

**BEFORE THE OFFICE OF ENERGY INFRASTRUCTURE SAFETY
OF THE STATE OF CALIFORNIA**

**COMMENTS OF THE UTILITY REFORM NETWORK
ON THE DRAFT DECISION ON PACIFIC GAS AND ELECTRIC COMPANY'S
2023-2025 WILDFIRE MITIGATION PLAN**



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**COMMENTS OF THE UTILITY REFORM NETWORK
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The Utility Reform Network (TURN) submits these comments on the Draft Decision on the 2023-2025 Wildfire Mitigation Plan (WMP) of Pacific Gas and Electric Company (“PG&E”) issued by the Office of Energy Infrastructure Safety (“Energy Safety) on November 13, 2023.

I. THE DRAFT DECISION SHOULD BE REVISED TO AVOID ENDORSING PG&E’S SELF-DEVELOPED ‘WILDFIRE BENEFIT COST ANALYSIS’ AS THE APPROPRIATE MEASURE OF COST-EFFECTIVENESS

In the Section 11.3 discussion of required Area of Continuing Improvement (ACI) PG&E-23-05, the Draft Decision implicitly endorses a new and controversial measure of cost-effectiveness that PG&E has developed on its own to attempt to substitute for the measure adopted by the CPUC in Rulemaking (R.) 20-07-013. In Decision (D.) 22-12-027 in that proceeding, the CPUC directed utilities to transition from calculating Risk Spend Efficiency (RSE) values to Cost-Benefit Ratios (CBR), determined by computing the dollar value of a mitigation’s risk reduction benefit by the cost of the mitigation.¹ PG&E is required to use the CBR for cost effectiveness calculations in CPUC proceedings beginning in 2024.² In its Technical Guidelines for this round of WMPs, Energy Safety stated that it expects utilities to align their risk mitigation analysis with the outcomes of the CPUC’s R.20-07-013.³

Nevertheless, in its submissions in this WMP, PG&E has indicated its unilateral desire to use a different measure of cost-effectiveness, which it calls its Wildfire Benefit Cost Analysis (WBCA). In contrast to the CPUC’s CBR in which the dollar value of a mitigation’s risk

¹ CPUC Decision 22-12-027, p. 25.

² *Id.*, p. 63.

³ OEIS, 2023-2025 WMP Technical Guidelines, Dec. 6, 2023, p. 63, Section 7.1.4.1.

reduction benefits is *divided by* the mitigation's costs, the WCBA *subtracts* the mitigation's costs from its risk reduction benefits.⁴ It appears that PG&E advocates this different cost-effectiveness measure because it tends to yield more favorable numbers for undergrounding in the comparison with overhead hardening than the CBR measure adopted by the CPUC.⁵

Intentionally or not, the Draft Decision's ACI PG&E-23-05 incorrectly treats WBCA as the adopted and appropriate measure of cost-effectiveness. Under the "Required Progress" heading, it directs PG&E to "[p]rovide more accurate effectiveness estimates for its hardening efforts *when calculating WBCA.*"⁶ Other bulleted items under that heading also reference WBCA. If these references to the WBCA are left unchanged, PG&E can be expected to treat ACI 23-05 as a green light to using only the WBCA in cost-effectiveness comparisons of alternative system hardening mitigations.

The Draft Decision should be modified to prevent this result, for three reasons.

First, endorsement of PG&E's WBCA conflicts with the Technical Guideline requirements that Energy Safety adopted for these 2023-2025 WMPs. In the "Identifying and Evaluating Mitigation Initiatives" section of those Guidelines, Energy Safety stated that the current guidelines for evaluating options for wildfire mitigation are derived from the rules for risk mitigation analysis adopted in the CPUC's Safety Model and Assessment Proceeding (S-MAP) which are being updated in the CPUC's R.20-07-013. Energy Safety further prescribed that, "[i]n due course, the electrical corporation's risk mitigation identification procedure must

⁴ PG&E Supplemental Revision Notice Response (Redline) ("PG&E SRNR"), p. 82.

⁵ For example, in the "Circuit Segment 1" example on page 84 (Table RN-PG&E-23-05-3) of the PG&E SRNR, the WBCA value for undergrounding \$2,184, exceeds the overhead hardening value of \$1,850, whereas, under the CPUC's CBR, the cost-effectiveness value for overhead hardening, 38, is more than double the value for undergrounding, 17.5.

⁶ Draft Decision, p. 102 (emphasis added).

align with results from this [R.20-07-013] proceeding.”⁷ As noted, one of those results was the CPUC’s adoption (in D.22-12-027) of the CBR as the appropriate measure of cost effectiveness. Thus, Energy Safety made clear its expectation that utilities would use the CPUC’s cost effectiveness measure adopted in R.20-07-013. Nothing in Energy Safety’s Technical Guidelines is consistent with allowing a utility to ignore the CPUC’s adopted measure and use its own preferred measure of cost-effectiveness.

Second, Energy Safety and the CPUC should be coordinating their data and analysis requirements as much as possible, and not allow utilities to use different cost-effectiveness measures before the two agencies. Before the CPUC can determine that costs to implement a WMP are just and reasonable and entitled to recovery in rates,⁸ the Commission will examine, among other things, whether the activities and costs were cost-effective. No one’s interest is served if the utility WMP is based on a cost-effectiveness analysis that differs from the methodology adopted by the Commission. Indeed, utilities could be falsely encouraged to perform work that would not pass muster under the CPUC’s analysis.

Third, PG&E’s WBCA approach based solely on subtraction does not provide a meaningful cost-effectiveness comparison of alternatives. Consider the following illustrative example:

Mitigation Alternative	Benefit (\$)	Cost (\$)	PG&E’s WBCA (B-C)	CPUC’s CBR (B/C)
Overhead Hardening	800	80	720	10
Undergrounding	1,000	250	750	4

⁷ OEIS, 2023-2025 WMP Technical Guidelines, Dec. 6, 2023, p. 63, Section 7.1.4.1

⁸ California Public Utilities Code Section 451 and 8386.4(b).

In this example, the CPUC’s approach shows that overhead hardening would make the most efficient use of ratepayer funds by providing \$10 of risk reduction benefits for every dollar spent, compared to only \$4 of benefits per dollar of cost for undergrounding. Yet, under PG&E’s subtraction-based approach, undergrounding would be considered the more cost-effective alternative. Similarly, in the example PG&E provided in response to the Revision Notice, the “Circuit Segment 1” scenario purports to show that undergrounding is more cost-effective than undergrounding because the net benefit is higher under the WBCA.⁹ However, in that example, the CBR for overhead hardening is 38, more than twice the CBR of 17.5 for undergrounding. Clearly, PG&E’s WBCA does not comport with a common sense, bang-for-the-buck understanding of how to compare the cost-effectiveness of competing alternatives.

For these reasons, the Draft Decision should be modified to avoid an unnecessary endorsement of PG&E’s WBCA. Specifically, in ACI PG&E-23-05 on page 102, all references to the WBCA should be replaced with a more generic reference to “cost-effectiveness” or “cost-effectiveness analysis.” In addition, to conform to the 2023-2025 Technical Guidelines, ACI PG&E-23-05 should clarify that PG&E’s cost-effectiveness analysis is expected to be based on the methodology adopted in the CPUC’s R.20-07-013.

II. THE DRAFT DECISION ERRONEOUSLY CONCLUDES, WITHOUT EXPLANATION, THAT PG&E HAS SUFFICIENTLY ADDRESSED ACI 22-34 REGARDING QUANTITATIVE COMPARISON OF SYSTEM HARDENING ALTERNATIVES

Energy Safety’s decision on PG&E’s 2022 WMP included ACI 22-34, which stated that, “PG&E’s current process of prioritizing wildfire mitigations assigns a high priority to undergrounding and does not demonstrate adequate weight to risk model outputs or RSE

⁹ PG&E SRNR (Redline), p. 82, Table RN-PG&E-23-05-3; also found at: PG&E 2023-2025 WMP (R3), p. 422.

estimates.”¹⁰ Energy Safety stated that, in this 2023-2025 WMP cycle, PG&E must “conduct a quantitative analysis of alternative mitigation techniques” to correct PG&E’s deficient process for selecting among alternative system hardening mitigations.¹¹ Energy Safety’s decision summarized the corrections that PG&E was required to make as follows:

PG&E must weigh a multitude of factors for its evaluation of system hardening alternatives *and demonstrate that it has not primarily defaulted to undergrounding*. In PG&E’s 2023 WMP, it must provide further analysis of its decision-making process, demonstrating a full evaluation of system hardening alternatives including considering combinations of system hardening initiatives.¹²

In three sets of comments on PG&E’s 2023-2025 WMP, TURN has shown that PG&E has not made any changes to its selection process and continues to default to undergrounding rather than conducting a full analysis of system hardening alternatives that gives appropriate weight to risk model outputs and RSE estimates.¹³ Rather than repeat its prior showings, TURN incorporates those comments by reference in this pleading.

In its original WMP and its two rounds of submissions in response to Energy Safety’s Revision Notice (RN) 23-05, PG&E has never satisfied the requirements of ACI 22-34 to change its inadequate decision-making process. PG&E has made no changes to the process it has used since late 2021, in which it makes undergrounding the default option and only considers overhead hardening if undergrounding proves infeasible.

TURN supported this conclusion by, among other things, attaching to its comments PG&E’s response to TURN data request 5, question 1, in which TURN asked PG&E to provide

¹⁰ OEIS 2022 Decision on PG&E’s WMP, pp. 184-185.

¹¹ *Id.*

¹² *Id.*, pp. 79-80 (emphasis added).

¹³ TURN’s May 26, 2023 Opening Comments on PG&E’s 2023-2025 WMP, pp. 12-19; TURN’s August 22, 2023 Comments on PG&E’s Response to the Revision Notice, pp. 5-11; TURN’s October 13, 2023 Comments on PG&E’s Supplemental Response to the Revision Notice, pp. 3-7 and the Appendix thereto.

any decision-tree schematic that shows, for a given location where PG&E believes that system hardening is necessary, how it decides which mitigation technique to use, including the criteria for making that selection.¹⁴ In response, PG&E stated that, *since late 2021*, PG&E has completed most of its planned scoping of system hardening projects using a Targeted Undergrounding decision tree, which TURN also attached to its comments.¹⁵ That Undergrounding decision tree describes a process in which, after line removal is considered, undergrounding is the default alternative. Overhead hardening, i.e., covered conductor, only is considered if undergrounding is ultimately found to be infeasible. PG&E confirms this point in the text of its data request response, where it states that, “if undergrounding is ultimately determined to be infeasible, we typically proceed with covered conductor.”¹⁶

Despite this irrefutable evidence that PG&E has made no changes to its default-to-undergrounding approach and still fails to give any weight to risk model outputs and RSE estimates in choosing among system hardening alternatives, the Draft Decision states in Appendix C that “PG&E has sufficiently addressed the required progress” for ACI 22-34.¹⁷ The Draft Decision provides no explanation of Energy Safety’s finding and no discussion of the evidence presented by TURN – including PG&E’s own data request response -- showing that PG&E has not changed its decision-making process. Even in the “related areas for continued improvement” noted in Appendix C, Energy Safety never mentions ACI 22-34.

In sum, Energy Safety’s 2022 WMP directed PG&E to make significant changes to its process for selecting what is likely the most consequential category of wildfire mitigation

¹⁴ See, e.g., Appendix to TURN’s October 13, 2023 Comments on PG&E’s Supplemental Response to the Revision Notice.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Draft Decision, p. A-10.

activity and what is unquestionably the most expensive. PG&E own data request responses document that PG&E did not make any of the changes that Energy Safety said PG&E “must” undertake. Yet the Draft Decision finds that PG&E has sufficiently resolved the issue, without any discussion or explanation. This unexplained change of course is the epitome of arbitrary and capricious decision-making that must be corrected in the final decision.

In light of the indisputable evidence that PG&E has not made the changes to its system hardening decision-making process required by ACI 22-34, the Draft Decision must be modified to conclude that PG&E has not satisfied the requirements of ACI 22-34. The final decision should direct PG&E to make the changes required by ACI 22-34 forthwith, before its next WMP submission, in a remedial filing.

III. THE DRAFT DECISION IMPROPERLY RELIES ON PG&E’S “SUPPLEMENTAL” RESPONSE TO ITS REVISION NOTICE WHICH VIOLATED ENERGY SAFETY’S CLEAR RULES BARRING SUCH SUBMISSIONS

The Draft Decision cites repeatedly to the “Supplemental” Revision Notice Response PG&E submitted on September 27, 2023. As TURN pointed out in its October 13, 2023 response to that submission, Energy Safety’s rules governing Revision Notices made clear that such submissions to supplement a utility’s original response to a Revision Notice would not be permitted or considered.¹⁸ Section 4.4.2 of Energy Safety’s WMP Guidelines unequivocally states: “Energy Safety will not accept any updates or errata to the Revision Notice Response after the due date.”¹⁹ Energy Safety has never explained why it allowed PG&E to submit a Supplemental response in violation of Energy Safety’s clear rules.

¹⁸ TURN’s October 13, 2023 Response to PG&E’s Supplemental Response to Revision Notice, pp. 7-8.

¹⁹ 2023-2025 Wildfire Mitigation Plan Process and Evaluation Guidelines, Dec. 6, 2022, p. 7 (item 3 in Section 4.4.2).

TURN's comments further pointed out that it would be prejudiced by Energy Safety's reliance on any of the complex, opaque and novel information provided in PG&E's supplemental submission because the schedule did not allow interested parties adequate time to conduct analysis and discovery regarding that late-submitted information, particularly when Energy Safety's own rules informed parties that utilities would not be allowed to submit additional information at such a late stage in the proceeding.²⁰

If the Draft Decision is not changed, Energy Safety's decision will have failed to follow its own rules, to the prejudice of TURN and other interested parties. Such a decision would be subject to annulment for failure to proceed in the manner required by law.²¹ To avoid such legal infirmity, the Draft Decision must be revised to modify or remove all findings and conclusions that are influenced by PG&E's Supplemental submission.

IV. CONCLUSION

For the reasons set forth above, Energy Safety should modify the Draft Decision as described in these comments.

Date: December 4, 2023

Respectfully submitted,

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²⁰ TURN's October 13, 2023 Response to PG&E's Supplemental Response to Revision Notice, pp. 7-8.

²¹ *Southern California Edison Co. v. Public Utilities Comm.*, 140 Cal. App. 4th 1085, 1106 (2006).