

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company for  
Authority, Among Other Things, to Increase Rates  
and Charges for Electric and Gas Service Effective  
on January 1, 2020.

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A. 18-12-009

**COMMENTS OF THE COALITION OF CALIFORNIA UTILITY  
EMPLOYEES ON THE ADMINISTRATIVE LAW JUDGES' PROPOSED  
DECISION**

November 12, 2020

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## Recommended Changes to Proposed Decision

- Fully fund wildfire mitigation capital expenditures as outlined in the settlement agreement (numbers are \$millions):

<u>Line No.</u>	<u>Capital</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
1	Enhanced Operational Practices	\$7.443	\$7.640	\$7.844
2	Enhanced Situational Awareness	\$10.500	\$6.438	\$6.588
3	System Hardening	\$584.843	\$916.212	\$1,136.091
4	Support Programs	<u>\$0.555</u>	<u>\$0.570</u>	<u>\$0.585</u>
5	<b>Total Capital</b>	<b>\$603.341</b>	<b>\$930.860</b>	<b>\$1,151.108</b>

## Table of Contents

I.	THE PD'S SLASHING OF FUNDS FOR WILDFIRE PREVENTION IS INCONSISTENT WITH STATE LAW, DANGEROUS AND UNSUPPORTED BY THE RECORD.....	1
A.	Significantly Reducing Wildfire Prevention Capital Expenditures is Inconsistent with State Law.....	1
B.	Significantly Reducing Wildfire Prevention Capital Expenditures is Unsupported by the Record.....	3
II.	CONCLUSION.....	7

## Table of Authorities

### STATUTES

#### Government Code

§15473.....	4
-------------	---

#### Public Utilities Code

§326.....	4
-----------	---

§326.1.....	4
-------------	---

§8386(c)(12).....	2
-------------------	---

§8386.3(e).....	3
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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Coalition of California Utility Employees ("CUE") submits these comments on the proposed decision of Administrative Law Judges Lirag and Lau. These comments address the PD's funding for wildfire-related system hardening.

**I. THE PD'S SLASHING OF FUNDS FOR WILDFIRE PREVENTION IS  
INCONSISTENT WITH STATE LAW, DANGEROUS AND  
UNSUPPORTED BY THE RECORD**

**A. Significantly Reducing Wildfire Prevention Capital Expenditures  
is Inconsistent with State Law**

Twelve of the twenty most destructive wildfires in California's history have occurred since 2017. The deadliest and most destructive wildfire in California's history burned in 2018.<sup>1</sup> These wildfires caused unimaginable loss of life, property damage, public health impacts, environmental degradation, damage to local economies and damage to the electric distribution system. Climate change will

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<sup>1</sup> [https://www.fire.ca.gov/media/11417/top20\\_destruction.pdf](https://www.fire.ca.gov/media/11417/top20_destruction.pdf)

continue to cause increasingly severe and more frequent wildfires. Cal Fire reported that:

[c]limate change, an epidemic of dead and dying trees, and the proliferation of new homes in the wildland urban interface (WUI) magnify the threat and place substantially more people and property at risk than in preceding decades. More than 25 million acres in California wildlands are classified as under very high or extreme fire threat, extending that risk over half the state.<sup>2</sup>

In 2018, to avoid more catastrophic impacts from wildfires, the legislature convened the Wildfire Preparedness and Response Conference Committee, resulting in SB 901 (Dodd). That bill mandated that the Commission ensure that electric utilities' systems "achieve the *highest* level of safety, reliability and resiliency."<sup>3</sup> The bill obligated the Commission to carry out the plain language and policy of SB 901 by (1) requiring utilities to do the work necessary to reduce the risk of wildfires and make electric systems more resilient and resistant to damage from wildfires, and (2) holding the utilities accountable for getting the work done. The governor and legislature knew when they enacted SB 901 that fire prevention activities could not wait and a large cost that prevents even one wildfire is less than the cost inflicted by a wildfire.

In 2019, after the next round of wildfires, California's governor and legislature enacted extraordinary legislation to further support California in this era of perennial wildfire risk, stating that "[t]he increased risk of catastrophic wildfire poses an immediate threat to communities and properties throughout the

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<sup>2</sup> Community Wildfire Prevention & Mitigation Report in Response to Executive Order N-05-019, California Department of Forestry and Fire Protection, February 22, 2019, p. 2.

<sup>3</sup> Pub. Utilities Code § 8386(c)(12) (emphasis added).

state.”<sup>4</sup> AB 1054 (Holden) was signed into law as an urgency measure to protect wildfire victims, ratepayers, workers and the financial viability of California’s IOUs. AB 1054, among other things, created incentives for investor owned utilities to improve safety and mitigate ongoing wildfire-related risks. AB 1054 also required shareholders of the three largest IOUs to collectively pay \$5 billion for system hardening for which they receive zero return.<sup>5</sup> In enacting AB 1054, the legislature declared that utilities must “invest in hardening of the state’s electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfires.”<sup>6</sup>

The PD’s reductions to wildfire prevention work are inconsistent with the plain language and policy of both SB 901 and AB 1054 and undermine PG&E’s efforts to prevent wildfires. The Commission should fund wildfire mitigation capital expenditures as outlined in the agreement supported by a broad group of stakeholders, including by the two most prominent ratepayer groups.

### **B. Significantly Reducing Wildfire Prevention Capital Expenditures is Unsupported by the Record**

AB 1054 and SB 901 made clear that investments in reducing the risk of wildfires are an absolute must. Accordingly, in its GRC PG&E proposed to ramp up its wildfire prevention work with a focus on system hardening. Fortunately, a broad group of stakeholders in the proceeding recognized the vital importance of wildfire prevention work and agreed in a settlement to PG&E’s proposed funding for

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<sup>4</sup> AB 1054 § 1(a)(1)

<sup>5</sup> Pub. Utilities Code § 8386.3(e).

<sup>6</sup> AB 1054 § 2(b).

wildfire-related system hardening.<sup>7</sup> Astonishingly, the PD significantly reduces the settlement’s funding for system hardening – by more than 35% in 2021 and by nearly 50% in 2022. The PD’s reductions are unsupported by the record and undermine PG&E’s efforts to prevent wildfires.

It is undeniable that, for several years, wildfire prevention has been at the top of the State’s priority list. The governor and legislature enacted laws to reduce the risk of wildfires and to make electric systems more resilient and resistant to damage from wildfires,<sup>8</sup> a new State agency was created to oversee utility wildfire prevention,<sup>9</sup> the Commission opened several proceedings related to wildfires,<sup>10</sup> and utilities have responded by significantly ramping up system hardening and vegetation management.

In this GRC, PG&E has appropriately prioritized wildfire prevention. PG&E’s proposed capital expenditures focus, in large part, on system hardening to reduce wildfire risk, including: installing insulated and covered conductor; replacing

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<sup>7</sup> The settlement agreement was submitted on December 20, 2019. The parties to the settlement are PG&E, the Public Advocates Office, the Office of the Safety Advocate (now represented by the Safety and Enforcement Division), TURN, CUE, the Center for Accessible Technology, National Diversity Coalition, Small Business Utility Advocates, and California City County Street Light Association.

<sup>8</sup> See SB 901 (Dodd) and AB 1054 (Holden).

<sup>9</sup> The Office of Energy Infrastructure Safety (“OEIS”) was established pursuant to Govt. Code § 15473. The Wildfire Safety Division, established pursuant to Pub. Utilities Code § 326, will be under the purview of OEIS beginning July 1, 2021. The Wildfire Safety Advisory Board, established pursuant to Pub. Utilities Code § 326.1, advises the Wildfire Safety Division.

<sup>10</sup> See, e.g., A.18-09-002 (SCE grid safety and resiliency); R.18-10-007 (wildfire mitigation plans); R.19-01-006 (wildfire stress test methodology); R.19-07-017 (wildfire fund); R.19-09-009 (microgrids for resiliency purposes); I.19-06-015 (investigation into wildfires in PG&E territory); I.19-09-016 (PG&E bankruptcy due to catastrophic wildfire costs); A.20-04-023 (securitizing PG&E wildfire mitigation costs); A.20-07-008 (securitizing SCE wildfire mitigation costs).



wood poles with coated, non-wood poles; replacing primary line equipment and surge arrestors that pose lower fire risk; replacing old overhead distribution transformers with new units containing fire resistant insulating fluid; upgrading distribution protection systems to handle faults; converting targeted overhead distribution lines to underground cable; and creating preconfigured segments of the distribution system that can be isolated from the broader grid in a public safety power shutoff even (otherwise known as resilience zones).<sup>11</sup>

Recognizing the importance of grid hardening and additional work included in PG&E's Community Wildfire Safety Program ("CWSP") (including enhanced operational practices, enhanced situational awareness and support programs), the settling parties agreed to total capital expenditures for the CWSP of approximately \$603 million for 2020, \$930 million for 2021 and \$1,151 million for 2022. As part of these totals, for system hardening specifically, the settling parties agreed to approximately \$584 million for 2020, \$916 million for 2021 and \$1,136 million for 2022.<sup>12</sup>

The PD recognizes how critical the CWSP work is. The PD states:

The CWSP programs aggressively seek to mitigate wildfire risk by incorporating a risk-based approach to identify and address PG&E's assets that are most at risk from the threat of a wildfire and its associated events. We generally find that five main programs under CWSP as well as specific programs and projects proposed under the five main programs reasonable and necessary.<sup>13</sup>

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<sup>11</sup> Exh. PGE-4.

<sup>12</sup> Settlement § 2.3.2.1.

<sup>13</sup> PD, p. 120.

Despite this finding and the broad stakeholder support for funding this critical work, the PD, astonishingly, significantly reduces CWSP funding, particularly for system hardening. The PD caps the system hardening budget at the 2020 amount, slashing the program by 36% (from \$916 million to \$584 million) in 2021 and 49% (from \$1,136 million to \$584 million) in 2022. While the PD allows PG&E to spend up to 30% above the authorized amount, that still leaves it far short of the amounts agreed to in the settlement. If PG&E spends more than 130% of the authorized amount, the PD requires PG&E to file an application to recover the money. Filing an application starts a process that, with the Commission's track record, takes more than a year.

The PD rationalizes its system hardening cuts by stating, without any support in the record, that it may not be feasible for PG&E to complete the increased scope of work planned for 2021 and 2022, and using the 2020 forecast for work in 2021 and 2022 is "more realistic."<sup>14</sup> But that's nonsense. PG&E already reduced its system hardening forecast in this proceeding based on the Wildfire Safety Inspection Program.<sup>15</sup> The settlement is based on these reduced amounts. Further, PG&E is already ramping up system hardening work. By the end of September, PG&E had already surpassed its 2020 target for overhead system hardening.<sup>16</sup> Moreover, even if PG&E couldn't do all of the work (and there is no evidence that it can't), under the settlement agreement, capital expenditures for

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<sup>14</sup> PD, pp. 121-122.

<sup>15</sup> Exh. PG&E-18, p. 2A-8.

<sup>16</sup> Advice Letter 5984-E, p. 2, October 28, 2020.

grid hardening would be recovered through a two-way balancing account and any unspent funds would be returned to ratepayers.<sup>17</sup> Therefore, the PD's concerns and funding cuts for system hardening are unfounded.

The PD's reductions to wildfire prevention work are unsupported by the record and undermine PG&E's efforts to prevent wildfires. The Commission should fund wildfire mitigation capital expenditures as outlined in the agreement supported by a broad group of stakeholders, including by the two most prominent ratepayer groups.

## **II. CONCLUSION**

The PD's reductions to wildfire prevention work are inconsistent with the plain language and policy of both SB 901 and AB 1054, undermine PG&E's efforts to prevent wildfires, threaten California and Californians, and are unsupported by the record. CUE respectfully urges the Commission to uphold State law, heed the legislature's and governor's clear concerns and directives, and protect California and Californians by providing PG&E with adequate funding (as outlined in the settlement agreement) to prevent catastrophic wildfires.

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<sup>17</sup> Settlement §§ 2.3.2.1, 2.3.2.2.3.

Dated: November 12, 2020

Respectfully submitted,

/s/

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