

SENATE THIRD READING
SB 1003 (Dodd)
As Amended August 28, 2024
Majority vote

SUMMARY

Modifies timelines relevant to the submission and approval of wildfire mitigation plans (WMPs) by electrical corporations – also known as investor-owned electric utilities (IOUs) – to the Office of Energy Infrastructure Safety (OEIS) and the California Public Utilities Commission (CPUC). Requires IOUs to take into account, in their WMP, both the time required to implement an action and the amount of risk reduced for the cost and risk remaining.

Major Provisions

- 1) Requires IOUs to submit a WMP to OEIS for review at least once every four years.
- 2) Requires IOUs, beginning January 1, 2026, to submit a preliminary WMP to OEIS within one year before the filing of its general rate case (GRC) application or concurrent with the filing of its Risk Assessment Mitigation Phase (RAMP) application with the CPUC.
- 3) Requires the CPUC to consult with OEIS on IOU wildfire activities in rendering its GRC decisions.
- 4) Requires IOUs to, within 45 days of the CPUC's GRC decision, submit a revised WMP that conforms to the CPUC's revenue authorization. Requires OEIS to review and either approve or request modifications to the revised WMP; OEIS must approve WMPs within two months of the revised submission. Requires the IOUs to file the revised WMP, once approved by OEIS, as an information-only submittal with the CPUC.
- 5) Revises the requirements of the WMP to, among other things:
 - a. 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 within its service territory.
 - b. 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.
 - c. Require the presentation of certain cost-efficient measures adopted by the CPUC.
- 6) Removes the mandate on the CPUC to authorize an IOU to establish a memorandum account to track costs of the WMP, and makes such authorization at the commission's discretion.
- 7) Requires local publicly-owned electric utilities (POUs) and electrical cooperatives (co-ops), after January 1, 2026, to submit a WMP to the Wildfire Safety Oversight Advisory Board at least once every four years.
- 8) Makes several nonsubstantive amendments to statute for code clean-up purposes.

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. 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; these actions are detailed, submitted to, and approved by OEIS or the Wildfire Safety Oversight Advisory Board in a WMP.

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 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. Subsequently, PG&E requested rate recovery in their 2023-26 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 seeks to close the gap between OEIS's and the CPUC's review of an IOU's WMP by conforming the timeline of WMP review to the 4-year timeline of revenue authorization, requiring the CPUC to consult with OEIS on the proposed WMP during GRC application reviews, and requiring another review of the WMP by OEIS, after the IOU's costs have been authorized by the CPUC. This bill also requires the IOUs to use timeliness and cost efficiency as elements in their justification for selecting certain mitigation measures in their WMPs, which may provide some additional clarity into how they select certain mitigation strategies over others, and as such may allow both OEIS and the CPUC to more appropriately weight the IOUs'

proposals. This bill, however, does not require OEIS to act on the additional information on cost provided by the IOUs or change the fundamental mission of the office. Given the measure's goal to align the timelines for the CPUC's review of an IOU's WMP with their review of its GRC application, this bill also removes the requirement for the CPUC to authorize memorandum accounts to track costs of the WMP, making such authorization at the CPUC's discretion.

To align protocol between IOUs and POU's or co-ops, this bill also adjusts the timeline for the Wildfire Safety Advisory Board's review of a POU's or co-op's WMP to at least once every four years.

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

This bill has been significantly amended, and the committee has not heard from support on the most recent version. Still, the Clean Power Campaign writes in support of a previous 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, but this bill has been significantly amended, and the committee has not heard from interested parties on the most recent version.

FISCAL COMMENTS

Unknown. This bill has been significantly amended, and the current version has not received review by a fiscal committee. A review by the Assembly Committee on Appropriations on a previous version of this bill, which is still largely captured in the current measure, estimated resulting costs at OEIS to total \$729,272 (Public Utilities Commission Utilities Reimbursement Account (PUCURA)) annually and costs at the CPUC to total \$210,000 (PUCURA) annually.

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

ASM UTILITIES AND ENERGY: 16-0-0

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

UPDATED

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