



December 6, 2021

Dan Skopec
Senior Vice President & Chief Regulatory Officer
San Diego Gas & Electric Company
8330 Century Park Court, CP33A
San Diego, CA 92123-1530

SUBJECT: Office of Energy Infrastructure Safety Issuance of San Diego Gas & Electric Company's Safety Certification

Dear Mr. Skopec:

The Office of Energy Infrastructure Safety (Energy Safety)¹ hereby issues San Diego Gas & Electric Company (SDG&E) a Safety Certification pursuant to Public Utilities Code (Pub. Util. Code) § 8389 (e). SDG&E has met all the relevant requirements, as detailed below, regarding its request for Safety Certification dated September 7, 2021. This Safety Certification is valid for twelve months from issuance and has only the force and effect given to it by Pub. Util. Code § 451.1(c) and Pub. Util. Code § 8389.

On July 26, 2021, Energy Safety issued a guidance letter (2021 Safety Certification Guidance) outlining the submission requirements for 2021 Safety Certification requests pursuant to Pub. Util. Code § 8389(f)(2).² SDG&E submitted its 2021 Safety Certification request on September 7, 2021.³ On October 7, 2021, the Public Advocates Office (Cal Advocates) submitted comments on SDG&E's Safety Certification request.⁴ On October 18, 2021, both SDG&E and the Coalition of California Utility Employees (CUE) submitted reply comments.^{5,6}

¹ On July 1, 2021, the WSD transitioned to the Office of Energy Infrastructure Safety (Energy Safety), a new department under the California Natural Resources Agency. In accordance with Public Utilities Code section 326, all functions of the WSD are transferred to Energy Safety.

² Energy Safety's Final 2021 Safety Certification Guidance:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51679&shareable=true>.

³ SDG&E 2021 Safety Certification request:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51724&shareable=true>.

⁴ Cal Advocates' comments on SDG&E 2021 Safety Certification request:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51795&shareable=true>.

⁵ SDG&E reply comments on SDG&E 2021 Safety Certification request:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51824&shareable=true>.

⁶ CUE reply comments on SDG&E 2021 Safety Certification request:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51825&shareable=true>.

SDG&E's request for a Safety Certification has been reviewed in accordance with the statutory requirements enumerated in Pub. Util. Code § 8389(e). Energy Safety takes a particular interest in how the utilities are implementing all the components required in the Safety Certification across the organization to reduce utility-related catastrophic wildfire risk.

Discussion

Pursuant to Pub. Util. Code § 8389(e), Energy Safety shall issue a safety certification if SDG&E provides documentation of seven criteria, as detailed below.

Pub. Util. Code § 8389(e)(1): Approval of a Wildfire Mitigation Plan

Pub. Util. Code § 8389(e)(1) requires that "[t]he electrical corporation has an approved Wildfire Mitigation Plan (WMP)." SDG&E submitted its 2021 WMP Update on February 5, 2021.⁷ Following a comprehensive review of SDG&E's 2021 WMP Update and related stakeholder input, Energy Safety issued its final action statement approving SDG&E's 2021 WMP Update on July 14, 2021.⁸

SDG&E has satisfied the requirement of Pub. Util. Code § 8389(e)(1).

Pub. Util. Code § 8389(e)(2): Safety Culture Assessment

Pub. Util. Code § 8389(e)(2) requires that "[t]he electrical corporation is in good standing, which can be satisfied having agreed to implement the findings of its most recent safety culture assessment (SCA)..."⁹ Energy Safety published its inaugural SCA report for SDG&E on September 2, 2021.¹⁰ SDG&E's SCA was performed by DEKRA Services, Inc. (DEKRA), under contract by Energy Safety. DEKRA identified three recommendations, which are listed below:

1. Integrate safe behaviors associated with mitigating wildfire risk and personal risk from interactions with the public into the BBS observation program.
2. Clarify, coach, and track the behaviors field leadership needs to adopt to advance the safety culture.

⁷ SDG&E 2021 Wildfire Mitigation Plan Update: <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wmp/2021/utility/sdge/sdge-2021-wmp-update.pdf>.

⁸ Energy Safety's Final Action Statement on SDG&E's 2021 WMP Update: <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51660&shareable=true>.

The California Public Utilities Commission (CPUC) ratified Energy Safety's approval of SDG&E's 2021 WMP Update on July 15, 2021, via Resolution WSD-019. Final Resolution WSD-019:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M394/K251/394251509.PDF>

⁹ The SCA is performed pursuant to Pub. Util. Code § 8386.2 and paragraph (4) of subdivision (d), if applicable.

¹⁰ 2021 Safety Culture Assessment Report for SDG&E:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51713&shareable=true>.

3. Recognize and take action to mitigate the risk exposure posed by interactions with certain discontented members of the public.

In comments on SDG&E's Safety Certification request, Cal Advocates recommended that Energy Safety "require SDG&E to provide more detail in how it intends to implement the SCA recommendations."¹¹ Cal Advocates also recommended that Energy Safety "consider an electrical corporation's history of implementing SCA recommendations in the last year, as part of the Public Utilities Code § 8389(e)(2) good standing requirement."¹² SDG&E and CUE refuted Cal Advocates' first recommendation by reaffirming that SDG&E has agreed to implement all of the findings of the SCA, thus fulfilling the statutory requirement. SDG&E and CUE responded to Cal Advocate's second recommendation by citing Energy Safety's response to comments on the draft 2021 Safety Certification Guidelines where similar criteria to evaluate "good standing" was rejected.¹³

SDG&E formally agreed to implement the findings and recommendations in the 2021 SDG&E SCA on September 3, 2021.¹⁴ Although valuable to understand *how* SDG&E plans to implement the findings of its SCA, SDG&E's agreement to implement the findings satisfies the "good standing" requirement in the code. Therefore, SDG&E has satisfied the requirements of Pub. Util. Code § 8389(e)(2).

Pub. Util. Code § 8389(e)(3): Board of Directors Safety Committee

Pub. Util. Code § 8389(e)(3) requires that "[t]he electrical corporation has established a safety committee of its board of directors composed of members with relevant safety experience."

SDG&E's Safety Committee consists of three people: Robert J. Borthwick, Caroline A. Winn, and Erbin B. Keith. SDG&E included the biographies for each member of the Safety Committee and adequately demonstrated their relevant safety expertise in Attachment B of its Safety Certification request. SDG&E also included descriptions of the Safety Committee's role in overall corporate governance, significant topics covered by the Safety Committee, and implementation of recommended actions.

¹¹ Cal Advocates' comments on SDG&E 2021 Safety Certification request, p. 2:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51795&shareable=true>.

¹² Cal Advocates' comments on SDG&E 2021 Safety Certification request, p. 3:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51795&shareable=true>.

¹³ Office of Energy Infrastructure Safety Response to Comments on the 2021 Safety Certification Guidelines:

https://energysafety.ca.gov/wp-content/uploads/docs/safety-certificates/comments/tn10264_20210726t164802_energy_safety_response_to_comments_on_safety_certificati_on_2021.pdf.

¹⁴ SDG&E Acceptance of 2021 Safety Culture Assessment Report:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51718&shareable=true>.

SDG&E has satisfied the requirement of Pub Util. Code § 8389(e)(3).

Pub. Util. Code § 8389(e)(4) and Pub. Util. Code § 8389(e)(6): Executive Compensation

Pub. Util. Code § 8389(e)(4) requires that “the electrical corporation has established an executive incentive compensation structure approved by the division and structured to promote safety as a priority and to ensure public safety and utility financial stability with performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable, for all executive officers, as defined in Section 451.5. This may include tying 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.”

Pub. Util. Code § 8389(e)(6) requires “(A)(i)(I) Strict limits on guaranteed cash compensation, with the primary portion of the executive officers’ compensation based on achievement of objective performance metrics. (II) No guaranteed monetary incentives in the compensation structure. (ii) It satisfies the compensation principles identified in paragraph (4). (iii) A long-term structure that provides a significant portion of compensation, which may take the form of grants of the electrical corporation’s stock, based on the electrical corporation’s long-term performance and value. This compensation shall be held or deferred for a period of at least three years. (iv) Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the electrical corporation.”

Energy Safety published its 2021 Executive Compensation Guidance on December 22, 2020.¹⁵ SDG&E submitted a request for approval of its 2021 executive compensation structure on January 15, 2021.¹⁶ On February 25, 2021, SDG&E submitted a supplement, which detailed the minimum, target, and maximum values of the metrics in its 2021 Variable Pay Plan.¹⁷

Energy Safety determined that SDG&E’s executive compensation structure minimally satisfied the requirements of Pub. Util. Code § 8389(e)(4) and Pub. Util. Code § 8389 (e)(6) and approved the executive compensation structure on August 11, 2021.¹⁸ SDG&E has satisfied the requirements of Pub. Util. Code § 8389(e)(4) and Pub. Util. Code § 8389(e)(6) for issuance of a Safety Certification.

¹⁵ 2021 Executive Compensation Guidance: <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/wsd-executive-compensation-guidance-20201222.pdf>.

¹⁶ SDG&E request for approval of its 2021 executive compensation structure: <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/sdge-executive-compensation-2021.pdf>.

¹⁷ SDG&E’s Supplemental 2021 Executive Compensation submission: <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/sdge-2021-exec-comp-supplemental-submission.pdf>.

¹⁸ Approval of SDG&E’s 2021 Executive Compensation Plan can be found here: <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51691&shareable=true>.

Pub. Util. Code § 8389(e)(5): Board Level Safety Reporting

Pub. Util. Code §8389(e)(5) requires that “[t]he electrical corporation has established board-of-director-level reporting to the [California Public Utilities Commission (CPUC)] and [Energy Safety] on safety issues.”

To satisfy the requirements of Pub. Util. Code § 8389(e)(5), SDG&E cites to the August 25, 2021 public meeting on utility safety practices,¹⁹ jointly hosted by the CPUC and Energy Safety. The purpose of the meeting was to provide the CPUC, Energy Safety, and the public information about the electric safety related efforts of SDG&E, including progress and challenges concerning wildfire mitigation, worker safety, and safety culture. During the meeting, members of the Board of Directors of SDG&E presented and answered questions from the CPUC and Energy Safety. SDG&E was represented by Erbin Keith, Deputy General Counsel at Sempra Energy and Chair of the SDG&E Board Safety Committee, and Kevin Gerarghty, Senior Vice President for Electric Operations and Chief Safety Officer.

As directed in Energy Safety’s 2021 Safety Certification Guidance, SDG&E provided the materials used in the August 25, 2021 public meeting in its Safety Certification request (included as Attachment D).

SDG&E has met the requirements of Pub. Util. Code § 8389(e)(5).

Pub. Util. Code § 8389(e)(7): Implementation of a Wildfire Mitigation Plan

Pub. Util. Code § 8389(e)(7) requires that “[t]he electrical corporation is implementing its wildfire mitigation plan... .” To satisfy Pub. Util. Code § 8389(e)(7), the electrical corporation is required to include with its request for a Safety Certification all quarterly advice letters²⁰ or quarterly notifications of implementation required by Pub. Util. Code § 8389(e)(7) submitted since issuance of the previous Safety Certification. The advice letters or notifications of implementation must detail “the implementation of both its approved wildfire mitigation plan and recommendations of the most recent safety culture assessments by the [CPUC] and [Energy Safety], and a statement of the recommendations of the board of directors safety committee meetings that occurred during the quarter. The...submittal shall also summarize the implementation of the safety committee recommendations from the electrical corporation’s previous notification and submission... .” (Pub. Util. Code § 8389(e)(7).) In the 2021 Safety Certification Guidelines, SDG&E was required to provide an explanation of how the information

¹⁹ A recording of the August 25, 2021 public meeting can be found here:

<http://www.adminmonitor.com/ca/cpuc/other/20210825/>.

²⁰ Pursuant to WSD’s transition to OEIS on July 1, 2021, the previous quarterly Assembly Bill 1054 advice letters are now notification letters that do not receive approval. See Pub. Util. Code § 8389(e)(7), amended by Stats. 2021, Ch. 115, Sec 82 (Assembly Bill 148) effective July 22, 2021.

reported in the advice letters or notifications of implementation complies with Pub. Util. Code § 8389(e)(7).

SDG&E submitted quarterly advice letters to the CPUC on March 8, 2021 and May 7, 2021, as well as a quarterly notification letter to Energy Safety on August 2, 2021. SDG&E included the August 2, 2021 notification letter as Attachment C in its Safety Certification request.

Additionally, SDG&E submitted its third quarterly notification to Energy Safety on November 1, 2021.²¹ Attachment A of the third quarterly notification provides the status and breakdown of the progress on quantitative targets for each of its implemented mitigations.

According to Attachment C, the Board of Directors Safety Committee made recommendations to SDG&E requesting presentations on SDG&E's preparations for the upcoming 2021 fire season and the 2021 California legislative efforts to mitigate wildfires. Presentations on the former were made at the July 20, 2021, SDG&E Board Safety Committee meeting. Presentations on the 2021 legislative efforts are delayed until the end of the legislative session.

The November 1, 2021, quarterly notification outlined SDG&E's progress in implementing the September 2021 safety culture assessment recommendations. SDG&E reports it is considering nine different implementation methods for the recommendations and has sent an internal communication providing safety and security resources.

The November 1, 2021, quarterly notification on WMP implementation indicates SDG&E is "On Track" for 20 activities, "Ahead of Plan" for 5 activities, and has "Completed" 8 activities. SDG&E reports it is "Off Track" on 2 activities: drone assessments of transmission infrastructure and microgrids. Regarding drone inspections, SDG&E indicates that even though the number of detailed inspections and patrol inspections were increased in mid-2021 thereby reducing the target number of drone assessments for 2021, only 223 of 1200 drone inspections have been completed. Regarding microgrids, SDG&E is converting its existing microgrids from generators to portable renewable generation and energy storage. SDG&E plans to install two new mobile energy storage projects instead of the original two new microgrid sites planned for 2021.²²

Energy Safety's Compliance Assurance Division is aware of the 2 "Off Track" initiatives and will follow up with SDG&E as part of Energy Safety's compliance assurance activities.²³

²¹ File submitted to Docket 2021-SCs:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51856&shareable=true>.

²² SDG&E 2021 Change Order Report:

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51849&shareable=true>.

²³ Energy Safety's compliance assurance activities can be found within the Compliance Operational Protocols:

<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/2021.02.16-compliance-operational-protocols.pdf>.

The submissions demonstrate that SDG&E is implementing its approved WMP.²⁴ SDG&E's submissions are adequate to satisfy the requirement of Pub. Util. Code § 8389(e)(7).

Conclusion

SDG&E's request for a Safety Certification satisfies the statutory requirements in Pub. Util. Code § 8389(e). Energy Safety expects SDG&E to uphold the values stated in its submission and continue to advance safety as a top priority. This letter constitutes Energy Safety's issuance of SDG&E's safety certification. Pursuant to Pub. Util. Code § 8389(f)(1), this Safety Certification is valid for twelve months from the date of this letter.

Sincerely,



Caroline Thomas Jacobs

Director

Office of Energy Infrastructure Safety

²⁴ Energy Safety completed the inaugural SCA for SDG&E on September 2, 2021; therefore, SDG&E is not required to report on implementation progress for this safety certification request. However, SDG&E did report detail on SCA implementation to date. SDG&E is expected to detail its implementation of the most recent SCA recommendations in subsequent Safety Certification requests.