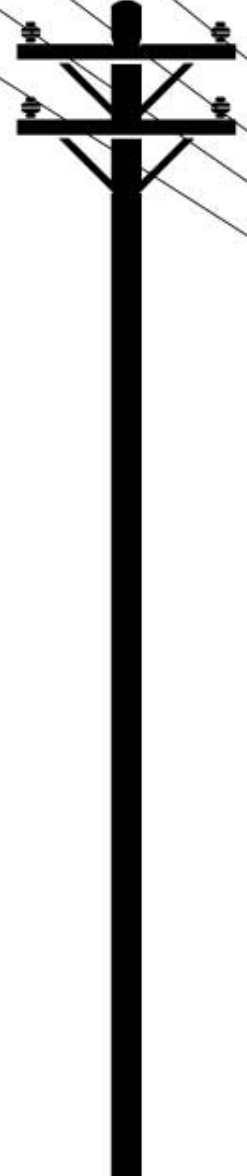




& WILDFIRE SAFETY

OEIS Risk Spend Efficiency Workshop

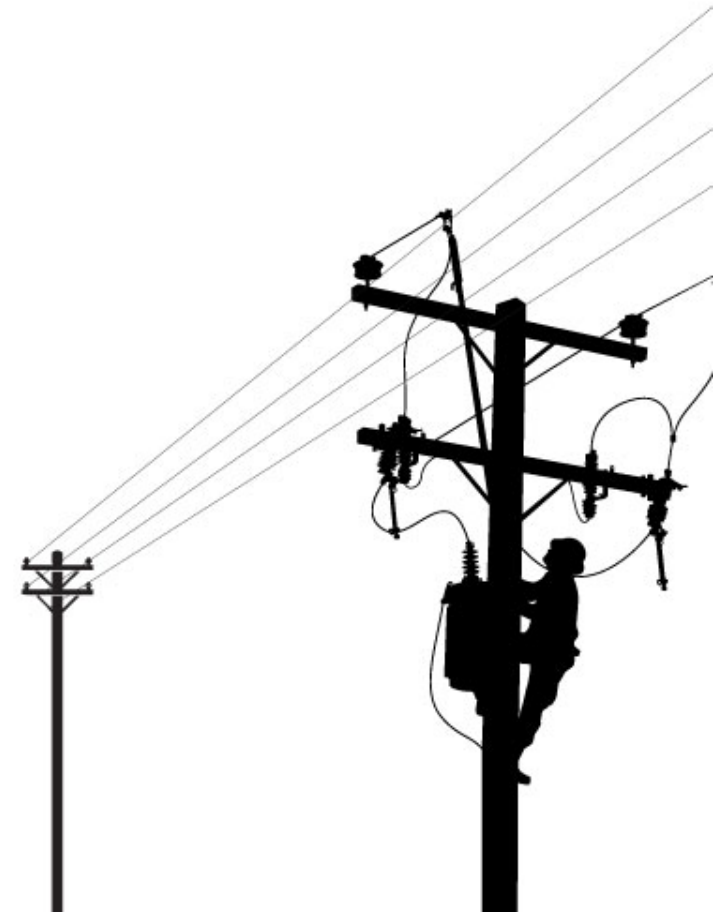
December 9, 2021



Agenda



1. RSE Calculation Methodology
2. RSE Estimate Verification Process
3. RSE Estimate and Initiative-Selection Process
4. Comprehensive Spreadsheet



What is Risk Spend Efficiency (RSE)?



RSE is a calculation of the cost effectiveness of a mitigation. Similar to a cost/benefit analysis using risk points; also known as “risk reduction per dollar spent”

$$\text{RSE} = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$

Risk Reduction = (Pre-Mitigation LoRE – Post-Mitigation LoRE) * CoRE

Lifetime of Benefit = Net Present Value risk reduction adjustment factor

Total Cost = Forecast Cost of the Mitigation

Balancing Risk Reduction and Costs



RSE Calculation Methodology Overview



Step by Step Process:

1. Baseline risk score calculation
2. Risk reduction calculation
3. Net present value (Lifetime of Benefit) risk reduction calculation
4. Total cost calculation
- 5.

$$\text{RSE} = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$

Segment	WF Risk	PSPS Risk	Total Risk	Underground			Covered Conductor		
				Total Risk Reduction	Total Cost	RSE	Total Risk Reduction	Total Cost	RSE
Segment 1	15	5	20	18	\$15M	55	10	\$7M	85
Segment 2	23	15	38	30	\$30M	45	15	\$12M	60
.....
Segment n	10	8	18	16	\$10M	60	5	\$5M	35

Illustrative segment-mitigation table

Risk Score Calculation

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



$$\text{Risk Score} = \text{Likelihood of Risk Event (LoRE)} \times \text{Consequence of Risk Event (CoRE)}$$

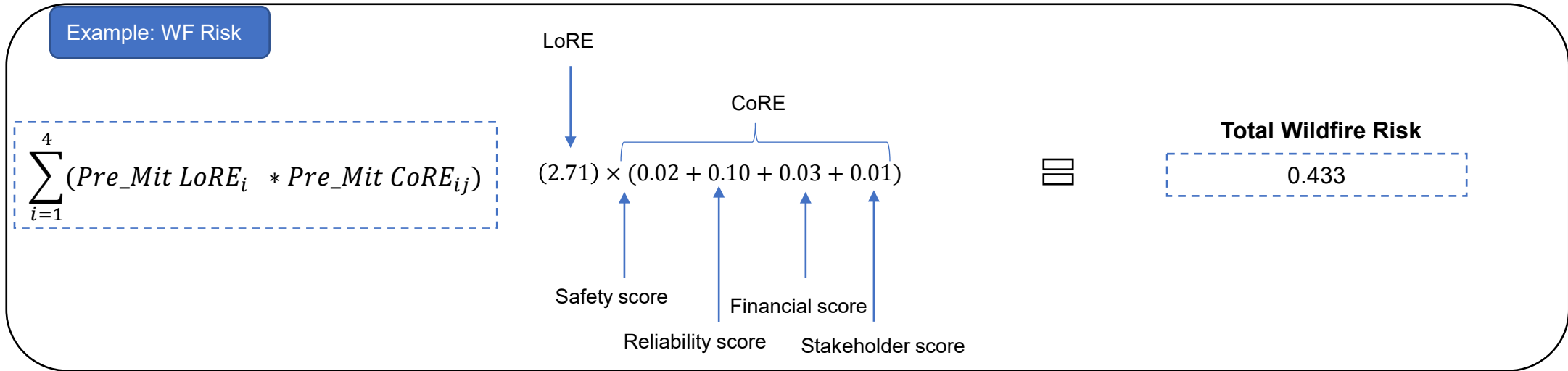
System Risk Score

$$= \sum_{i=1}^n \sum_{j=1}^4 (\text{Pre_Mit LoRE}_i * \text{Pre_Mit CoRE}_{ij})$$

n = number of system risk elements considered (e.g. WF risk, PSPS risk, etc.),

i = ranges through the system risk elements assessed

j = ranges through the 4 attributes of the MAVF framework (safety, financial, reliability, and stakeholder satisfaction)



Illustrative

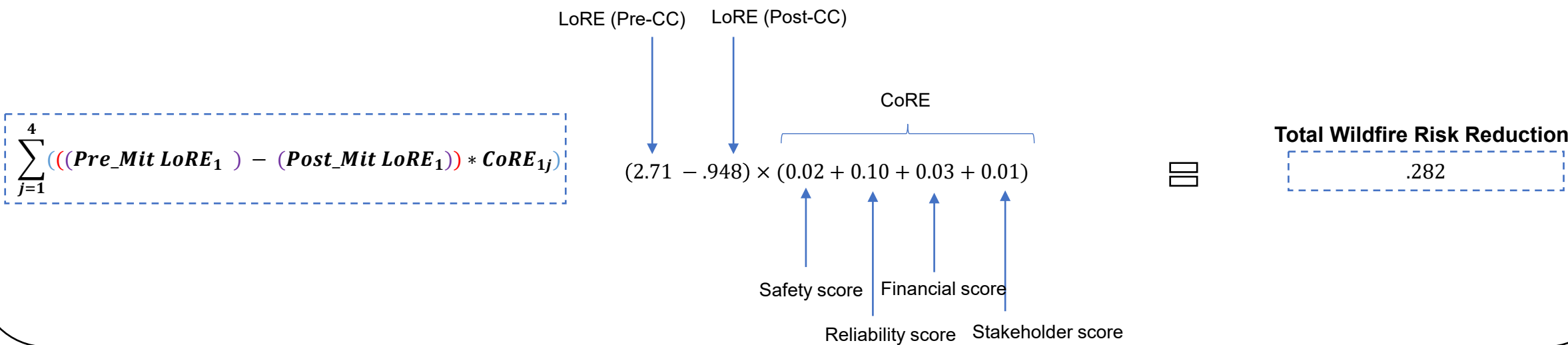
Risk Score Reduction Value Determination

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



$$= \sum_{i=1}^n \sum_{j=1}^4 ((Pre_Mit LoRE_i * Pre_Mit CoRE_{ij}) - (Post_Mit LoRE_i * Post_Mit CoRE_{ij}))$$

Example: WF Risk Reduction for Covered Conductor (CC)



Illustrative

Post-Mitigation LoRE Determination

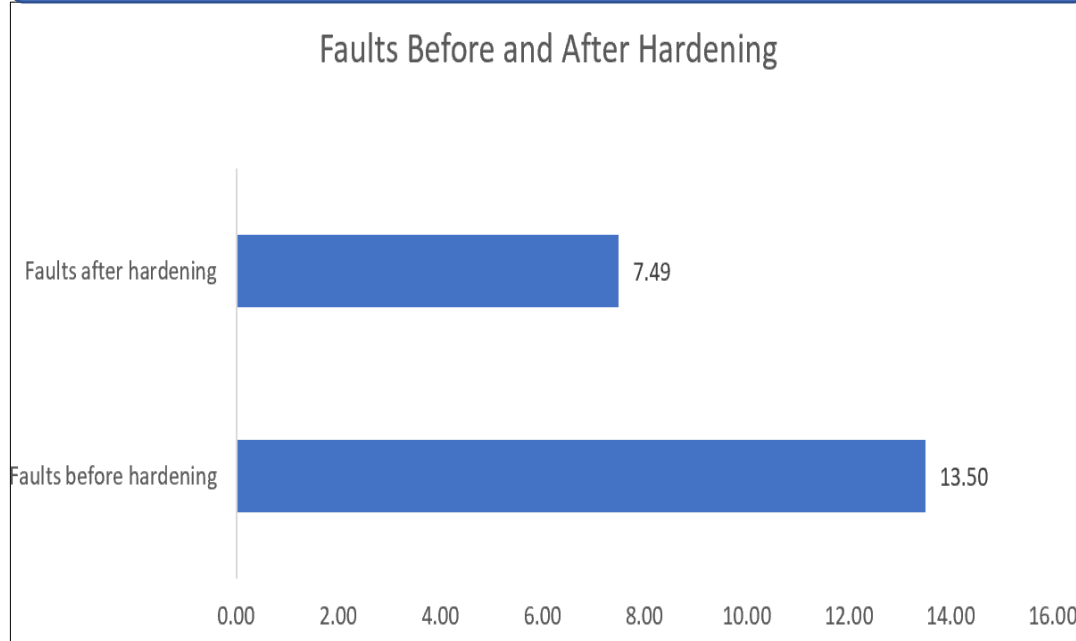
$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



Calculation of Ignition Rate Reduction

- Utilizing efficacy studies, ignition counts, and/or SME input to produce ignition rate reductions for each mitigation
- Adjustment factor multiplied by Pre-Mit LoRE value to account for ignition rate reduction associated to mitigation

Example: Traditional Hardening (TH) Efficacy Study Results



44.5% Reduction of Faults that could lead to an Ignition

Example: Covered Conductor (CC) SME-assisted Ignition Reduction Determination

Mode	Count of Ignitions	Covered Conductor Effect (Risk Reduction%)	Post Covered Conductor - Adjusted Count of Ignitions
Animal contact	5	90%	0.5
Balloon contact	8	90%	0.8
Vegetation contact	10	90%	1
Vehicle contact	14	20%	11.2
Other contact	4	10%	3.6
Other	2	10%	1.8
Equipment - All	34	80%	6.8
Unknown	3	10%	2.7
TOTAL	80	65%	28.4

65% Reduction of Ignition

Post-Mitigation LoRE determination

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



$$Post_Mit\ LoRE = Pre_Mit\ LoRE * Ignition\ Rate\ Reduction$$

Example: LoRE Traditional Hardening determination

Given a Pre-Mit LoRE of **2.71** and a Traditional Hardening ignition rate reduction of **44.5%**

$$\begin{aligned} Post_Mit\ LoRE &= 2.71 \times (1 - 0.445) \\ &= 1.504 \end{aligned}$$

Illustrative

Example: LoRE Covered Conductor determination

Given a Pre-Mit LoRE of **2.71** and a subjective Covered Conductor ignition rate reduction of **65%**

$$\begin{aligned} Post_Mit\ LoRE &= 2.71 \times (1 - 0.65) \\ &= .948 \end{aligned}$$

Illustrative

Net Present Value (Lifetime of Benefit)

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



Net Present Value Determination: Adjustment factor to better assess benefits accrued over the lifetime of the mitigation

Utilizing a Present Value formula, the Lifetime of Benefit factor is calculated as follows:

$$\text{Lifetime of Benefit factor} = \sum_{i=0}^n \frac{1}{(1+r)^i}$$

n = Total number of years of benefit expected

i = cycles through years of accrued benefits

r = rate at which benefit is depreciated year to year

Lifetime Risk Reduction = Risk Reduction x Lifetime of Benefit Factor

Example: Net Present Value Determination of Covered Conductor (CC) WF Risk Reduction

40 years of expected benefits, 3% year-to-year depreciated benefit

$$\begin{aligned} \text{Lifetime Risk Reduction} &= 2.82 \times 10^{-1} \times \sum_{i=0}^{40} \frac{1}{(1+0.03)^i} \\ &= 0.282 \times 23.11 \\ &= 6.52 \end{aligned}$$

Illustrative

Total Cost Determination

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



Total Cost : Total \$ amount cost of the mitigation effort

Total Cost (\$) = Number of Units * Cost Per Unit

Calculated based on estimated* unit costs (For example, cost per mile, cost per asset, etc.)

Example: Total Cost of Covered Conductor (CC)

Assuming an estimated Covered Conductor cost per mile of \$1.5M, and Segment A being 0.46 miles in length

$$\begin{aligned} \text{Total Cost (\$k)} &= \text{Number of Miles} * \text{CC Cost Per Mile} \\ &= 0.46 \times \$1,500,000 \\ &= \$690\text{k} \end{aligned}$$

Illustrative

RSE Calculation Summary Table



$$\text{RSE} = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$

Example

	Miles/Quantity	Pre-Mit WF LoRE	WF CoRE	WF Risk Score	Cost Per Miles/Unit	Post-Mit WF LoRE	WF Risk Reduction	Lifetime Benefit Factor ¹	Lifetime WF Risk Reduction	Total Cost	WF RSE
Covered Conductor	0.46	2.71	0.16	0.433	\$1.5M	0.95	0.282	23.11	6.52	\$690k	9.45 * 10 ⁻⁶
Traditional Hardening	0.46	2.71	0.16	0.433	\$1M	1.51	0.192	23.11	4.44	\$460k	9.65 * 10 ⁻⁶
Hot Line Clamps	100	2.71	0.16	0.433	\$1k	1.80	0.1456	17.94	2.61	\$100k	2.61 * 10 ⁻⁵

Illustrative

¹Lifetime benefit factor uses 3% discount rate based on federal recommendations at x # of years of benefit (40 years for CC & TH, 25 years for HLC)

Assumptions

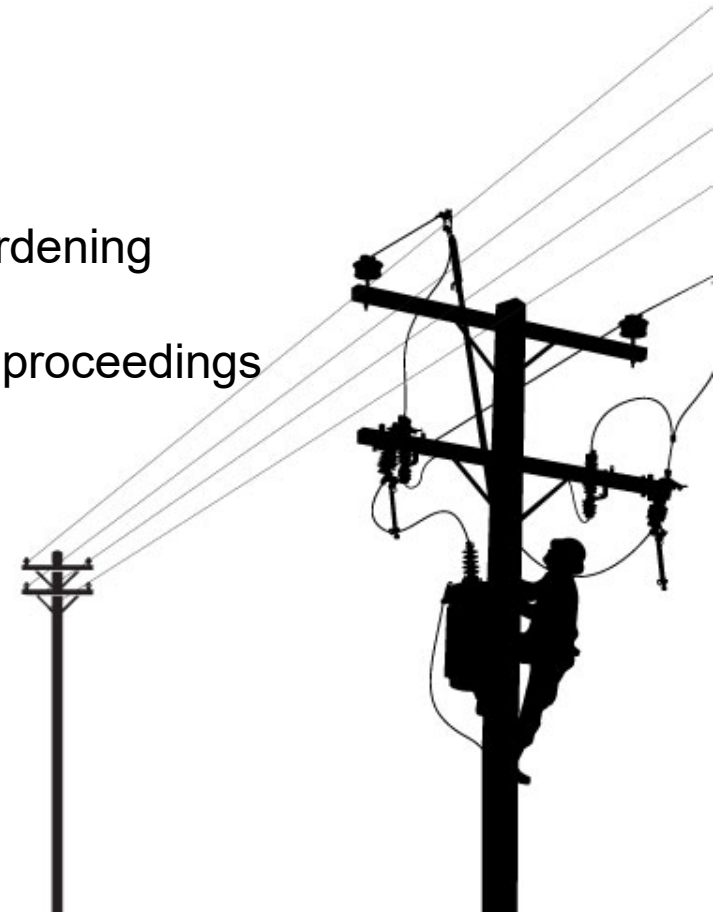
- Assumptions may vary from mitigation to mitigation
- Costs per unit
- Mitigation effectiveness
- Lifetime benefit



Anticipated changes to RSE calculation methodology from now to 2023 WMP



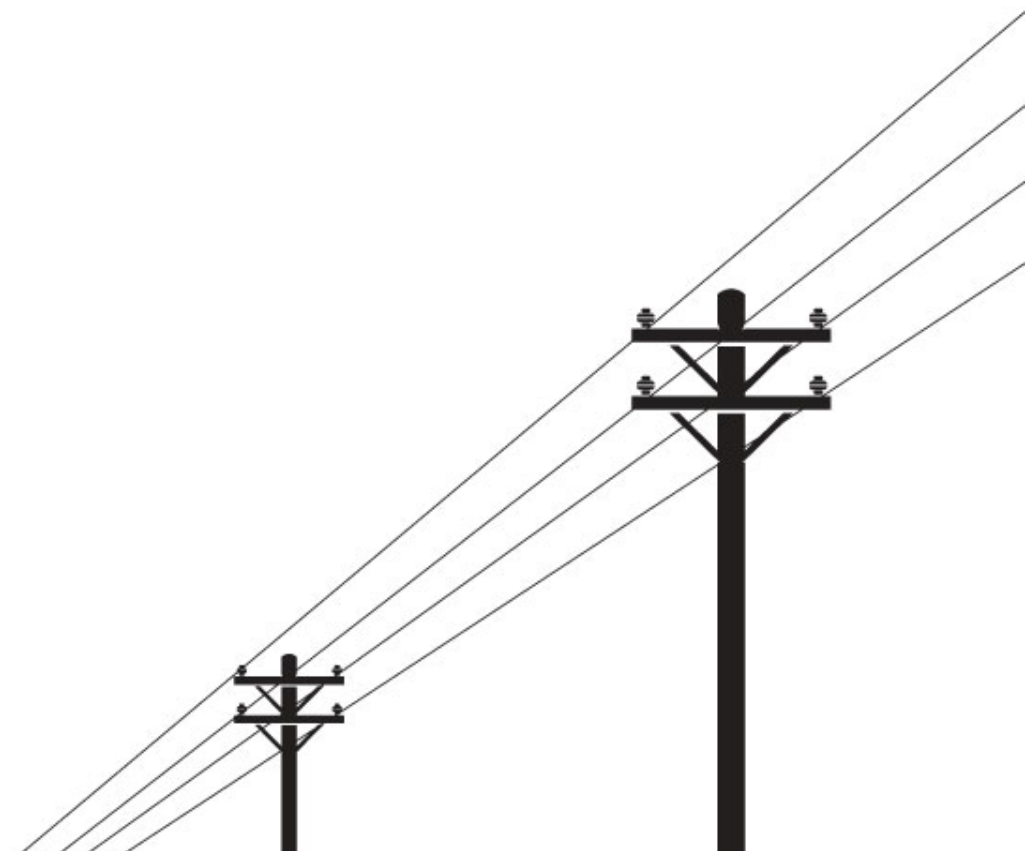
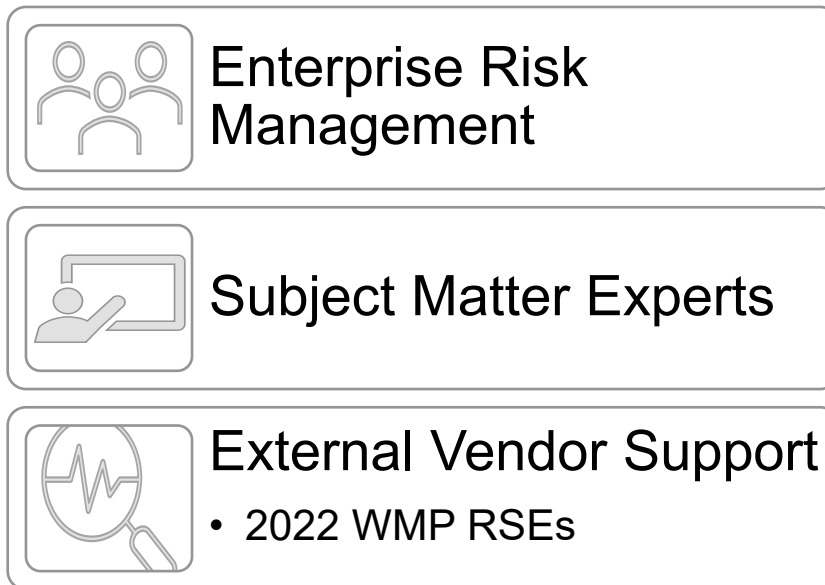
- Update and improve risk assessment
 - Change in data sets and assumptions, as more data becomes available
 - Change in logic or analytical approach as different techniques are learned
 - Updated risk models as technology improves
 - Better unit cost estimation
- Incorporate life cycle costs and benefits of avoided costs resulting from grid hardening
- Continue to evaluate overall framework with input from stakeholders and other proceedings



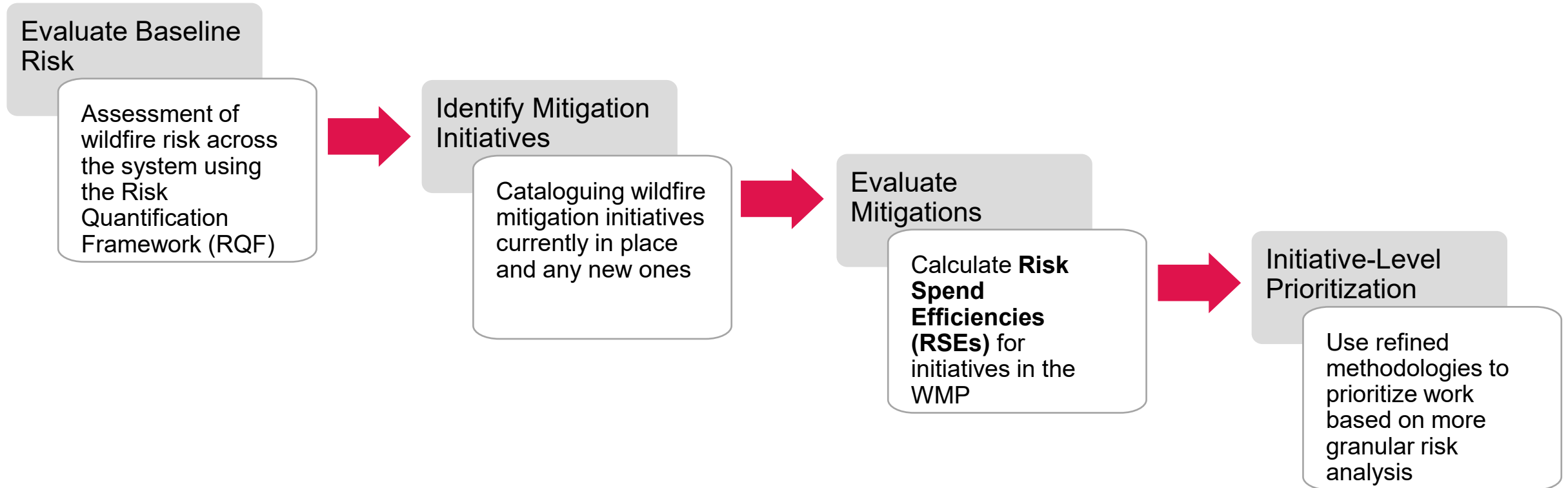
RSE Estimate Verification Process



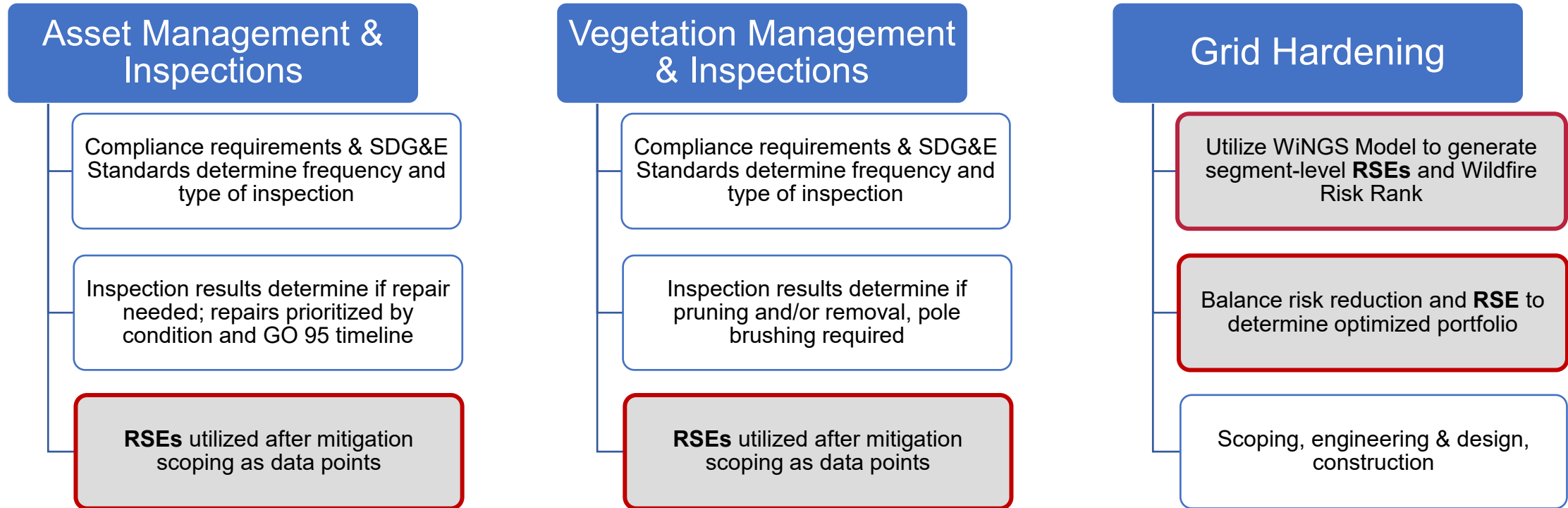
- SDG&E does not currently use confidence intervals and uncertainty in its assessments
- Continuing to evolve, expand and improve under the guidelines set forth by the CPUC
- RSE Estimate Verification Process:



Risk-Informed Decision-Making Approach



RSEs in Initiative-Selection Process



WiNGS Model Inputs and Outputs



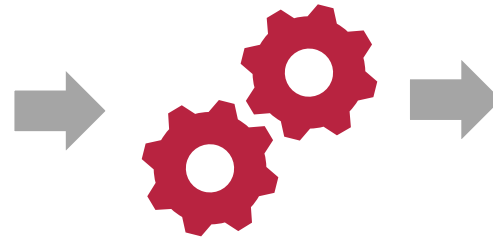
Inputs

Wildfire

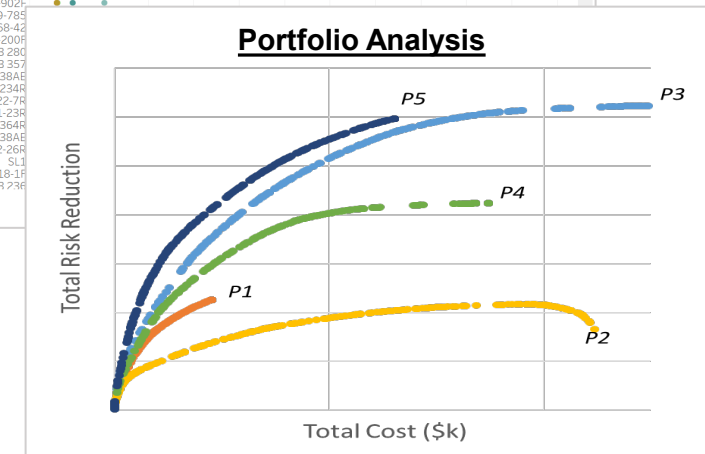
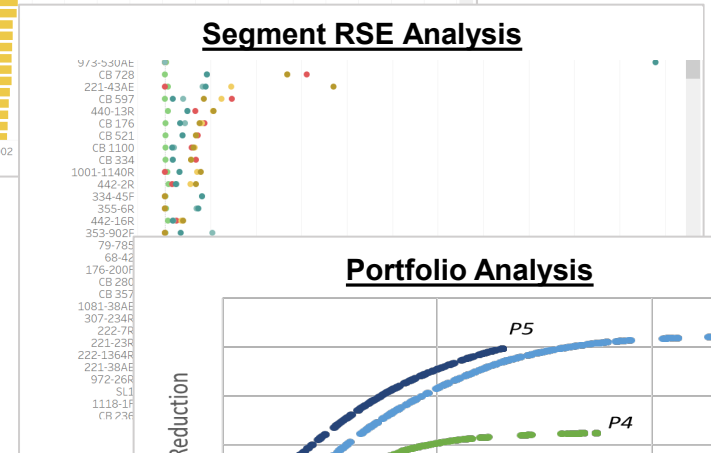
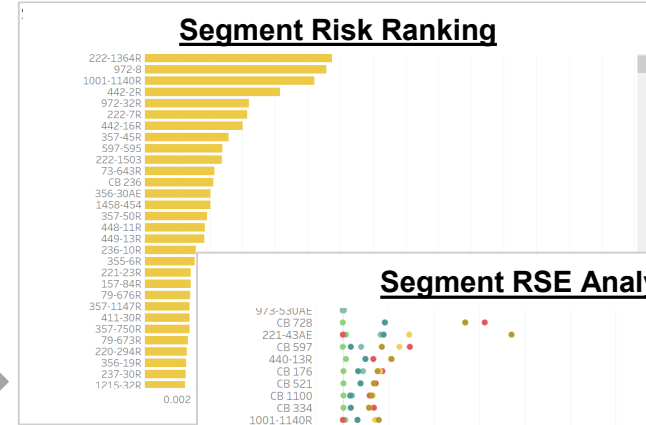
PSPS

<u>Likelihood</u>	<u>Consequence</u>
<ul style="list-style-type: none"> • Historic ignitions • Wind speed • Tree strikes • Hardening status • Vegetation density • Critical Health Index (CHI) • Conductor age 	<ul style="list-style-type: none"> • WRRM conditional impact

<u>Likelihood</u>	<u>Consequence</u>
<ul style="list-style-type: none"> • Annual RFW data • Historic wind speed patterns • Circuit connectivity 	<ul style="list-style-type: none"> • Number of customers • Customer type • Outage duration



Outputs



Wildfire – WiNGS Grid Hardening Scope



Long-Term Objective: Maximize wildfire risk reduction while selecting cost-effective mitigations

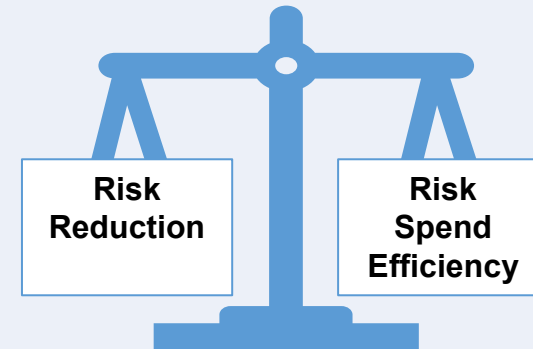
Segments Selection and Prioritization

- Evaluate and compare baseline risk across > 600 segments
- Evaluate and compare RSE alternatives
- Identify top segments to prioritize grid hardening solutions on

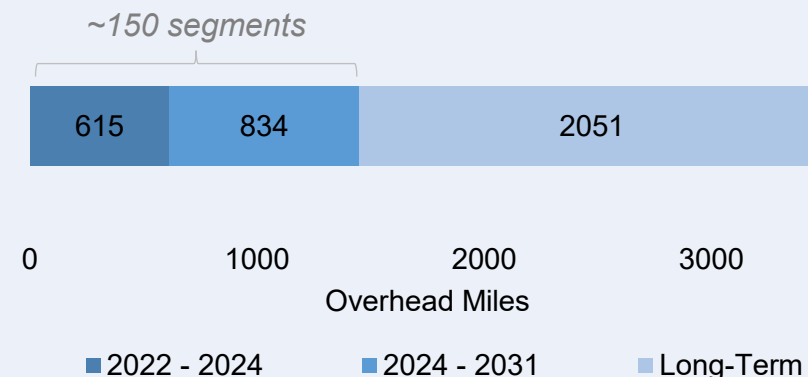
Outcome

- Identified ~150 segments to prioritize grid hardening mitigations on
- Remaining segments to be monitored and re-evaluated for other mitigation needs

Balancing Risk Reduction and Costs



Long Term Distribution Hardening Underground and Covered Conductor



Initiative Selection Decision-Making Factors



RSEs are not the only criteria for determination of mitigation initiative

Inspection & Replacement Cycles

- Compliance requirements and SDG&E standards for Asset Management
- Compliance requirements and SDG&E standards for Vegetation Management

Scoping Factors

- Desktop Feasibility results: geography, environmental, permitting, easements, existing infrastructure
- SME, Stakeholder input

Engineering & Design Factors

- Survey results
- Agency and communication infrastructure provider coordination

Construction Factors

- Availability of labor, raw materials
- Ability to work through land and permitting constraints

Anticipated Changes to How RSE Estimates are Used for Mitigation Initiative Selection for 2023 WMP



Improve Accuracy of RSE Values

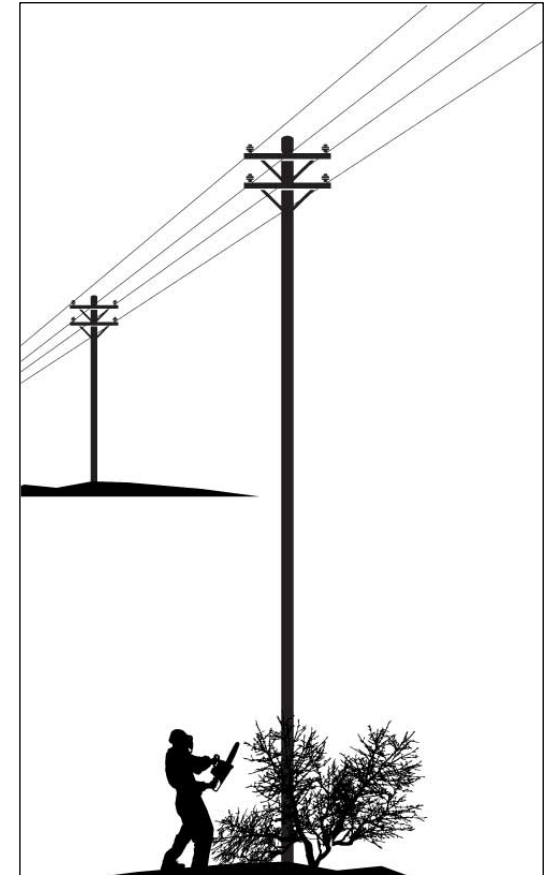
- Continuous enhancements to WiNGS Model
- Incorporate life cycle costs and benefits of avoided costs resulting from grid hardening
- Continuous improvement of PSPS risk quantification

Develop Additional Tool* for Mitigation Initiative Selection

- Develop enterprise-wide capital allocation and planning tool

Explore Opportunities to Apply RSEs

- Look for potential areas beyond grid hardening where similar RSE-based approach adds value to mitigation initiative selection



*Engagement with vendor initiated in 2021 but results may continue beyond 2023 WMP.

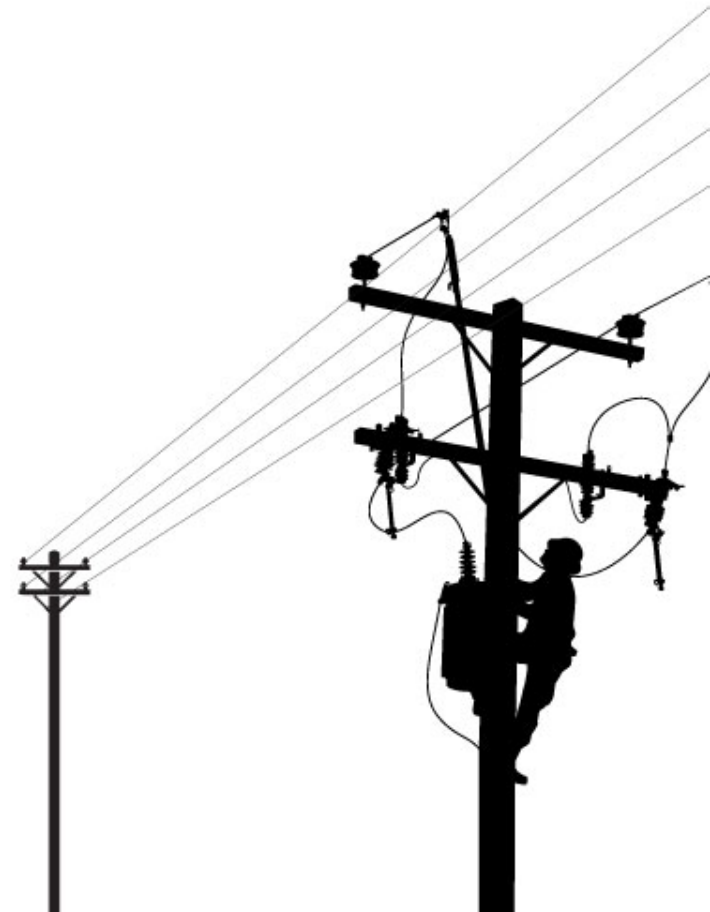
Comprehensive Spreadsheet



December 17th report will include RSE
summary spreadsheet



Appendix



Comprehensive Spreadsheet



1. MAVF Inputs for Risk Scoring

Master Inputs

Discount Factors

Benefit Discount Factor 3.00%

MAVF Framework

	Range	Weight
Safety Index	20	60%
Reliability Index	1	23%
Financial Cost	500	15%
Stakeholder Satisfaction Index	100	2%

2. RSE Equations

$$\begin{aligned}
 \text{Risk Reduction} &= (\text{Pre - Mitigated LoRE} * \text{Pre - Mitigated CoRE}) - (\text{Post - Mitigated LoRE} * \text{Post - Mitigated CoRE}) \\
 \text{Discounted Time} &= 1 - \left(\frac{1}{(1 + \text{Benefit Discount Rate})^{\text{Benefits Lifetime}}} \right) \\
 \text{RSE per \$M} &= \frac{\text{Risk Reduction} * \text{Discounted Time}}{\text{Total Cost (\$M)}}
 \end{aligned}$$

3. RSE Scoring Summary

ID	Control/Mitigation Name	Lifetime Benefit	Total Cost (\$k)	% Change in PSPS CoRE	PSPS LoRE	PSPS Pre-Mitigated CoRE	PSPS CoRE Safety	PSPS CoRE Reliability	PSPS CoRE Financial	PSPS CoRE Stakeholder Satisfaction	PSPS Post-Mitigated CoRE	PSPS Risk Reduction	% Change in Wildfire LoRE	Wildfire Pre-Mitigated LoRE	Wildfire CoRE	Wildfire Safety CoRE	Wildfire Reliability CoRE	Wildfire Financial CoRE	Wildfire Stakeholder Satisfaction CoRE	Wildfire Post-Mitigated LoRE	Wildfire Risk Reduction	Risk Reduction	Discounted Time	RSE per \$Million	Source
SDG&E-Risk-1-C3-T3	Wireless Fault Indicators (Non-HFTD)	25	636	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.55%	9.20	30.22	10.00	2.15	15.81	2.26	7.31	57.11	51.11	17.41	151.03	Reliability Data (2015-2019), 2021 WMP Update Section 4.4.2.1
SDG&E-Risk-1-C6/M1-T2	SCADA Capacitors (HFTD Tier 2)	25	1793	0.00%	4.00	351.80	4.00	246.29	41.51	60.00	351.80	0.00	0.92%	6.84	622.91	218.72	47.08	345.83	11.28	6.78	39.04	30.24	17.91	383.49	2021 WMP Update Section 4.4.2.1, SME, GIS Database
SDG&E-Risk-1-C7/M2-T1	Overhead Distribution Fire Hardening - Covered Conductor (HFTD Tier 3)	40	3400.11	0.01%	4.00	820.87	9.33	574.67	96.87	140.00	820.76	0.00	6.61%	5.13	1409.28	499.93	107.61	790.46	11.28	4.79	477.96	478.39	23.11	32.47	2021 WMP Update Section 4.4.2.1, 2021 WMP Update Section 4.4.2.1, SME
SDG&E-Risk-1-C7/M2-T2	Overhead Distribution Fire Hardening - Covered Conductor (HFTD Tier 2)	40	747.66	0.00%	4.00	351.80	4.00	246.29	41.51	60.00	351.80	0.00	1.04%	6.84	622.91	218.72	47.08	345.83	11.28	6.77	44.11	44.11	23.00	13.44	2021 WMP Update Section 4.4.2.1, 2021 WMP Update Section 4.4.2.1, SME
SDG&E-Risk-1-C8/M3-T2	Expansion Fuse Replacement (HFTD Tier 2)	25	307.9	0.00%	4.00	351.80	4.00	246.29	41.51	60.00	351.80	0.00	0.72%	6.84	622.91	218.72	47.08	345.83	11.28	6.79	31.01	31.01	17.41	186.71	GIS Database, 2021 WMP Update Section 4.4.2.1
SDG&E-Risk-1-C9/M4-T1	PSPS Sectionalizing (HFTD Tier 3)	20	530	2.52%	4.00	820.87	9.33	574.67	96.87	140.00	802.85	76.00	0.00%	5.13	1409.28	499.93	107.61	790.46	11.28	5.13	0.00	76.39	14.80	213.33	Internal data, SME
SDG&E-Risk-1-C9/M4-T2	PSPS Sectionalizing (HFTD Tier 2)	20	400	20.79%	4.00	351.80	4.00	246.29	41.51	60.00	278.28	292.00	0.00%	6.84	622.91	218.72	47.08	345.83	11.28	6.84	0.00	292.07	14.80	1082.66	Internal data, SME
SDG&E-Risk-1-C10/M5-T2	Fronts (HFTD Tier 2)	20	4233.8	6.10%	4.00	351.80	4.00	246.29	41.51	60.00	330.32	85.92	0.00%	6.84	622.91	218.72	47.08	345.83	11.28	6.84	0.00	85.91	14.80	36.25	Internal data, SME

Mitigation Name

Lifetime Benefit

Total Cost

PSPS CoRE & LoRE by MAVF Category

PSPS Risk Reduction

Wildfire CoRE & LoRE by MAVF Category

Wildfire Risk Reduction

Discounted Time

RSE per %Million

Source

Total Risk Reduction

Comprehensive Spreadsheet



Example from 2021 RAMP RSE Summary

ID	Control/Mitigation Name	2021 WMP Initiative	Lifetime Benefit	Total Cost (\$k)	% Change in PSPS CoRE	PSPS LoRE	PSPS Pre-Mitigated CoRE	PSPS CoRE Safety	PSPS CoRE Reliability	PSPS CoRE Financial	PSPS CoRE Stakeholder Satisfaction	PSPS Post-Mitigated CoRE	PSPS Risk Reduction
SDG&E-Risk-1-C3-T3	Wireless Fault Indicators (Non HFTD)	7.3.2.3	25	\$656	0.00%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SDG&E-Risk-1-C6/M1-T2	SCADA Capacitors (HFTD Tier 2)	7.3.3.1	25	\$1,791	0.00%	4.00	351.80	4.00	246.29	41.51	60.00	351.80	0.00
SDG&E-Risk-1-C12/M7-T1	Hotline Clamps (HFTD Tier 3)	7.3.3.10	25	\$4,503	0.00%	4.00	820.87	9.33	574.67	96.87	140.00	820.87	0.00
SDG&E-Risk-1-C16/M11-T1	Strategic Undergrounding (HFTD Tier 3)	7.3.3.16	40	\$629,679	2.49%	4.00	820.87	9.33	574.67	96.87	140.00	800.44	81.69

Control/Mitigation Name	% Change in Wildfire LoRE	Wildfire Pre-Mitigated LoRE	Wildfire CoRE	Wildfire Safety CoRE	Wildfire Reliability CoRE	Wildfire Financial CoRE	Wildfire Stakeholder Satisfaction CoRE	Wildfire Post-Mitigated LoRE	Wildfire Risk Reduction	Risk Reduction	Discounted Time	RSE per \$Million	Source
Wireless Fault Indicators (Non HFTD)	20.55%	9.20	30.22	10.00	2.15	15.81	2.26	7.31	57.11	57.11	17.41	1516.03	Reliability Data (2015-2019), 2021 WMP Update Section 4.4.2.1
SCADA Capacitors (HFTD Tier 2)	0.92%	6.84	622.91	218.72	47.08	345.83	11.28	6.78	39.24	39.24	17341.00	381.49	2021 WMP Update Section 4.4.2.1, SME, GIS Database
Hotline Clamps (HFTD Tier 3)	0.33%	5.13	1409.28	499.93	107.61	790.46	11.28	5.11	23.96	23.96	17.41	92.64	2021 WMP Update Section 4.4.2.1 & Table 7.1
Strategic Undergrounding (HFTD Tier 3)	57.60%	5.13	1409.28	499.93	107.61	790.46	11.28	2.17	4246.45	4246.15	23.11	155.87	Ignition Database (2014-2019), 2021 WMP Update Section 4.4.2.3, 2021 WMP Update Section 4.4.2.1

Post-Mitigation LoRE determination

$$RSE = \frac{\text{Risk Reduction} \times \text{Lifetime of Benefit}}{\text{Total Cost}}$$



$$Post_Mit\ LoRE = Pre_Mit\ LoRE * Ignition\ Rate\ Reduction$$

The post mitigation LoRE for Covered Conductor is based on a similar methodology as the Traditional Hardening efficacy studies shown in the previous slide.

Example: LoRE Covered Conductor determination

Given a Pre-Mit LoRE of **2.71** and a subjective Covered Conductor ignition rate reduction of **65%**

$$\begin{aligned} \text{Post_Mit LoRE} &= 2.71 \times (1 - 0.65) \\ &= .948 \end{aligned}$$

Illustrative

Purpose of this workshop



Energy Safety intends to oversee a joint effort across utilities to collaborate on RSE calculation methodologies and utilization. The workshop provides an opportunity for stakeholder input regarding the focus areas of the RSE calculation methodologies and utilization.

<u>Workshop Timeline</u>	
9:00 am – 9:10 am	Introduction
9:10 am – 10:10 am	PG&E Presentation
10:10 am – 11:10 am	SCE Presentation
11:10 am – 11:30 am	Break
11:30 am – 12:30 pm	SDG&E Presentation
12:30 pm – 1:30 pm	Lunch
1:30 pm – 3:00 pm	Q&A Session
3:00 pm – 3:20 pm	Break
3:20 pm – 4:20 pm	RSE Expert Panel
4:20 pm – 4:30 pm	Closing Remarks

Links:

- [2021 RSE Workshop Presentation Structure](#)
- [TN10441 20211108T151246 Risk Spend Efficiency Workshop Notice](#)