth

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for data governance capabilities. Liberty, however, does not fully describe how this growth will be achieved in its WMP.

Risk Assessment

Liberty's initiatives are targeted to major risk drivers at a high level, but Liberty could do more to prioritize wildfire risk reduction. Given the growing wildfire risk brought on by climate change, all utilities must move away from traditional prioritization practices to those informed and prioritized by risk. Liberty must rigorously apply a risk-based prioritization lens to its portfolio of initiatives to reduce wildfire risk and minimize PSPS incidents.

Liberty does not have the foundational risk assessment and data governance capabilities needed to understand its risk profile at the level of granularity necessary to inform a risk-ranked wildfire mitigation strategy. Liberty claims that its planned ignition probability tool would show ignition probability by circuit, which will be a meaningful step forward in maturing this capability. Liberty should continue to push itself to develop risk assessment and mapping and situational awareness and forecasting capabilities. Liberty does not describe in granular detail where asset remediation, vegetation management, and grid hardening initiatives are most necessary, nor how it prioritizes deployment of those initiatives. Liberty's WMP proposes to maintain a three-year cycle of vegetation inspections, except for Tier 3 High Fire Threat District areas, which is inadequate to meet increasing wildfire risks.

Initiatives

In general, Liberty's initiatives, which are the actions and programs Liberty will take to reduce wildfire risk, address Liberty's major risk factors. In its metrics reporting in its WMP, Liberty reported one ignition each due to vegetation contact, additional object contact, conductor failure, additional equipment failure, and other. The utility plans to spend 51% of its proposed spending on grid design and system hardening, 31% on vegetation management (a greater share than peers) and 13% on asset management and inspections.

Liberty reported one use of PSPS over the last five years, for a total of ninety customer hours. Normalized per Red Flag Warning circuit mile day, Liberty's rate of PSPS use is at the low end of all utilities. The WSD found that the utility has an inadequate process for inspecting de-energized sections of its grid prior to re-energization, but by 2023, Liberty expects to have processes in place to inspect the grid before re-energizing and defined policies for the role of workers in suppressing ignitions.

Liberty's WMP highlights the challenge that resource constraints have on its ability to implement wildfire mitigation activities, including retaining qualified personnel. For

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example, Liberty identifies the high cost of living in the Tahoe area as a constraint on available labor but does not provide a recruitment strategy.

Without a clear understanding of its risk profile to inform decision-making, Liberty may not be able to determine how to deploy wildfire mitigation initiatives in a way that maximizes risk reduction given its limited resources. Given the constraints of labor shortages, a risk-informed approach will be critical for Liberty to maximize the risk reduction it can achieve given labor constraints and ensure its highest-risk areas are being sufficiently addressed.

Resource Allocation Methodology

While the WSD's assessment of the 2020 WMP does not approve cost recovery for its initiatives, which will be addressed in each utility's General Rate Case, the assessment does consider the effective use of resources to reduce wildfire ignition risk. Liberty relies on its Enterprise Risk Management practices and has not developed a resource allocation or risk assessment methodology specific to the wildfire threat. Liberty does not discuss RSE on a mitigation by mitigation basis, which raises questions about how Liberty can determine how to allocate its limited resources to reduce the most risk.

Liberty also does not provide a detailed justification of how it determined its portfolio of planned initiatives to be the most effective use of its resources. In order to improve decision-making going forward, Liberty will need to better understand its risk profile and track the effectiveness of mitigation initiatives to inform planning. For example, Liberty needs more sophisticated risk assessment and resource allocation methodologies related to wildfire risks to analyze grid hardening projects. The utility currently lacks a thorough tracking and analytical capability for ignition probability and various mitigation activities, and it does not employ a risk-based decision-making framework. Per its Maturity assessment, Liberty expects growth across many capabilities, yet acknowledges limited resources, raising the question of whether its planned growth—though needed to improve outcomes—is achievable. For example, by 2023, Liberty expects to have an accurate understanding of RSE for hardening initiatives but does not clearly explain how it will achieve this goal in its WMP.

A detailed discussion of the above concerns, as well as, further analysis of Liberty's WMP is articulated in the associated Resolutions, including a complete list of deficiencies and conditions in Appendix A of the associated Resolution for Liberty.

Conclusion

Catastrophic wildfires remain a serious threat to the health and safety of Californians. Electric utilities, including, must continue to make progress toward reducing utility-related wildfire risk. Through the conditional approval granted for its 2020 WMP submission, the WSD will ensure Liberty is held accountable to successfully executing the wildfire risk reduction initiatives articulated in its 2020 WMP and required updates. The

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WSD expects Liberty to meet the commitments in its 2020 WMP and fully comply with the conditions listed in Appendix A of its associated Resolution to ensure it is driving meaningful reduction of utility-related wildfire risk within its service territory.

Sincerely,

 /S/ CAROLINE THOMAS JACOBS

Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission