SENATE COMMITTEE ON APPROPRIATIONS
Senator Anna Caballero, Chair
2023 - 2024 Regular Session

SB 1003 (Dodd) - Electrical corporations: wildfire mitigation plans

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Urgency: No
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Policy Vote: E., U. & C. 17 - 0
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would require electrical corporations to take into account both the need to minimize the risk of catastrophic wildfire as soon as possible and the amount of risk addressed for the cost of the proposed mitigation within the utility's wildfire mitigation plan.

Fiscal Impact:
- The California Public Utilities Commission (CPUC) estimates ongoing costs of $210,000 annually (ratepayer funds) to review any new cost efficiency data that might be submitted with a future WMP from the six investor-owned utilities (IOUs), as well as to ensure each utility correctly identifies the distinct financial accounting mechanisms used to track WMP implementation costs, avoiding any potential overlap in venue, among other things.
- Unknown, potentially significant costs for the Office of Energy Infrastructure Safety (OEIS) to review and approve of the WMPs based upon an accurate assessment of cost-efficiency and with possible variations in implementation timelines.
- Unknown potential fiscal impact on the state as an electric utility ratepayer. The State of California is an electrical customer, purchasing roughly one percent of the state's electricity. As such, the state incurs costs when rates increase as well as savings in cases of rate decreases. This bill could potentially have an impact on ratepayers, including the state. (See staff comments.)

Background: Wildfire represents the single most significant risk for all of California's investor-owned electric utilities (IOUs), according to the CPUC. Electrical equipment, including downed power lines, arcing, and conductor contact with trees and grass, can act as an ignition source. The risks for wildfires has increased with extended drought conditions, bark beetle infestation that has increased tree mortalities, extreme heat and high wind events, along with increased encroachment of development into forested and high-fire threat areas. In response to a number of catastrophic and deadly wildfires ignited by electric utility infrastructure, including the Camp Fire (2018), the state has passed many statutes to require electric utilities to mitigate the risk of their equipment igniting wildfires. Additionally, electric utilities bear the property liability costs from wildfires ignited by their equipment through the application of inverse condemnation.

Addressing safety risks from energy utility operations. The CPUC oversees the development of the risk framework each IOU uses as basis for analyzing their risks. The risk framework includes a Risk-Assessment and Mitigation Phase (RAMP) whereby CPUC staff scrutinize energy IOU safety-risk threat assessments along with associated proposed mitigation plans and estimated costs and spending requests. The risk reports

are submitted to the CPUC on a four-year cycle basis to inform applications and approval of system-wide IOU operating and capital spending. In addition to the RAMP filings, the Safety Model Assessment Proceeding (S-MAP) is a parallel rulemaking track at the CPUC to continually refine and improve the RAMP and its associated mandates. The S-MAP continuously updates utility risk-related requirements and provides interpretations to support California utilities' capacity building to respond to new and growing risks and makes use of the latest risk-modeling science. RAMP and S-MAP efforts inform each energy IOUs' general rate case (GRC) and help the CPUC (and stakeholders) assess whether the utilities are properly directing resources to wildfire and safety risks.

Wildfire mitigation plans. In addition to the RAMP and S-MAP processes, the state has created a separate state agency, the OEIS, and a special process to review wildfire-related risks via electric IOU WMPs. Electric IOUs are required to annually file WMPs with guidance by OEIS, which reviews and determines whether to approve these plans and ensures compliance with guidance and statute. Under this framework, the OEIS is responsible for reviewing, approving or denying and overseeing compliance with WMPs, while the CPUC evaluates the reasonableness of costs associated with implementation of the WMPs for purposes of cost recovery and has enforcement authority with regard to electric IOUs' performance of their WMPs and utility-caused wildfire.

Wildfire mitigation as significant driver of costs in electric utility bills. The CPUC in its most recent SB 695 Utility Cost Report has noted that wildfire-related costs are a key driver putting upward pressure on customers' electric rates. The CPUC has stated that over the next several years, wildfire risk mitigation costs are projected to continue their upward trend. In a recent study by the Energy Institute at Haas "Risk-Cost Tradeoffs in Power Sector Wildfire Prevention", the authors note that in 2023 WMPs, California electric IOUs proposed investing over nine billion dollars annually to reduce wildfire ignition risk. PG&E's recent GRC included authorization to underground up to 1200 miles of electric distribution lines. This contributed to the overall rate increases that customers are experiencing this year, roughly $35 per month more for the average utility bill, with another rate increase just approved for a portion of the utility's wildfire-related expenses, and the expectation that more are on the horizon.

Proposed Law: This bill would require electrical corporations to take into account both the need to minimize the risk of catastrophic wildfire as soon as possible and the amount of risk addressed for the cost of the proposed mitigation within the utility's wildfire mitigation plan. Specifically, this bill would:

1. Require electrical corporations to take into account the need to minimize risks of its electrical lines and equipment causing catastrophic wildfires as soon as possible and the amount of risk addressed for the cost of the proposed mitigation.

2. Revise the requirements of the WMP to, among other things:

    a) Require the preventative strategies and programs to also include consideration of the cost effectiveness calculated consistent with the CPUC's direction provided by the most recent Safety Model Assessment Proceeding (A.15-05-002, et al., R.20-07-013, or

subsequent proceedings), and the relative reduction of exposure to wildfire risk caused by variations in implementation timelines for the preventive strategies and programs.

b) Require the description of the performance metrics to include a description of how cost-effectiveness and variations in implementation timelines for different elements of the plan are incorporated.

c) Require the list to also include particular risks and risk drivers associated with the speed in which wildfire risk mitigation measures can and will be deployed by the electrical corporation.

d) Require the presentation of certain cost-effectiveness measures adopted by the CPUC.

e) Require the electrical corporation, for each undergrounding location, to demonstrate that undergrounding is the most appropriate mitigation measure.

Related Legislation:

SB 884 (McGuire, Chapter 819, Statutes of 2022) required the CPUC to establish an expedited electric utility distribution infrastructure undergrounding program for large electrical corporations. Required the OEIS to approve or deny the plan within nine months and requires additional actions and reports.

SB 533 (Stern, Chapter 244, Statutes of 2021) required electrical corporations, as part of their WMPs, to identify circuits that have frequently been deenergized to mitigate the risk of wildfire and the measures taken to reduce the need for future deenergization of those circuits.

SB 70 (Nielsen, Chapter 400, Statutes of 2019) required each electrical corporation's WMP to additionally include a description of where and how the electrical corporation considered undergrounding electrical distribution lines within those areas of its service territory identified to have the highest wildfire risk in a specified fire threat map.

AB 1054 (Holden, Chapter 79, Statutes of 2019) included numerous provisions related to addressing wildfires caused by electric utility infrastructure, including: bolstering safety oversight and processes, such as required updates to each electric corporation's WMPs, recasting recovery of costs from damages to third-parties, including the authorization for an electrical corporation and ratepayer jointly funded Wildfire Fund to address future damages, and changes to provisions concerning the workforce of a change of ownership of a full or portion of an electrical or gas corporation.

AB 111 (Committee on Budget, Chapter 81, Statutes of 2019) created OEIS within the Natural Resources Agency, under the supervision of a director appointed by the Governor, to oversee electrical corporations' wildfire mitigation plans.

SB 901 (Dodd, Chapter 626, Statutes of 2018) addressed numerous issues concerning wildfire prevention, response and recovery, including funding for mutual aid, fuel reduction and forestry policies, WMPs by electric utilities, and cost recovery by electric corporations of wildfire-related damages.

SB 1028 (Hill, Chapter 598, Statutes of 2016) required electric CPUC-regulated utilities to file annual wildfire mitigation plans and requires the CPUC to review and comment on those plans.

Staff Comments: The State of California is an electrical customer, purchasing roughly one percent of the state's electricity. As such, the state incurs costs or savings when electricity rates rise or fall. This bill could result in both costs and savings to the state as a ratepayer.

Supporters of this bill contend that increasing electric utility bills and the contributing costs of wildfire mitigation necessitate a review of WMP measures that take into consideration the time horizon by when they will be implemented and the cost-effectiveness of these measures. The supporters contend that waiting several years for undergrounding projects does not reduce the risk of wildfire ignitions quickly enough and comes with too high a price tag as compared to other measures that can be deployed sooner. In this regard, there are no shortage of tradeoffs, as deploying some of these measures could result in some continued level of wildfire ignition risk for the long-term, though it may come with a lower price tag overall for ratepayers, and the risk of outages with the use of operational controls. The Energy Institute at Hass report on wildfire mitigation prevention measures notes that undergrounding powerlines, despite the higher investment cost, is more cost effective than pruning and removing vegetation. However, new operational controls, especially the use of "fast-trip" settings is significantly more cost effective than other strategies. The OEIS has proposed some level of review on interim measures that may be needed for mitigation measures that can not be implemented within a year. Additionally, OEIS reports an intention to incorporate cost-effectiveness criteria, in line with the CPUC's updated cost-benefit approach within the RAMP and S-MAP processes. The changes to this bill are intended to ensure that such considerations are required as part of the annual WMP process, without prescribing particular strategies.

Efforts to underground electrical infrastructure can be costly. However, the risk of utility equipment igniting fires can also pose costs on utility customers given the associated liability and potential impacts to the borrowing costs to the utility. With the growing risks of fires and the expenses associated with other strategies, including the costs of ongoing vegetation management, electric utilities are reassessing these costs and calculations. In the case of PG&E, the utility contends that undergrounding 10,000 miles of electric distribution utility lines will help to better mitigate the risks for the long-term. This bill intends to require the electric IOUs to consider how cost-effectiveness and the time by when a measure will be implemented within its WMPs impacts the electric IOU's wildfire risk reduction efforts. The author and supporters of this bill contend that such an approach will better ensure that costs to ratepayers are better managed and more judiciously targeted.

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