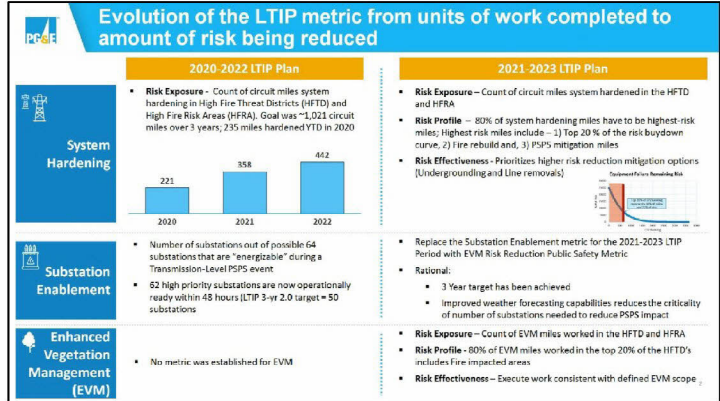


**Public Safety
Long Term Incentive Plan (LTIP)
Target Setting**

November 23, 2020



Together, Building
a Better California





Why System Hardening and Enhanced Vegetation Management?

System Hardening (SH) and Enhanced Vegetation Management (EVM) focus on mitigation of potential wildfire risk from Distribution Overhead Assets, which have resulted in a significantly higher number of ignitions (nearly 90% of the total CPUC Reportable ignitions from 2015 – 2020 YTD)

- Distribution assets represent high ignition risk due to a combination of high exposure area (overhead assets traversing HFTDs), proximity to risk factors (vegetation), and intrinsic asset characteristics
- SH and EVM mitigation work focus on mitigating these risk factors on Distribution Assets and are key mitigation programs to continue addressing potential wildfire risk

Initiating Cause	2015 - 2020 YTD ¹ CPUC Reportable Ignitions in HFTD		Estimated Ignitions per 1,000 Circuit Miles in HFTD ²	
	Distribution	Transmission	Distribution	Transmission
Equipment – PG&E	217	30	8.5	5.4
Vegetation	305	11	11.9	2.0
All Other ³	195	34	7.6	6.1

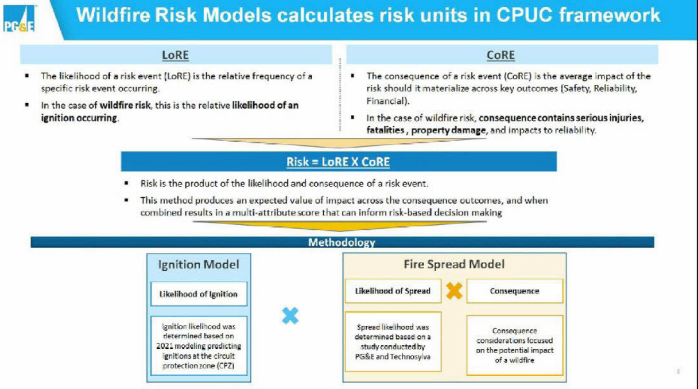
For Equipment driven ignitions, the Distribution ignitions per Mile rate is 1.6x greater than Transmission

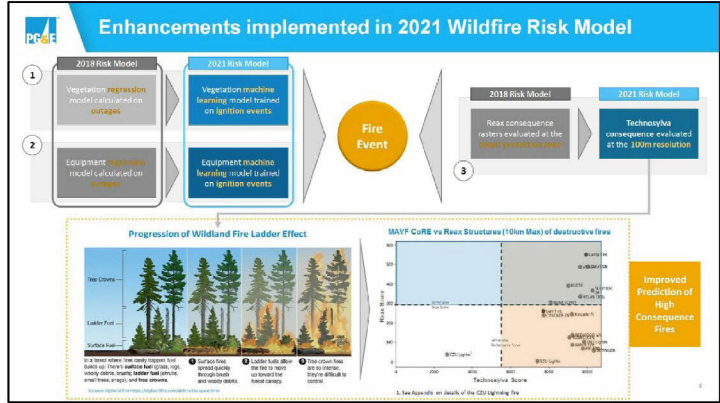
For Vegetation driven ignitions, the Distribution rate is 6x greater than Transmission

1. YTD represents data as of the end of September, 2020
 2. Circuit mileage in HFTD area source: 2020 wildfire safety plan – 25,598 of distribution overhead mileage in HFTD and/or 5,542 of transmission overhead mileage
 3. Other includes ignitions primarily driven by 3rd party and animals

Risk Model and Risk Quantification

1/1/2009

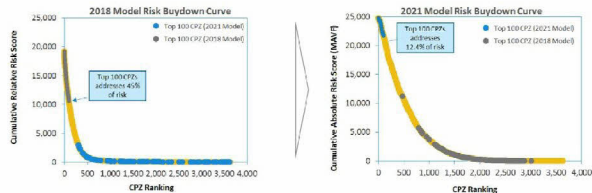






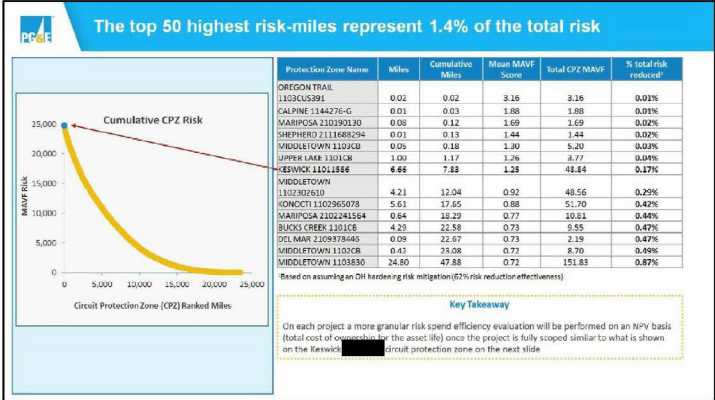
Risk models provide risk buydown curves to guide workplan

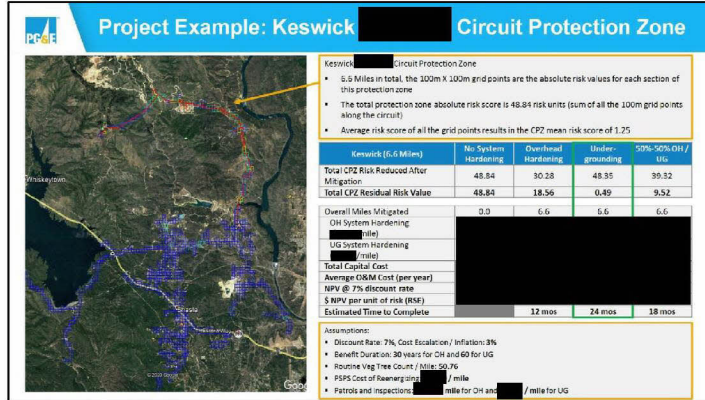
The risk buydown curve shows the amount of risk that can be addressed with every subsequent mile within a Circuit Section (or referenced as Circuit Protection Zone, CPZ) that is mitigated. This view illustrates the relative magnitude of risk associated with the top 100 CPZs and the visualization highlights 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





Target Setting

11/10/2024

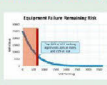
System Hardening

Conditions

Condition 1: 80% 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% 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 portfolio¹

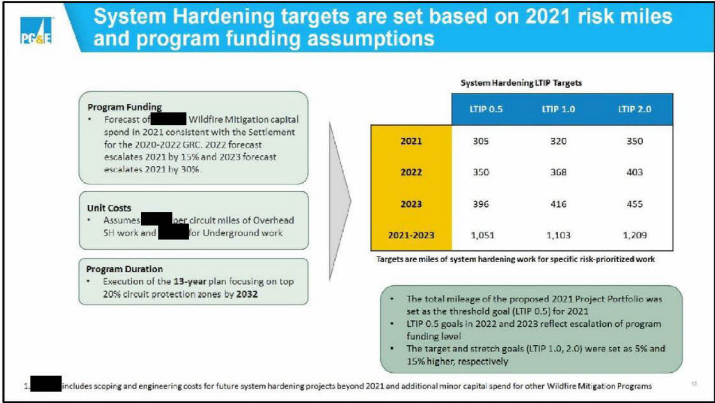
Risk Exposure

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

System Hardening Targets (Risk Miles)

	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

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 mitigation effectiveness for Overhead Hardening is estimated at 62% and Undergrounding or Line Removal is estimated at 90%





Enhanced Vegetation Management (EVM)

Conditions

- Condition 1: 80% 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% of risk model buydown curve
 - Five impacted miles
- Risk Effectiveness**
 - Execute work consistent with defined EVM scope
 - Achieve 2.2' recommended radial clearance
 - Assess three 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 13-yr EVM Program pace (2021 - 2033) consistent with the PGR. 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 true risk on the risk buydown curve

EVM targets 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)
- Forecasting 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 POR)
- 10-year pace will result in incremental forecast of [redacted] per year

Unit Costs

- Assumes [redacted] per miles of EVM work

Enhanced Vegetation Management LTIP Targets

	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 (by CPZ) consistent with the Target Setting methodology will be formally approved annually by the Chief Risk Officer
- Enhanced Vegetation Miles (by CPZ) consistent with the Target Setting methodology 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 SNO and Compensation Board Committees by the Chief Risk Officer
- Quarterly progress updates on plan vs. actual for both System Hardening and Enhanced Vegetation Management will be submitted to the SNO and Compensation Board Committees by the Chief Risk Officer

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Appendix

11/1/2024

CZU Lightning Complex Fire

Source: CAL FIRE

Fire Description and Observations

- The wildfires started at 6:41 AM on August 16, 2023 and was the result of a thunderstorm that produced close to 13,000 bolts of lightning and started hundreds of fires throughout California.
- The lightning strikes initially started fires separately known as the Wasmella Fire near Davenport and the Waddell Fire, near Waddell Creek, as well as three fires on what would become the northern edge of the CZU Complex fire.
- Two days after the fires began, a change in wind conditions caused these three northern fires to rapidly expand and merge, growing quickly to over 40,000 acres.
- This was not one fire but a merging of small fires into one massive fire. Our current consequence models focus on potential fires growing from one ignition point as compared to simulating the fire behavior of multiple ignition points combining into one fire.
- The modeling complexity of this wildfire is such that it would require taking into account the hundreds of fires that were started rather than treating this as a single wildfire.
- Also, the focus of our consequence model evaluates the potential ignition points from our overhead electric distribution circuits in HTDs and several of the ignition points for this fire occurred where none of our assets existed.

Damage Overview

 86,509 acres burned	 Active for 37 days	 1 fatality	 140 structures damaged
 1 injury	 1,490 structures destroyed		

