

# PG&E Foundational Programs Cost Proposals

Prepared for S-MAP II Track 1 Technical Working Group  
Meeting

June 22, 2021

draft for discussion purposes only

## Overview of PG&E's Proposal

**PG&E agrees with the Staff proposed definition of Foundational programs.** Foundational programs or activities are initiatives that support multiple mitigation programs but do not directly reduce the consequences or reduce the likelihood of risk event.

**PG&E does not agree that foundational costs should be allocated to individual mitigations** *using either Staff proposed Method 1 or Method 2. Both these allocation methodologies are arbitrary and, therefore, not suitable for the risk-based decision-making framework.*

**PG&E proposes a Threshold Test** *which, in construct, is similar to the current S-MAP Settlement Agreement “Step 3 Analysis”. Part 1 determines if the cost of foundational program must be considered in Part 2. Part 2 establishes a threshold above which program costs that have met the step 1 requirement must be included in an RSE calculation.*

**PG&E proposes that for foundational costs that meet Part 1 and Part 2 of the Threshold Test a “portfolio RSE” should be calculated.** *The “portfolio” RSE will compare the risk reduction of the portfolio of mitigations that are enabled by the foundational program(s) to the cost of portfolio of enabled mitigations plus the cost of enabling foundational program(s)*

# Proposed Foundational Program Threshold Test

**Threshold Test Part 1:** (determine if the foundational program costs should be considered for Part 2)

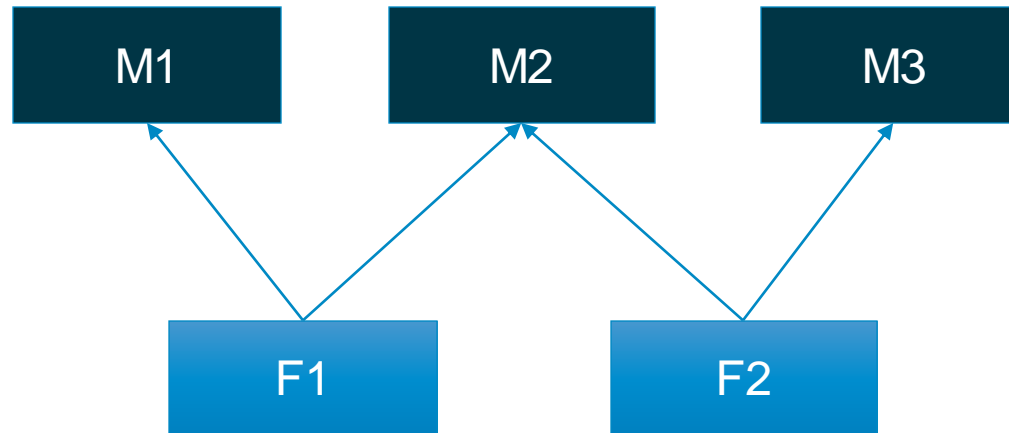
If the utility will incur the costs of the foundational program regardless of whether the enabling mitigations are funded then the cost of the foundational program should not be included in the RSE calculation.

E.g. general fleet vehicles and general-purpose computers.

# Proposed Foundational Program Threshold Test

**Threshold Test Part 2:** For foundational programs that are not exempted under Part 1, the costs must be included in RSE calculations if the cost of the foundational program(s) represent more than X% of the total cost of the risk mitigation programs that are enabled by the foundational program(s).

Enabled Mitigations:



Foundational Programs:

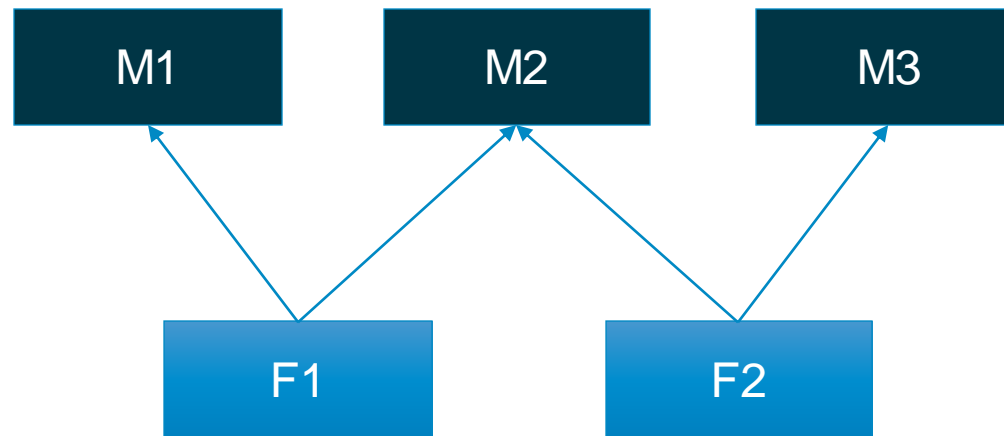
Threshold Test Part 2: Is  $(C_{F1} + C_{F2}) > X\%$  of  $(C_{M1} + C_{M2} + C_{M3})$ ?

Where: M=mitigation program, F=foundational program, C = Cost

If Yes, then RSE should be reported for F1 and F2.

## Proposed RSE Treatment for Foundational Programs

- If answer to Threshold Test Part 1 is “no” then cost is considered to be immaterial for the purpose of RSE calculation.
- If answer to Threshold Test Part 2 is “yes” then include the cost of the foundational program(s) in a portfolio RSE calculation where the portfolio includes both the mitigation and the enabling foundational programs.



$$RSE_{\text{"portfolio"}} = RSE_{F1} = RSE_{F2} = (RR_{M1} + RR_{M2} + RR_{M3}) / (C_{M1} + C_{M2} + C_{M3} + C_{F1} + C_{F2})$$

Mitigations continue to report RSEs per Settlement Agreement

$$RSE_{M1} = RR_{M1} / C_{M1}, RSE_{M2} = RR_{M2} / C_{M2}, RSE_{M3} = RR_{M3} / C_{M3}$$