

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 10, 2020

**Wildfire Safety Division Action Statement on
PacifiCorp's 2020 Wildfire Mitigation Plan**

This Action Statement is the conditional approval of PacifiCorp's 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 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

¹ With CPUC ratification of the WSD's actions.

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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 PacifiCorp and approves, with conditions, PacifiCorp's 2020 WMP. Together, this statement, the associated Resolution and the Guidance Resolution represent the totality of the WSD's conditional approval of PacifiCorp'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 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

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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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 WMP and input from the public and other governmental agencies. As stated previously, this Action Statement is the conditional approval of PacifiCorp's WMP and is presented to the CPUC for ratification, via the associated Resolution and Guidance Resolution.

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

Discussion of WMP Assessment

Summary

PacifiCorp serves sections of Northern California with about half of its grid in High Fire-Threat District (HFTD) areas. For PacifiCorp's plan to be effective with its finite resources, it is crucial to strategically prioritize initiatives by geographic location and by ignition driver to target the highest risk elements of PacifiCorp's grid.

PacifiCorp, like peer small and multijurisdictional utilities (SMJUs), has not been subject to Safety Model Assessment Proceeding (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. Therefore, PacifiCorp has outlined mitigation initiatives which generally address its major risk drivers but does not yet have the capability to justify these based on their risk reduction and lay out a risk-informed deployment strategy. PacifiCorp has outlined plans to improve its knowledge of ignition risk across its grid and the impact of different mitigation activities, both in its WMP and in its Utility Survey. To address specific gaps in PacifiCorp's plan the WSD has imposed specific conditions of approval.

Risk Assessment

PacifiCorp, like other small and multi-jurisdictional utilities (SMJUs), has not been subject to the S-MAP or RAMP requirements in the same way as the large IOUs. Its risk assessment capabilities are still elementary. Today, PacifiCorp's weather data does not reliably measure conditions in HFTD areas and there is no consistent equipment for detecting ignitions. For PacifiCorp, improving foundational capabilities in situational

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awareness and data governance is key to improving its risk assessment abilities and, ultimately, allowing for risk-informed decision making such that initiatives reliably, measurably, and effectively reduce wildfire risk.

PacifiCorp plans to address this need through initiatives to map ignition risk along the grid, install continuous monitoring equipment, and add weather stations. By 2023, PacifiCorp expects to have tools able to quantitatively estimate ignition risk across its grid with probability by specific failure modes. There are some gaps in PacifiCorp's plan, such as lack of explicit planning for climate change. The WSD has made its approval of PacifiCorp's WMP contingent upon addressing these gaps and looks forward to seeing PacifiCorp realize the commitments made in its WMP.

Initiatives

PacifiCorp's initiatives, which are the actions and programs PacifiCorp will take to reduce wildfire risk, address the major risk factors that PacifiCorp faces. PacifiCorp's largest investments are in system hardening initiatives and vegetation management initiatives: PacifiCorp plans to spend 68% of its budget on grid hardening and 22% on vegetation management.

PacifiCorp does not offer a thorough justification of its allocation of resource to the chosen system hardening initiatives or detail a risk-based deployment strategy. While the WSD recognizes that PacifiCorp is still building the risk assessment capabilities essential to that effort, it is important that PacifiCorp explicitly detail how it will measure the effectiveness of the initiatives chosen and use that information to inform future decision making. Furthermore, PacifiCorp currently lacks a robust electronic database to collect this initiative performance data as well as other important information, such as inspection findings and vegetation clearance data. Because data governance is a crucial enabler for risk-based decision making, it is important that PacifiCorp detail its investments in specific data governance initiatives. The WSD has imposed conditions of WMP approval on PacifiCorp so that these gaps will be resolved.

An effective vegetation management program will be particularly important for PacifiCorp, as 26% of average annual ignitions over the last 5 years have been caused by vegetation contact. However, few of PacifiCorp's vegetation management initiatives substantially exceed expectations of regulatory requirements. A business-as-usual compliance-oriented approach to wildfire mitigations is insufficient in the face of admittedly increasing wildfire risks. The WSD is imposing conditions to address this gap.

Resource Allocation Methodology

PacifiCorp currently lacks sufficient justification for its allocation of resources but states it will move towards providing an explanation for investment in each initiative, evaluating risk reduction from a combination of initiatives, and evaluating RSE based on total cost

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of ownership. The WSD recognizes that PacifiCorp and other SMJUs are just beginning to develop their methods for risk-based resource allocation, and expects that PacifiCorp cooperate with the related conditions imposed in order to accelerate this process in the face of an increasing wildfire crisis.

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

Conclusion

Catastrophic wildfires remain a serious threat to the health and safety of Californians. Electric utilities, including PacifiCorp, 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 PacifiCorp is held accountable to successfully executing the wildfire risk reduction initiatives articulated in its 2020 WMP and required updates. The WSD expects PacifiCorp 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