



OFFICE OF ENERGY INFRASTRUCTURE SAFETY

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Caroline Thomas Jacobs, Director

December 10, 2021

Michael Backstrom
Vice President, Regulatory Policy
Southern California Edison
P.O. Box 800
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SUBJECT: Office of Energy Infrastructure Safety Issuance of Southern California Edison Company's Safety Certification

Mr. Backstrom:

The Office of Energy Infrastructure Safety (Energy Safety)¹ hereby issues Southern California Edison Company (SCE) a Safety Certification pursuant to Public Utilities Code (Pub. Util. Code) § 8389 (e). SCE has met all the relevant requirements, as detailed below, regarding its request for Safety Certification dated September 13, 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 SCE submitted its 2021 Safety Certification request to Energy Safety on September 13, 2021.³ The Public Advocates Office (Cal Advocates) submitted comments on

¹ On July 1, 2021, the Wildfire Safety Division (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 Southern California Edison Company's 2021 Safety Certification Request can be found here (accessed on November 8, 2021):
<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51729&shareable=true>

SCE's Safety Certification request on October 13, 2021.⁴ Both SCE⁵ and the Coalition of California Utility Employees (CUE)⁶ submitted reply comments on October 25, 2021.

SCE'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 SCE 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)." SCE submitted its 2021 WMP Update on February 5, 2021. Energy Safety issued a Revision Notice on May 4, 2021, to resolve four critical issues in its 2021 WMP Update.⁷ SCE responded to the Revision Notice on June 3, 2021.⁸ Following a comprehensive review of SCE's 2021 WMP Update Revision Notice and related stakeholder input, Energy Safety issued its final action statement approving SCE's 2021 WMP Update on August 18, 2021.⁹

⁴ Comments of the Public Advocates Office on the Safety Certification Request of SCE Case No. 2021-SC can be found here (accessed on November 8, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51806&shareable=true>

⁵ Reply Comments Regarding Southern California Edison Company's 2021 Safety Certification Request can be found here (accessed on November 8, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51835&shareable=true>

⁶ Reply Comments of the Coalition of California Utility Employees on the Safety Certification Request of Southern California Edison Company (Docket No. 2021-SCs: 2021 Safety Certifications) can be found here (accessed on November 8, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51836&shareable=true>

⁷ The Wildfire Safety Division Issuance of Revision Notice for Southern California Edison Company's 2021 Wildfire Mitigation Plan Update and Notice of Extension of WSD Determination Per Public Utilities Code 8389.3(a) can be found here (accessed on November 8, 2021):

<https://energysafety.ca.gov/wp-content/uploads/docs/misc/wmp/2021/utility/sce/sce-2021-wmp-revision-notice.pdf>

⁸ Southern California Edison's Revised 2021 Wildfire Mitigation Plan Update Pursuant to the Wildfire Safety Division's Revision Notice can be found here (accessed on November 8, 2021):

<https://www.sce.com/sites/default/files/AEM/Wildfire%20Mitigation%20Plan/2021/SCE%20Cover%20Letter%20Revision.pdf>

⁹ Final Action Statement on Southern California Edison 2021 WMP Update can be found here (accesses November 16, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51701&shareable=true>

SCE 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)...”.¹⁰ Energy Safety published its inaugural SCA report for SCE on September 2, 2021. SCE’s SCA was performed by DEKRA Services, Inc. (DEKRA), under contract by Energy Safety. DEKRA identified four recommendations, which are listed below:¹¹

1. Update current safety leader activities to address issues noted by the workforce concerning wildfire communications, roles, and decisions.
2. Use Safety Culture Pulse Surveys to evaluate progress of supervisors in engaging frontline workers on wildfire hazards and providing clear communication about wildfire related procedures.
3. Embed learning organization concepts into the culture via training, incident investigations and corrective action systems.
4. Recognize and take action to mitigate the serious exposure posed by interactions with certain discontented members of the public.

In comments on SCE’s Safety Certification request, Cal Advocates recommended that Energy Safety “require SCE to provide more detail in how it intends to implement the SCA recommendations.”¹² 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.”¹³ SCE and CUE refuted Cal Advocates’ first recommendation by reaffirming that SCE has agreed to implement all of the findings of the SCA, thus fulfilling the statutory requirement. SCE 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.¹⁴

The California Public Utilities Commission (CPUC) ratified Energy Safety’s approval of SCE’s 2021 WMP Update on August 19, 2021, via Resolution WSD-020. Final Resolution WSD-020 on SCE’s 2021 WMP Update can be found here (accessed on November 17, 2021):

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M402/K404/402404306.pdf>

¹⁰ The SCA is performed pursuant to Pub. Util. Code § 8386.2 and paragraph (4) of subdivision (d), if applicable.

¹¹ 2021 Safety Culture Assessment Report for SCE can be found here (accessed on November 8, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51714&shareable=true>

¹² Cal Advocates’ comments on SCE 2021 Safety Certification request, p. 2 (accessed November 30, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51806&shareable=true>

¹³ Ibid.

¹⁴ Office of Energy Infrastructure Safety Response to Comments on the 2021 Safety Certification Guidelines can be found here (accessed November 19, 2021):

SCE formally agreed to implement the findings and recommendations in the 2021 SCE SCA on September 9, 2021.¹⁵ Although valuable to understand *how* SCE plans to implement the findings of its SCA, SCE's agreement to implement the findings satisfies the "good standing" requirement in the code. Therefore, SCE 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."

SCE's Safety and Operations Committee (Committee) consists of five people: Timothy T. O'Toole, Jeanne Beliveau-Dunn, Carey A. Smith, Peter J. Taylor, and Keith Trent. SCE included the biographies for each member of the Committee and adequately demonstrated their relevant safety expertise in Appendix J of SCE's 2020 Safety Certification request.¹⁶ The only change in SCE's 2021 Committee membership since SCE's 2020 Safety Certification request is that Linda G. Stuntz is no longer with the Committee. SCE 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.

SCE 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

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

¹⁵ SCE Acceptance of 2021 Safety Culture Assessment Report can be found here (accessed on November 8, 2021):

<https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51726&shareable=true>

¹⁶ SCE's 2020 Safety Certification request can be found here (accessed November 8, 2021):

https://www.sce.com/sites/default/files/SCE_2020SafetyCertificationRequest.pdf

objective performance metrics. (ii) No guaranteed monetary incentives in the compensation structure. (iii) 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, 2020.¹⁷ SCE submitted a request for approval of its 2021 executive compensation structure on January 15, 2021. On March 1, 2021, SCE submitted a supplement, which detailed its final 2021 annual incentive goals and metrics.¹⁸

Energy Safety determined that SCE'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, 2021.¹⁹ SCE has satisfied the requirements of Pub. Util. Code § 8389(e)(4) and Pub. Util. Code § 8389(e)(6) for issuance of a Safety Certification.

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), SCE cites to the August 25, 2021 public meeting on utility safety practices,²⁰ 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 SCE, including progress and challenges concerning wildfire mitigation, worker safety, and safety culture. During the meeting, members of the Board of Directors of SCE presented and answered questions from the CPUC and Energy Safety. SCE was represented by: Kevin Payne, SCE's President and Chief Executive Officer (serving as

¹⁷ 2021 Executive Compensation Submission Guidance can be found here (accessed November 17, 2021): <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/wsd-executive-compensation-guidance-20201222.pdf>

¹⁸ SCE's 2021 Supplemental Executive Compensation Submission can be found here (accessed December 1, 2021): <https://energysafety.ca.gov/wp-content/uploads/docs/misc/wsd/2021-sce-exec-comp-supplemental-submission.pdf>

¹⁹ Approval of SCE's 2021 Executive Compensation Plan can be found here (accessed November 8, 2021): <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51690&shareable=true>

²⁰ A recording of the August 25, 2021 public meeting can be found here (accessed November 8, 2021): <http://www.adminmonitor.com/ca/cpuc/other/20210825/>

Chair of SCE's Board of Directors); Steve Powell, Executive Vice President of Operations; and Andrew Martinez, Vice President of Safety, Security and Business Resiliency.

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

SCE 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 letters²¹ 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, SCE was required to provide an explanation of how the information reported in the advice letters or notifications of implementation complies with Pub. Util. Code § 8389(e)(7).

SCE submitted its Q1 Quarterly Advice Letter (QAL, Advice 4489-E) on May 3, 2021, as well as a Q2 Quarterly Notification Letter (QNL) to Energy Safety on August 2, 2021. SCE included the May 3, 2021 advice letter and August 2, 2021 notification letter as Appendix A in its 2021 Safety Certification request. Additionally, SCE submitted its Q3 QNL to Energy Safety on November 1, 2021.²² Attachment A of SCE's Q3 QNL provides the status and breakdown of the progress on quantitative targets for each of its implemented mitigations.

SCE's Q3 QNL listed 39 total mitigation initiatives and indicated that it is "On Track" for 11 initiatives, "Behind Plan, Likely to Meet Year-end Goal" for 9 initiatives, "Complete[d]" for 13 initiatives, and "Behind Plan, At-Risk of Not Meeting Year-end Goal" for 6 initiatives. Contained within the Q1, Q2, and Q3 submissions, SCE also provided recommendations from the Safety

²¹ 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.

²² SCE's Q3 QNL can be found here (accessed November 29, 2021): <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=51864&shareable=true>

and Operations Committee (Committee) and its progress on implementation of those recommendations. Energy Safety identified one pending recommendation made by the Committee in SCE's 2020 Q4 QAL:

The Committee recommended that management report back to the Committee on their risk evaluation and prioritization methodology in light of the significant increase in ignitions from secondary conductors.²³

Energy Safety's Compliance Assurance Division is aware of the 6 "Behind Plan, At-Risk of Not Meeting Year-end Goal" initiatives and has been notified of the pending recommendation listed above. Energy Safety's Compliance Assurance Division will follow up with SCE as part of Energy Safety's compliance assurance activities.²⁴

The submissions demonstrate that SCE is implementing its approved WMP.²⁵ SCE's submissions are adequate to satisfy the requirement of Pub. Util. Code § 8389(e)(7).

Conclusion

SCE's request for a Safety Certification satisfies the statutory requirements in Pub. Util. Code § 8389(e). Energy Safety expects SCE 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 SCE'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

²³ SCE's 2020 Q4 QAL, pp. 5, can be found here (accessed November 29, 2021):

https://library.sce.com/content/dam/sce-doelib/public/regulatory/filings/pending/electric/ELECTRIC_4437-E.pdf

²⁴ Energy Safety's compliance assurance activities can be found within the Compliance Operational Protocols (accessed November 29, 2021):

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

²⁵ Energy Safety completed the inaugural SCA for SCE on September 2, 2021; therefore, SCE is not required to report on implementation progress for this safety certification request. However, SCE is expected to detail its implementation of the most recent SCA recommendations in subsequent Safety Certification requests.