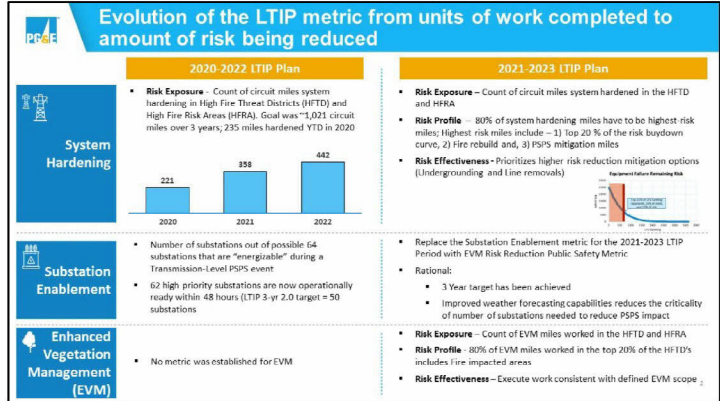


**Public Safety  
Long Term Incentive Plan (LTIP)  
Target Setting**

**November 23, 2020**



Together, Building  
a Better California





## Why System Hardening and Enhanced Vegetation Management

System Hardening and Enhanced Vegetation Management focus on Distribution Overhead Assets, which have demonstrated a much rate of ignitions

- Distribution assets represent high ignitions risk due to a combination of huge exposure area, proximity to risk factors (i.e. falling vegetation), and intrinsic asset traits
- SH and EVM mitigation work, by addressing these risk factors on Distribution Assets, are key programs to continue addressing ignitions risk

Initiating Cause	2015-2020 YTD CPUC Reportable Ignitions in HFTD – Asset Family		Estimated Ignitions per 100 Circuit Miles in HFTD <sup>1</sup>	
	Distribution	Transmission	Distribution	Transmission
Equipment – PG&E	217	30	0.8477	0.5413
Vegetation	305	11	1.1915	0.1985
All Other	195	34	0.7618	0.6135

For Equipment-driven ignitions, the Distribution ignitions rate is 1.52x greater than Transmission.

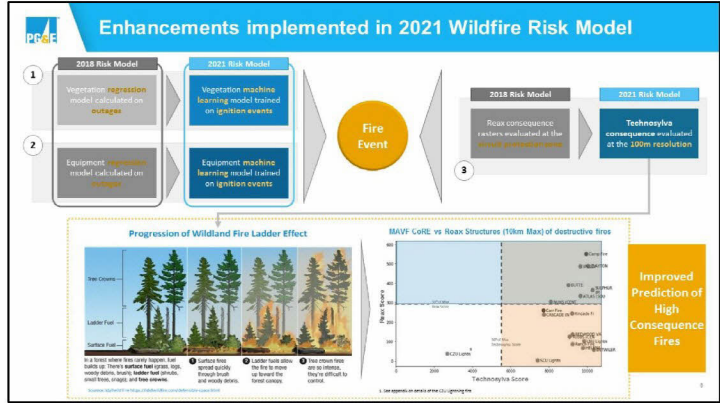
For Vegetation driven ignitions, the Distribution rate is 6x greater than Transmission.

<sup>1</sup> Circuit miles in HFTD areas source: 2020 WLFHS Safety Plan – 25,000 of distribution overhead mileage in HFTD areas, 5,542 of transmission overhead mileage.

## Risk Model and Risk Quantification

1/20/2014

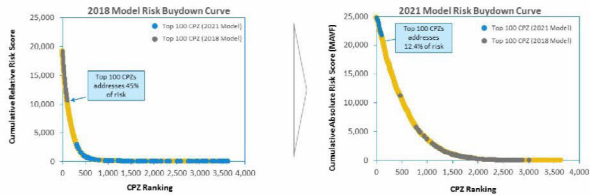






### Risk models provide risk buydown curves to guide workplan

The risk buydown curve shows the amount of risk that can be addressed with every subsequent mile within a CPZ that is mitigated. This view shows the relative magnitude of potential projects and can compare impacts of programs with varied effectiveness. The visualization helps to highlight the consolidation of risk by CPZ as you move down the prioritization list.



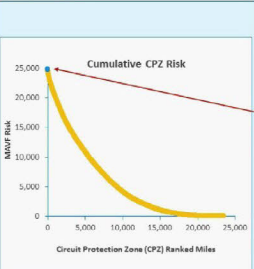
Equipment (Conductor) Risk Buydown curves highlight the significant shift of where the top 100 CPZ's are between the two models primarily as a result of the shift in the consequence model

## Project Example

1/20/2014



**The top 50 highest risk-miles represent 1.4% of the total risk**

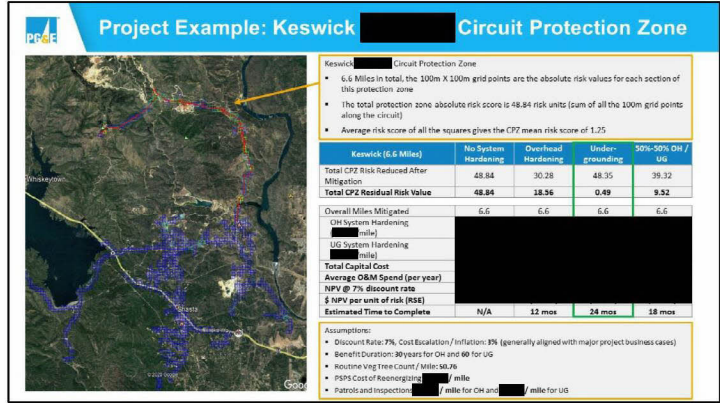


Protection Zone Name	Miles	Cumulative Miles	Mean MAUP Score	Total CPZ MAUP	% total risk reduced <sup>1</sup>
OREGON TRAIL 1109LUS91	0.02	0.02	3.16	3.16	0.01%
CALPINE 1144276-G	0.01	0.03	1.88	1.88	0.01%
MARIPOSA 210190130	0.08	0.12	1.69	1.69	0.02%
SHEPHERD 2111688294	0.01	0.13	1.44	1.44	0.02%
MIDDLE TOWN 1109L8	0.06	0.19	1.30	3.20	0.03%
UPPER LAKE 1101C8	1.00	1.17	1.26	5.77	0.04%
KESWICK 11011586	6.66	7.83	1.25	48.84	0.17%
MIDDLETOWN 11030N50	4.71	12.04	0.92	48.56	0.23%
KONOCTI 1102965078	5.61	17.65	0.88	51.70	0.42%
MARIPOSA 2102241564	0.64	18.29	0.77	10.81	0.44%
BUCKS CREEK 1101CB	4.20	22.58	0.72	3.55	0.47%
DIXIE MISS 2106278446	0.09	22.67	0.74	4.38	0.47%
MIDDLETOWN 1102CB	0.42	23.08	0.72	8.70	0.48%
MIDDLETOWN 1103830	24.80	47.88	0.72	151.83	0.87%

<sup>1</sup>Based on assuming an OH hardening risk mitigation (62% risk reduction effectiveness)

**Key Takeaway**

On each project a more granular risk spend efficiency evaluation will be performed on an NPV basis (total cost of ownership for the asset life) once the project is fully scoped similar to what is shown on the Keswick 11011586 circuit protection zone on the next slide



## Target Setting

11/20/2014

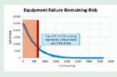
## System Hardening

Conditions

**Condition 1: 80%<sup>1</sup> of system hardening miles have to be highest-risk miles over the three-year period or LTIP is 0**

**Risk Profile (Highest Risk Miles defined as)**

1. Top 20%<sup>2</sup> of risk buydown curve
2. Fire rebuild miles
3. PSPS mitigation miles



**Condition 2: Minimum percentage of miles mitigated with either Line Removal or Undergrounding over the three-year period or LTIP is 0**

**Risk Effectiveness**

- 10% of Undergrounding or Line Removal work in the System Hardening project portfolio<sup>3</sup>

**Risk Exposure**

- Count of circuit miles system hardened in the HTD and HFRA

System Hardening Targets (Risk Miles)

	LTIP 0.5	LTIP 1.0	LTIP 2.0
<b>2021</b>	305	320	350
<b>2022</b>	350	368	403
<b>2023</b>	396	416	455
<b>2021-2023</b>	1,051	1,103	1,209

1. Basis of the 80% is to allow for operational execution considerations including permitting, weather related access, and mob/demob efficiencies
2. Basis of the top 20% correlates to ~70% of the risk on the risk buydown curve
3. Risk reduction effectiveness for Overhead Hardening is estimated at 62% and Undergrounding or Line Removal is estimated at 99%



**The LTIP targets for system hardening are set based on 2021 risk miles and program funding assumptions**

**Program Funding**

- Forecast of [redacted] Wildfire Mitigation capital spend in 2021 consistent with the Settlement for the 2020-2021 GRC. 2022 forecast escalates 2021 by 15% and 2023 forecast escalates 2021 by 30%.

**Unit Costs**

- Assume [redacted] per circuit miles of Overhead SH work and [redacted] for Underground work

**Program Duration**

- Execution of the 13-year plan focusing on top 20% circuit protection zones by 2032

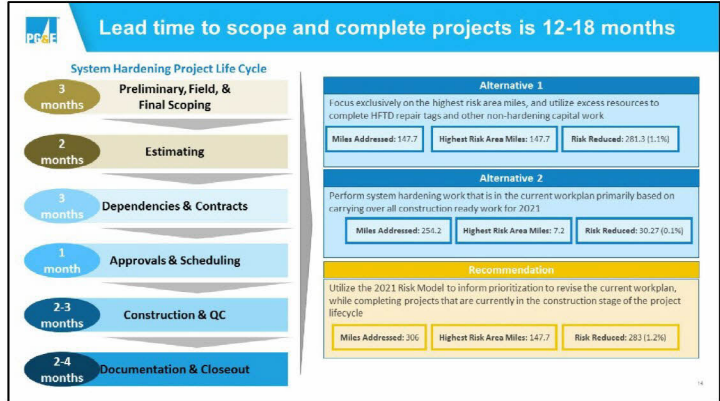
System Hardening LTIP Targets

	LTIP 0.5	LTIP 1.0	LTIP 2.0
2021	305	320	350
2022	350	368	403
2023	396	416	455
2021-2023	1,051	1,103	1,209

Targets are miles of system hardening work for specific risk-prioritized work

- The total mileage of the proposed 2021 Project Portfolio was set as the threshold goal (LTIP 0.5) for 2021
- LTIP 0.5 goals in 2022 and 2023 reflect escalation of program funding level
- The target and stretch goals (LTIP 1.0, 2.0) were set as 5% and 15% higher, respectively

[redacted] includes scoping and engineering costs for future system hardening projects beyond 2021 and additional minor capital spend for other Wildfire Mitigation Programs





# Enhanced Vegetation Management (EVM)

## Conditions

- Condition 1: 80%<sup>1</sup> of EVM miles have to be highest-risk miles over the three-year period or LTIP is 0**
- Risk Profile (Highest Risk Miles defined as)**
  - Top 20%<sup>2</sup> of risk model buydown curve
  - Fire impacted miles
- Risk Effectiveness**
  - Execute work consistent with defined EVM scope
    - Achieve 12' recommended radial clearance
    - Access viable potential trees including high risk species
    - Remove overhangs above and within 4 feet of power lines
    - Mitigate vegetative fuels under and adjacent to powerlines on targeted basis
- Risk Exposure**
  - Count of EVM miles worked in the HFTD and HFRA

## EVM Targets (Risk Miles)

	LTIP 0.5	LTIP 1.0	LTIP 2.0
2021	1,800	1,890	2,070
2022	1,800	1,890	2,070
2023	1,800	1,890	2,070
2021-2023	5,400	5,670	6,210

Note: Targets are based on 12-yr EVM Program pace (2021 – 2032). Consistent with the PCR, evaluating viability of 10-yr pace (2021 – 2030).

1. Basis of the 80% is to allow for operational execution considerations including permitting, weather-related access and customer approvals  
 2. Basis of the top 20% correlates to ~85% of the risk on the risk buydown curve



### The LTIP targets for EVM are set based on work to be completed over the remaining twelve years of the program

- Program Duration**
  - Assumes execution of the 12-year Enhanced Vegetation Management Plan (2021-2032)
  - Evaluating viability of 10-year pace (2021-2030)
- Program Funding**
  - Forecast of [redacted] and [redacted] spend on EVM program in 2021, 2022 and 2023 respectively (in alignment with PCIR)
  - 10-year pace will result in incremental forecast of [redacted] per year
- Unit Costs**
  - Assume [redacted] per miles of EVM work

	LTIP 0.5	LTIP 1.0	LTIP 2.0
2021	1,800	1,890	2,070
2022	1,800	1,890	2,070
2023	1,800	1,890	2,070
2021-2023	5,400	5,670	6,210

- Targets are miles of EVM work for specific risk-prioritized work.
- The total mileage of the proposed 2021 Project Portfolio was set as the threshold goal (LTIP 0.5) for 2021
  - The target and stretch goals (LTIP 1.0, 2.0) were set as 5% and 15% higher, respectively





## Governance and Oversight

### Wildfire Risk Governance Committee

- System Hardening project lists will be formally approved annually by the Chief Risk Officer
- Enhanced Vegetation Miles (specific location) will also be formally approved annually by the Chief Risk Officer

### PG&E Board – SNO and Compensation Committees

- Annual submission of a) System Hardening project list and b) specific locations of the Enhanced Vegetation Management miles to the committees by the Chief Risk Officer
- Quarterly progress updates on both System Hardening and Enhanced Vegetation Management will be submitted to the committees by the Chief Risk Officer

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## Appendix

11/20/2014

