

SENATE THIRD READING  
SB 1003 (Dodd)  
As Amended August 19, 2024  
Majority vote

## SUMMARY

Requires electrical corporations to take into account both the time required to implement an action and the amount of risk reduced for the cost of a given action as part of the utility's wildfire mitigation plan (WMP).

### Major Provisions

- 1) Makes several findings and declarations related to: wildfire risks posed by infrastructure owned by electrical corporations; wildfire mitigation as a cost driver on electric utility bills; and the need to balance the time value and cost efficiency of wildfire mitigation measures into wildfire safety planning and cost-approval processes.
- 2) Requires an electrical corporation, also known as an investor-owned utility (IOU), to minimize the risks its electrical lines and equipment pose in contributing to catastrophic wildfires, taking into account both the time required to implement the proposed mitigations and the amount of risk reduced for the cost and risk remaining.
- 3) Revises the requirements of the WMP to, among other things:
  - a) Require the description of the preventative wildfire mitigation strategies and programs to be adopted by the IOU to also include consideration of their cost efficiency – calculated consistent with the direction provided by the California Public Utilities Commission (CPUC) in its Safety Model Assessment Proceedings – and the relative reduction of exposure to wildfire risk caused by variations in implementation timelines for the mitigation measures.
  - b) Require the list of all wildfire risks and drivers for those risks in an IOU's service territory to also include particular risks and risk drivers associated with the speed with which wildfire mitigation measures can and will be deployed by an IOU.
  - c) Require the description of actions the IOU takes to ensure safety, reliability, and resiliency of its system to also include consideration of the cost and time required to achieve those benefits.
  - d) Require the presentation of certain cost-efficient measures adopted by the CPUC.
  - e) Require, in its description of where and how the utility considered undergrounding, the IOU to explain the reasonableness, including consideration of cost efficiency, reliability impacts, and time required for installation compared to other alternatives, of the selected mitigation measure.

## COMMENTS

*Electric utility-related wildfires* – California has experienced some of the most devastating and costly wildfires over the past decade. Spurred by climate change, the risks for wildfires have

increased with larger populations of dead trees – which serve as fuel – from extended drought conditions and bark beetle infestations, more frequent extreme heat and high wind events, and growing encroachment of development into forested and high-fire threat areas. Electrical equipment, including downed power lines, arcing, and conductor contact with trees and grass, can act as ignition sources. Of the 20 most destructive wildfires since 2015, power lines have caused six. Utility-caused fires are often more destructive than those resulting from other sources because many occur in remote areas during high wind events, and those same weather conditions cause the fire to spread quickly, making it difficult to control. In response, the Legislature has passed many statutes to require electric utilities to mitigate the risk of their equipment and operations from igniting wildfires. Additionally, electric utilities shoulder the property liability costs from wildfires ignited by their equipment through the application of inverse condemnation.

*Rising utility bills from wildfire mitigation efforts* – Since 2013, rates have increased across all three IOUs and exceeded the assumed rate of inflation. Californians currently pay some of the highest utility rates in the country. According to the CPUC, one of the key drivers putting upward pressure on customers' electric rates since 2021 is wildfire mitigation work. Over the next several years, wildfire risk mitigation costs are projected to continue their upward trend, from both the recovery of past incurred costs and of future projected costs. While these costs encompass a wide variety of wildfire risk costs, including vegetation management efforts and wildfire liability insurance coverage, the high costs of undergrounding, which contributed to hiking the average utility bill by more than \$30 a month for PG&E customers earlier this year, are being acutely felt by ratepayers.

*A regulatory paradigm for risk evaluation* – Through legislative efforts, the assessment of WMPs is bisected between the Office of Energy Infrastructure Safety (OEIS), who evaluates the safety of proposed projects, and the CPUC, who evaluates the costs to implement safety projects. They work in tandem: the WMP requires approval by OEIS before it is evaluated by the CPUC. Since these two entities have different and distinct priorities, often in practice the CPUC authorizes a modified version of the OEIS-approved WMP. For example, in PG&E's most recent WMP, OEIS approved the utility's plan to underground 2,100 miles from 2023 to 2026 which would result in reducing ignition risk and de-energization events by approximately 99% in the most threatened areas.<sup>1</sup> Subsequently, PG&E requested rate recovery in their 2023-26 general rate case (GRC) for 2,000 miles of undergrounding – close to the estimation in their approved WMP – at an estimated cost of \$5.9 billion. The CPUC then only authorized 1,230 miles of undergrounding, opting to authorize covered conduction installation for the other 778 miles, at a forecasted expenditure of \$4.7 billion together. This tension between safety and cost, and the different outcomes inherent in balancing the two, is highlighted by these recent decisions regarding PG&E's undergrounding plan.

This bill would require the IOUs to evaluate and explain the timeliness and cost-efficiency of mitigation measures in their WMPs. Supporters of this bill motivate the need for this extra information on mitigation efforts by citing utility undergrounding projects as a source of concern. They 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. However, this seemingly presumes that timeliness and cost efficiency go hand-in-hand. This may not be the case. According to a study by the University of California, Berkeley's Energy Institute at Haas, vegetation management is timelier

---

<sup>1</sup> PG&E; 2023-2025 *Wildfire Mitigation Plan*; Page 345 and Table 8.1.2-2; March 2023.

but less cost-efficient than undergrounding. Additionally, the utilities are becoming more efficient with undergrounding: Pacific Gas and Electric (PG&E) reported undergrounding 350 miles in 2023, almost double the 180 miles they undergrounded in 2022, and nearly five times more than the 73 miles they undergrounded in 2021 (73 miles); and they reported reducing undergrounding costs from \$4 million per mile in 2021 to \$3.3 million per mile by the end of 2023. PG&E anticipates achieving more efficiencies with both the pace and cost of undergrounding in the coming years.

The proposal in this bill also calls into question how the omission of other factors, such as reliability and social impact, may impact OEIS' decision-making. The balancing of safety, timeliness, and cost might favor the use of operational mitigation measures such as fast-trip settings and public safety power shutoffs, which are the cheapest and quickest to deploy, but would lead to unplanned power outages, impacting reliability and posing immense consequences for public health and commerce.

It is unclear to the committee how the function of OEIS would remain distinct from the CPUC should the office be required to consider cost efficiency in its evaluation of WMP actions. Such a direction would be counter to the intent of previous legislative efforts, which sought to establish in OEIS a regulator whose sole focus and mission is safety. However, this bill does not obligate OEIS to select wildfire mitigation actions solely on the basis of cost, nor even to act on the additional information required by this bill as part of the WMP. Rather, it requires the IOUs to use timeliness and cost efficiency as elements in their justification for selecting certain mitigation measures in their WMPs. The IOUs already report cost values as part of their WMP filing – either risk-spend efficiency or cost-benefit ratio metrics. OEIS reviews the proposed mitigations on the basis of what will minimize system risk. This bill does not change this fundamental structure of OEIS, but instead may provide some additional clarity into how the IOUs select certain mitigation strategies over others, and allow both OEIS and the CPUC to appropriately weight the IOUs' proposals.

### **According to the Author**

"While some IOUs contend that undergrounding cable is the safest way to reduce the risk of igniting new wildfires, there are alternatives, such as insulating existing utility cable. Insulating wires, for example, costs an estimated \$800,000 per mile, compared to \$3 million per mile for undergrounding and may be as, or nearly as effective in preventing wildfire ignitions as undergrounding, and achievable in far less time. While the current IOU wildfire mitigation plan review process does assess the amount of wildfire risk reduction from different strategies, relative to cost, it does not consider the speed with which different strategies can be delivered. 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."

### **Arguments in Support**

The Clean Power Campaign writes in support of a previous but similar version of this bill, "While undergrounding is an effective wildfire mitigation strategy, it is not the sole solution. Undergrounding requires long lead time and the costs associated with these projects increase electricity bills, putting a substantial burden on ratepayers. It is crucial to consider alternative strategies...which may be as effective in preventing wildfire ignitions as undergrounding but achievable at a fraction of the cost and in far less time. [This bill] would ensure that the

maximum amount of risk from utility-sparked wildfires is reduced in the shortest amount of time at the most favorable cost."

**Arguments in Opposition**

None on file.

**FISCAL COMMENTS**

According to the Assembly Committee on Appropriations, this bill will incur costs at OEIS to cover two regulatory analyst positions and one utilities engineer position beginning in fiscal year 2024-25, totaling \$729,272 (Public Utilities Commission Utilities Reimbursement Account (PUCURA)) annually. 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 expects to dedicate one regulatory analyst to this effort, with an associated annual cost of \$210,000 (PUCURA).

**VOTES****SENATE FLOOR: 39-0-1**

**YES:** Allen, Alvarado-Gil, Archuleta, Ashby, Atkins, Becker, Blakespear, Bradford, Caballero, Cortese, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Hurtado, Jones, Laird, Limón, McGuire, Menjivar, Newman, Nguyen, Niello, Ochoa Bogh, Padilla, Portantino, Roth, Rubio, Seyarto, Skinner, Smallwood-Cuevas, Stern, Umberg, Wahab, Wiener, Wilk

**ABS, ABST OR NV:** Min

**ASM UTILITIES AND ENERGY: 15-0-1**

**YES:** Petrie-Norris, Bauer-Kahan, Calderon, Chen, Friedman, Hart, Holden, Joe Patterson, Reyes, Santiago, Schiavo, Ting, Wallis, Wood, Zbur

**ABS, ABST OR NV:** Jim Patterson

**ASM APPROPRIATIONS: 11-0-4**

**YES:** Wicks, Arambula, Bryan, Calderon, Wendy Carrillo, Mike Fong, Grayson, Haney, Hart, Pellerin, Villapudua

**ABS, ABST OR NV:** Sanchez, Dixon, Jim Patterson, Ta

**UPDATED**

VERSION: August 19, 2024

CONSULTANT: Kathleen Chen / U. & E. / (916) 319-2083

FN: 0004115