

PUBLIC UTILITIES COMMISSION

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June 10, 2020

**Wildfire Safety Division Action Statement on
Southern California Edison Company's 2020 Wildfire Mitigation Plan**

This Action Statement is the conditional approval of Southern California Edison Company's (SCE'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

¹ With CPUC ratification of the WSD's actions.

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

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

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

Discussion of WMP Assessment

Summary

SCE has a large service territory, and significant portions of its grid are in High Fire-Threat District (HFTD) areas. For SCE's plan to be most effective with its finite resources, strategic prioritization of initiatives geographically and by ignition driver to target the highest risk elements of SCE's grid is crucial. SCE outlines improvements being made to its risk assessment tools, but it is unclear from SCE's WMP how these tools are used to drive prioritization of specific wildfire mitigation initiatives to minimize wildfire risk and PSPS.

SCE outlines various wildfire mitigation programs that address most of the major risk drivers in its territory. However, SCE does not provide a detailed justification of how it determined its portfolio of planned initiatives to be the most effective use of its finite resources.

Based on SCE's responses to the Utility Survey for the Utility Wildfire Mitigation Maturity Model, SCE is planning to mature foundational capabilities that inform decision making such as resource allocation methodology and data governance. SCE, however, does not expect much, if any, growth in other important categories, such as situational awareness, asset management, vegetation management, nor grid operations. Improving foundational capabilities is critical to driving meaningful reduction in wildfire and PSPS risk.

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Risk Assessment

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. To effectively mitigate wildfire and PSPS risk, SCE will not only need a granular and accurate understanding of its own risk profile, but it will also need to leverage that information to inform decisions about which wildfire mitigation initiatives to invest in and where to prioritize deployment.

In general, SCE has articulated an ambition to improve understanding of its own risk profile by investing in its Wildfire Risk Reduction Model (WRRM) and articulates high confidence in its ignition risk estimates (claiming a >95% confidence interval in its maturity survey). However, SCE does not consistently communicate this granular understanding of its own risk in its WMP. For example, SCE reports that in 2019 70% of near misses were driven by 'other' causes, without explaining what these causes are or how they will be addressed. SCE also does not describe how hardening and vegetation management initiatives will address PSPS thresholds.

Finally, SCE does not demonstrate how this information and awareness affects decision making and deployment of initiatives in a granular way. SCE will need to address the related conditions cited in the WSD's evaluation to demonstrate that it is mitigating wildfire and PSPS risk as quickly and effectively as possible.

Initiatives

SCE's initiatives, which are the actions and programs SCE will take to reduce wildfire risk, are designed to address the largest drivers of wildfire risk (with the exception of 'other' drivers, which are not explained). SCE is particularly focused on grid design and system hardening initiatives, which are expected to address most major risk drivers and comprise 70% of total planned spend. Its largest hardening program by far is its covered conductor program, with planned spend of \$1.88B over the plan period.

SCE projects high confidence in the effectiveness of its initiatives, projecting a 70% decrease in ignitions between actual 2019 and projected 2020 ignitions (assuming 5-yr historical weather conditions), and approximately a 10% decrease in ignitions from 2020-2021 and 2021-2022 each (also assuming 5-yr historical weather conditions). However, SCE does not provide enough evidence regarding the deployment of its programs and historical effectiveness of these programs to substantiate this estimate. This is particularly concerning with respect to SCE's covered conductor program. SCE plans to allocate 42% of plan spend to this program and ramp up deployment rapidly, spending 70% more in 2022 than in 2020. However, SCE offers no alternatives analysis or other evidence that justify the scale of this program relative to alternative mitigation options. SCE also does not describe how evidence of the effectiveness of its 2019 and 2020 covered conductor installations will inform the scale of the program in 2022 and

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beyond. To achieve sufficient risk reduction given the limited resources, it is imperative that SCE addresses the related conditions of approval issued by the WSD.

Finally, while SCE has grid operations initiatives in place to reduce PSPS, to meet the conditions of approval, SCE will need to offer a firm and measurable commitment to reduce PSPS scale and scope. SCE will also need to provide evidence of the impact of its grid hardening and vegetation management initiatives on protocols and thresholds for PSPS initiation, demonstrating that these initiatives indeed quantifiably reduce the probability of a PSPS event over the circuits on which they are deployed.

Finally, for many initiatives, SCE has not described their deployment strategy and timelines in sufficient detail to convince the WSD that the highest risk circuits are being targeted in a nuanced way and that this work will be completed on time. SCE must meet the conditions issued by the WSD to address these gaps.

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. 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.

For those initiatives where RSE estimates were provided, RSE was not provided for alternatives, making the calculation alone insufficient to justify allocation decisions. In addition, gaps exist in the methodology for calculating RSE. Estimates were produced using service-territory wide approximations of initiative effectiveness rather than circuit-level detail that SCE has claimed to have available in technical workshops. Estimates do not take into account the full cost of PSPS, which is a critical input to decision making. Most initiatives for which RSE was not calculated did not have a thoughtful justification of their allocation based on merits relative to alternatives and the expected impact of those initiatives. SCE will need to meet the WSD's conditions to address these gaps in the near term. Over the WMP plan period, SCE has committed to improving capabilities which allow for thoughtful resource allocation and will need to work diligently to meet these commitments.

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

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Conclusion

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