

Date of Hearing: August 7, 2024

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 1003 (Dodd) – As Amended June 20, 2024

Policy Committee: Utilities and Energy

Vote: 15 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

SUMMARY:

This bill requires an electrical corporation to expand its statutorily required wildfire mitigation plan (WMP) to include consideration of the time it takes to implement a proposed mitigation measure and the amount of risk reduced for the cost of the measure.

Specifically, this bill:

- 1) Expands existing law that requires an electrical corporation, also known as an investor-owned electrical utility (IOU), to construct, maintain and operate its electrical lines and equipment in a way that will minimize the risk of catastrophic wildfire so that the IOU, in doing so, must consider both the time required to implement proposed mitigations and the amount of risk reduced for the cost.
- 2) Expands existing statute that requires each IOU to annually prepare and submit a WMP to the Office of Energy Infrastructure Safety (OEIS) with the Natural Resources Agency, so that:
 - a) The IOU's WMP description of the preventive strategies and programs to be adopted by the IOU to minimize the risk of its electrical lines and equipment causing catastrophic wildfires newly include consideration of the preventative strategies' (i) cost effectiveness, calculated consistent with the direction provided by the most recent Safety Model Assessment Proceeding (S-MAP) (A.15-05-002, et al., R.20-07-013, or subsequent proceedings) and (ii) the relative reduction of exposure to wildfire risk caused by variations in implementation timelines for preventative strategies and programs.
 - b) The IOU's WMP list that identifies, describes, and prioritizes all wildfire risks, and drivers for those risks, newly include particular risks and risk drivers associated with the speed with which wildfire risk mitigation measures can and will be deployed by the IOU within the IOU's service territory.
 - c) IOU's WMP description of the actions the IOU will take to ensure its system will achieve the highest level of safety, reliability and resiliency newly (i) takes into account the cost and time required to achieve those benefits and (ii) presents the cost-effectiveness measures adopted by the California Public Utilities Commission (CPUC), calculated consistent with the direction provided by the most recent S-MAP for at least two reasonable mitigation alternatives for a given identified wildfire risk.

- d) The IOU's WMP description of where and how the IOU considered undergrounding electrical distribution lines within those areas of its service territory identified to have the highest wildfire risk in a commission fire threat map also newly explains the reasonableness of the mitigation selected, taking into account the cost-effectiveness, reliability impacts and time required for installation compared to other alternatives.

FISCAL EFFECT:

- 1) OEIS will need to receive and analyze new types of data submitted as part of the IOU WMPs. OEIS estimates it will need \$729,272 annually, beginning in fiscal year 2024-25, as follows: two regulatory analysts at an annual cost of \$241,787 each and one utilities engineer at an annual cost of \$245,698 (Public Utilities Commission Utilities Reimbursement Account (PUCURA)).
- 2) While this bill makes no direct requirement of the CPUC, the CPUC will likely incur costs associated with oversight of IOUs and review of new types of data and analysis the IOUs submit to OEIS as a result of this bill. The CPUC assumes it will need to review any new cost efficiency data submitted by any of the nine IOUs it regulates as part of that IOU's WMP from these nine utilities required under existing statute to annually prepare and submit a WMP, and to coordinate with OEIS to ensure that the CPUC's ratification of the OEIS approval of the WMPs is based upon an accurate assessment of cost-efficiency and the possible variations in implementation timelines. The CPUC expects to dedicate one regulatory analyst to this effort, with an associated annual cost of \$210,000 (PUCURA).

COMMENTS:

- 1) **Purpose.** Noting proposals by IOUs to underground electrical cables, the author intends this bill to result in the IOUs, when developing their WMPs, considering the time it takes to implement proposed safety measures. As the author puts it, "Safety today has a different value (time value) than safety in 3 or 10 years. Failure to take this factor into account may result in today's utility customers paying higher electric utility rates without commensurate benefit from wildfire risk reduction."
- 2) **Background.** Following a series of devastating wildfires, many of them ignited by utility equipment, the Legislature passed a new law requiring the IOUs to operate their systems more safely. More specifically, statute requires each electric IOU annually to file with OEIS a WMP that shows how the IOU, over the next three year period, will minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks. The WMP must also include the individuals responsible for related duties and metrics the IOU will use to evaluate performance of its plan. OEIS is to review and, potentially, approve each plan considering the plan from the perspective of safety. Separately, the CPUC reviews each OEIS-approved WMP from the perspective of cost-effectiveness. In other words, the CPUC considers whether a WMP is just and reasonable from the perspective of the IOU ratepayer.

Recently, Pacific Gas and Electric (PG&E) proposed, as part of its WMP, placing underground thousands of miles of electric cables. OEIS largely approved PG&E's plan, consistent with its focus on safety, because "undergrounding" of electrical wires largely eliminates the risk of those wires igniting a fire. However, subsequently, the CPUC significantly modified PG&E's plan, ordering the IOU to instead insulate many sections of

wire because doing so is much less costly than placing wire underground, and, in some cases, nearly as effective.

This bill requires each IOU to consider the time it takes to implement a proposed mitigation measure and the amount of risk reduced for the cost. Presumably, such consideration would favor actions like insulation of wires over undergrounding, though the outcomes will vary by proposal. The bill does not affect the CPUC's authority to determine the just and reasonableness of an IOU's WMP or to modify it.

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