

PUBLIC UTILITIES COMMISSION

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June 10, 2020

**Wildfire Safety Division Action Statement on
San Diego Gas & Electric Company's 2020 Wildfire Mitigation Plan**

This Action Statement is the conditional approval of San Diego Gas & Electric Company's (SDG&E's) 2020 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 SDG&E and approves, with conditions, SDG&E's 2020 WMP. Together, this statement, the associated Resolution and the Guidance Resolution represent the totality of the WSD's conditional approval of SDG&E'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.

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

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

Discussion of WMP Assessment

Summary

SDG&E's territory lies mostly in San Diego County. Due to catastrophic wildfires occurring in the 2000s, SDG&E has been considered to have a "head start" compared to its peer utilities in their WMP. Our review confirms that SDG&E remains ahead of its peers in many categories. However, SDG&E's investments in further wildfire mitigation are still expected to be an efficient use of resources to maximize the risk reduction achieved given a finite amount of resources.

SDG&E's WMP includes a large increase in spending from 2019 actuals to 2020 projected, with an emphasis on costly initiatives such as undergrounding and covered conductor through the 2020 plan period. SDG&E's plan would benefit from a greater analysis of RSE and a more thorough analysis of alternative mitigation measures to demonstrate how this increase in spending will create an equal or greater decrease in wildfire risk compared to alternative investment choices.

Additionally, based on the WSD's assessment of SDG&E's responses to the Utility Survey against the Utility Wildfire Mitigation Maturity Model, SDG&E's maturity is higher than peers. There, however, is still room to grow in some categories, particularly in resource allocation methodology. SDG&E does target improvement across wildfire mitigation capabilities within the 3-year WMP horizon to increase its maturity.

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Risk Assessment

Compared to its peers, SDG&E has the most sophisticated situational awareness and understanding of their risk exposure given investments and experience over the last 10-12 years. In fact, SDG&E is the only utility that describes a clear relationship between ignitions, PSPS, and hardening in its WMP. Like its peers, SDG&E's most common ignition risk drivers are contact from object (67% average over the last 5 years) and equipment failure (25%). SDG&E's initiatives include those that are appropriately targeted to these risk drivers. The results are evident from its reporting on ignitions, as SDG&E has been successful in reducing its number of ignitions. Over the past five years, SDG&E's ignitions per circuit mile have shown a downward trend. Notably, SDG&E reported a 33% reduction in ignitions per circuit mile from 2018 to 2019, driven by a nearly 70% reduction in contact from object ignitions. However, SDG&E's near miss incidents per circuit mile have fluctuated and should inform SDG&E's decision-making about further investment.

SDG&E has more weather stations per circuit mile than its peers, allowing the utility to better target mitigation efforts and decrease the scope of its Public Safety Power Shutoffs (PSPS). Significant investments in a private Long-Term Evolution (LTE) communications network may bolster this capability further, allowing the utility to expeditiously capture data and execute actions to reduce their risk. Despite their current position relative to peer utilities, SDG&E's maturity levels are projected to grow across many capabilities by 2023, including by increasing the granularity of its risk assessment and situational awareness. However, SDG&E could target greater growth in maturity in its resource allocation methodology capabilities.

Initiatives

SDG&E's initiatives, which are the actions and programs SDG&E will take to reduce wildfire risk, address the major risk factors that SDG&E faces, given its existing capabilities. SDG&E's plans include significant increases in undergrounding and covered conductor investment while decreasing investment in overhead hardening, in addition to installing additional remote sectionalizing devices to reduce PSPS. This is reflected in SDG&E's planned spend with 64% of its total budget on grid design and system hardening, 14% on vegetation management and inspections, and 11% on asset management and inspections. SDG&E is increasing undergrounding spending from \$5M in 2019 (actual) to \$188M in 2022 and decreasing its overhead hardening (excluding covered conductor) from \$121M in 2019 to \$7M in 2022.

The WSD is encouraged that SDG&E's WMP includes innovative technology and new pilots such as tools for enhanced inspections, wireless fault detection, etc. Prior to making large scale system hardening deployments for initiatives such as undergrounding or covered conductor, SDG&E should thoroughly review the results of the technology pilots to see if it can achieve similar results with lower costs.

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For example, SDG&E's WMP reports that the utility plans to pilot the use of covered conductor in 2020 and increase investment in this initiative from \$0 in 2019 to \$10.8M in 2022, without reporting detail on this new approach or on the evidence of effectiveness anticipated from the pilot, or the RSE level that would support such increases in investment. SDG&E also did not report in detail how initiatives such as undergrounding will enable it to reduce spend on initiatives that could be scaled back as a result—e.g., vegetation management for circuits recently undergrounded. Because learnings from pilots such as covered conductor may be useful for all utilities, the WSD will require more information regarding how pilot programs are evaluated and the results of those evaluations.

SDG&E's targeted maturity growth reflects a desire to improve its wildfire mitigation capabilities, particularly with respect to risk-based decision-making and prioritization of grid design and system hardening work.

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. SDG&E is planning to continue to increase its annual spending on WMP activities, increasing by 45% between 2019 actual and 2020, followed by less than 1% annual increases through 2022. This represents a large "jump" from SDG&E's existing approach, which should be matched by a commensurate decrease in wildfire risk. SDG&E has not provided the data needed to quantitatively show the level of ignition reduction that would result from its planned mitigations, though SDG&E experiences relatively few ignitions, with fewer than 20 ignitions in 2019. SDG&E's historical wildfire mitigation implementation, few ignitions, and mature situational awareness relative to peers raises the question of where and when SDG&E will find diminishing wildfire risk reduction returns on some investments.

Much of this could be resolved by quantitatively showing the level of risk reduction and cost for its initiatives and providing evidence that the initiatives that SDG&E selects are a more efficient use of resources than alternatives. SDG&E has presented RSE estimates for 17 of 52 initiatives (where reported spend was greater than zero), totaling 61% of plan spend, but SDG&E could provide more detail to show the rigor and assumptions behind its RSE calculation as well as show RSE estimates for alternative initiatives that address similar risk drivers.

SDG&E's targeted maturity growth reflects a desire to improve their resource allocation capabilities to inform its portfolio-wide initiative allocation methodology.

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

Conclusion

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