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Docket# 2023-UPs

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SUBJECT: Southern California Edison Company's Opening Comments on the Working Group Meetings Related to the Development of Draft 10-Year Undergrounding Plan Guidelines

Dear Program Manager Douglas:

Southern California Edison Company (SCE) provides the following comments on the working group meetings related to the Office of Energy Infrastructure Safety's (Energy Safety) development of guidelines for large electrical corporations who choose to submit a 10-year undergrounding distribution infrastructure plan (Plan) pursuant to Senate Bill 884 (SB 884). On December 13, 2023, Energy Safety invited stakeholders to submit comments on the topics discussed during the working group meetings.

SCE's comments focus on four key topics: (1) clarifying the proper use of cost-benefit ratios in light of California Public Utilities Commission (Commission) precedent, (2) allowance of miles outside of High Fire Threat Districts (HFTD), (3) accounting for Plan flexibility due to risk modeling advancements, and (4) ensuring consistency in the use of terminology across Energy Safety's forthcoming guidelines and the Commission's Staff Proposal for the SB 884 program. If SCE has not commented on a particular subject, that should not be interpreted as agreement on that subject area.

THE DRAFT GUIDELINES SHOULD NOT EMPLOY COST-BENEFIT RATIOS AS A DISPOSITIVE FACTOR IN THE EVALUATION OF PROPOSED UNDERGROUNDING PROCJETS

During Working Group #2, stakeholders discussed the availability of existing methodologies to estimate the costs of alternative wildfire mitigations, including the potential use of cost-benefit ratios. In issuing the topics for discussion for Working Group #3, Energy Safety noted that "stakeholders suggested that Energy Safety should use the CPUC Cost/Benefit Ratio in evaluating Undergrounding Plans" and asked "what coordination steps would be necessary for Energy Safety

to use the CPUC Cost/Benefit Ratio?"[1] Energy Safety cited Decision (D.) 22-12-027 for the reference to the "Cost/Benefit Ratio approach" included in the topic for discussion.

It is important to clarify that in D.22-12-027, the Commission explained that a cost-benefit ratio is not meant to be used as a conclusive factor in determining whether undergrounding should be the preferred wildfire mitigation at a particular location, and Energy Safety's draft guidelines should be consistent with that precedent. The Commission has repeatedly and consistently confirmed that risk spend efficiencies (RSEs)—or their cost-benefit ratio derivatives—are only one of many factors that may be used in assessing risk mitigations, and that neither RSEs nor cost-benefit ratios are intended to serve as the sole determining factor in assessing whether a proposed mitigation selection is reasonable.[2] For example, in the rulemaking to further develop a risk-based decision-making framework (R.20-07-013) (Risk OIR), the Commission highlighted that "we do not intend that the Cost-Benefit Ratios produced using this method must serve as the sole determinants of IOU proposals or Commission decisions on risk Mitigations."[3] The Commission went on to underscore that the "utility is not bound to select its Mitigation strategy based solely on the Cost-Benefit Ratios produced by the Cost-Benefit Approach."[4] The decision cited by Energy Safety in the topics for discussion also provides that "[m]itigation selection can be influenced by other factors including, but not limited to, funding, labor resources, technology, planning and construction lead time, compliance requirements, Risk Tolerance thresholds, operational and execution considerations, and modeling limitations and/or uncertainties affecting the analysis."[5]

The decision in the Risk OIR correctly recognized that cost-benefit ratios are not and should not be the only factor used to develop a proposed risk mitigation such as targeted undergrounding.[6] There are absolute risk issues that may not be captured by the cost-benefit ratios including the crucial topic of risk tolerance, as well as a multitude of ethical, socioeconomic, compliance, and physical and resource constraints that are not readily translatable to dollar values, but which are critical to the sophisticated process of actually managing resources, risks, and service. Employing a cost-benefit ratio as a dispositive factor would fail to take into account several other factors that the Commission has recognized may also be considered by utilities when selecting their portfolio of wildfire mitigation initiatives.

Further, reducing risk mitigation decisions to a single factor like cost-benefit ratios assumes an unrealistic level of precision and accuracy in models. Though California utilities have been significantly engaged with Energy Safety on improving risk models, the underlying data is not always complete and/or accurate or otherwise able to capture a holistic picture of wildfire risk at a particular location. Additionally, quantitative risk models may not fully capture important

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[1] *See* Topics for Working Group #3 on Development of Guidelines for the 10-Year Undergrounding Distribution Infrastructure Plan, dated Nov. 15, 2023.
[2] D.22-12-027 at 26, 56.
[3] D.22-12-027 at 26.
[4] *Id.* at 27.
[5] *Id*.
[6] *Id.* at 26-27.

qualitative factors that affect risk mitigation decisions. Risk mitigation selection is too important to public safety to boil down to a single factor.

For example, in SCE's planning and execution of targeted undergrounding, characteristics such as limited egress or communities threatened by relatively small but fast-moving wildfires are identified. These characteristics might not show up in a traditional cost benefit analysis. SCE's experts in fire science, risk, and wildfire mitigation also evaluate each individual potential targeted undergrounding project. Relevant factors, such as terrain, relative location of fuel, etc. are evaluated. A strict reliance on model outputs is unreasonable given that they may not capture all of these factors in a holistic manner.

SCE requests that Energy Safety's draft Plan guidelines make clear that cost-benefit ratios are one factor among many in assessing risk mitigations, and that cost-benefit ratios are not to be used as the sole factor in assessing whether a proposed mitigation selection is reasonable. Consistent with D. 22-12-027, such guidelines should provide flexibility for utilities to explain their proposed wildfire mitigation selections based on factors other than quantitative cost-benefit ratios.

THE DRAFT GUIDELINES SHOULD ALLOW FOR UNDERGROUNDING MILES OUTSIDE OF HFTD

During Working Group #1, parties discussed the location of projects and whether they should be restricted to HFTD only. SCE supports the consideration of incremental undergrounding miles where justified. Because most electrical circuits in California were designed and built well before HFTD areas were adopted by the Commission, circuits do not strictly follow HFTD boundaries. Specifically, SCE is in favor of the inclusion of undergrounding circuitry outside an HFTD, so long as these areas are minimal and reasonable (e.g., connected to a circuit primarily within HFTD), and are justified by the electrical utility for inclusion.

THE DRAFT GUIDELINES SHOULD PROVIDE FLEXABILITY TO UPDATE A PLAN TO ACCOUNT FOR CHANGES IN RISK MODELING

As part of Working Group #3, stakeholders discussed how certain elements of a Plan are likely to require updates over a 10-year period, including due to potential improvements to risk models. Accordingly, SCE recommends that the draft guidelines include a mechanism to allow utilities to make updates to a Plan to account for changes in risk models.

Because utilities will strive to improve their models after Plan submission and will continue to refine their risk assessments over time, it is likely that risk ranking of circuits and absolute risk metrics will change over the life of a Plan. For example, the related concepts of risk tolerance, risk attribute (scaling), and tail risk are ongoing points of discussion in the Risk OIR. Utilities are also continuing to discuss potential changes to risk models in Risk Modeling Working Groups sponsored by Energy Safety, which could impact SB 884 Plans. Thus, SCE recommends that the draft guidelines permit updates to a Plan to reflect changes to risk models and evolving understanding of risk.

COMMON TERMS AND DEFINITIONS SHOULD BE CONSISTENT ACROSS SB 884 GUIDELINES

Topic 3 for Working Group #3 requested that stakeholders suggest specific areas of coordination between Energy Safety and the Commission. SCE supports the Public Advocates Office's suggestion during the working groups that there be coordination to ensure consistency in the use of important terminology and definitions across applications that must be submitted to Energy Safety and the Commission, respectively. For example, stakeholders discussed what constitutes an undergrounding "project" and whether a project's miles should be calculated by the number of overhead miles removed or underground miles installed. Coordination between agencies to develop a common list of definitions will help avoid discrepancies and inconsistencies between submissions to Energy Safety and the Commission.

CONCLUSION

SCE appreciates the opportunity to provide comments on the working group meetings held to date and looks forward to continuing to work with the Office of Energy Infrastructure Safety and other stakeholders on this matter. If you have questions or require additional information, please contact me at gary.chen@sce.com.

Sincerely,

//s//
Gary Chen
Director, Safety & Infrastructure Policy