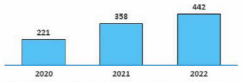
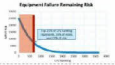
Public Safety
Long Term Incentive Plan (LTIP)
Target Setting

January 11, 2021

Together, Building
a Better California

Evolution of the LTIP metric from units of work completed to amount of risk being reduced

	2020-2022 LTIP Plan	2021-2023 LTIP Plan
System Hardening	▪ **Risk Exposure** - Count of circuit miles system hardening in High Fire Threat Districts (HFTD) and High Fire Risk Areas (HFRA). Goal was ~1,021 circuit miles over 3 years; 235 miles hardened YTD in 2020 	▪ **Risk Exposure** – Count of circuit miles system hardened in the HFTD and HFRA ▪ **Risk Profile** – 80% of system hardening miles have to be highest risk miles; Highest risk miles include – 1) Top 20 % of the risk buydown curve, 2) Fire rebuild and, 3) PSPS mitigation miles ▪ **Risk Effectiveness** - Prioritizes higher risk reduction mitigation options (Undergrounding and Line removals) 
Substation Enablement	▪ Number of substations out of possible 64 substations that are "energizable" during a Transmission-Level PSPS event ▪ 62 high priority substations are now operationally ready within 48 hours (LTIP 3-yr 2.0 target = 50 substations	▪ Replace the Substation Enablement metric for the 2021-2023 LTIP Period with EVM Risk Reduction Public Safety Metric ▪ Rational: ▪ 3 Year target has been achieved ▪ Improved weather forecasting capabilities reduces the criticality of number of substations needed to reduce PSPS impact
Enhanced Vegetation Management (EVM)	▪ No metric was established for EVM	▪ **Risk Exposure** – Count of EVM miles worked in the HFTD and HFRA ▪ **Risk Profile** - 80% of EVM miles worked in the top 20% of the HFTD's includes Fire impacted areas ▪ **Risk Effectiveness** – Execute work consistent with defined EVM scope

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

	2015 - 2020 YTD[1] CPUC Reportable Ignitions in HFTD		Estimated Ignitions per 1,000 Circuit Miles in HFTD[2]	
Initiating Cause	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 areas source: 2020 Wildfire Safety Plan – 25,598 of distribution overhead mileage in HFTD areas, 5,542 of transmission overhead mileage
3. Other includes ignitions primarily driven by 3rd Party and Animal

Risk Model and Risk Quantification

Wildfire Risk Models calculates risk units in CPUC framework

LoRE

- The likelihood of a risk event (LoRE) is the relative frequency of a specific risk event occurring.
- In the case of **wildfire risk**, this is the relative **likelihood of an ignition occurring**.

CoRE

- The consequence of a risk event (CoRE) is the average impact of the risk should it materialize across key outcomes (Safety, Reliability, Financial).
- In the case of wildfire risk, **consequence contains serious injuries, fatalities , property damage**, and impacts to reliability.

Risk = LoRE X CoRE

- Risk is the product of the likelihood and consequence of a risk event.
- This method produces an expected value of impact across the consequence outcomes, and when combined results in a multi-attribute score that can inform risk-based decision making

Methodology

Ignition Model

Likelihood of Ignition

Ignition likelihood was determined based on 2021 modeling predicting ignitions at the circuit protection zone (CPZ)

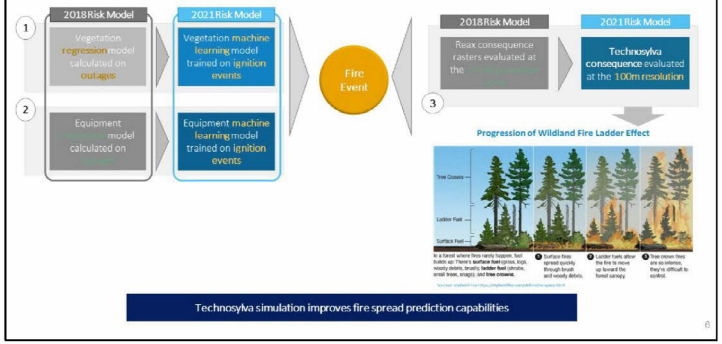
Fire Spread Model

Likelihood of Spread ✖ **Consequence**

Spread likelihood was determined based on a study conducted by PG&E and Technosylva

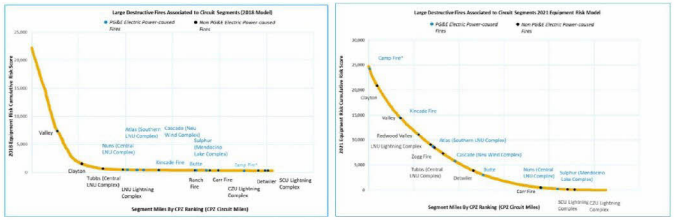
Consequence considerations focused on the potential impact of a wildfire

Enhancements implemented in 2021 Wildfire Risk Model



Technosylva simulation improves fire spread prediction capabilities

Risk Profile Curve for the 2018 vs. 2021 Equipment Risk Model



* The Camp and Kincade fires were associated with the nearest distribution segment to assign risk

● PG&E Electric Power-caused Fires ● Non-PG&E Electric Power-caused Fires

2021 Risk Model improves prediction of large destructive fires

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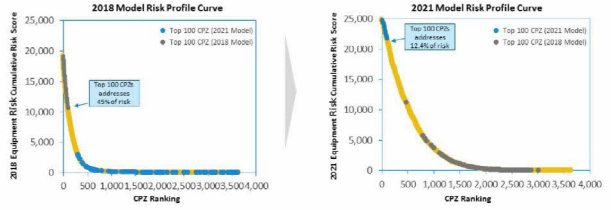
Risk models provide risk profile curves to guide workplan

The risk profile curve shows ***the amount of risk that can be addressed*** with every subsequent mile within a Circuit Section or 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.



The improvement in the Risk Model results in a significant shift in the highest risk circuit protection zones

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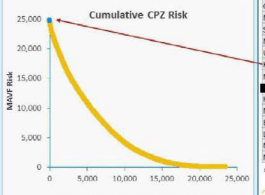
Project Example

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



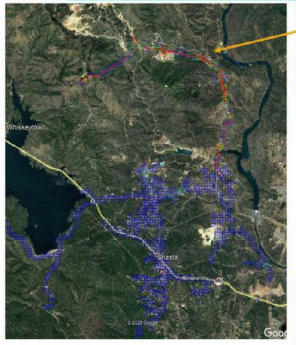
Protection Zone Name	Miles	Cumulative Miles	Mean MAVF Score	Total CPZ MAVF	% total risk reduced[1]
OREGON TRAIL [redacted]	0.02	0.02	3.16	3.16	**0.01%**
CALPINE [redacted]	0.01	0.03	1.88	1.88	**0.01%**
MARIPOS [redacted]	0.08	0.12	1.69	1.69	**0.02%**
SHEPHER [redacted]	0.01	0.13	1.44	1.44	**0.02%**
MIDDLE [redacted]	0.05	0.18	1.30	5.20	**0.03%**
UPPER L [redacted]	1.00	1.17	1.26	3.77	**0.04%**
KESWICK [redacted]	6.66	7.83	1.25	48.84	**0.17%**
MIDDLETOWN [redacted]	4.21	12.04	0.92	48.56	**0.29%**
KONOC [redacted]	5.61	17.65	0.88	51.70	**0.42%**
MARIPO [redacted]	0.64	18.29	0.77	10.81	**0.44%**
BUCKS [redacted]	4.29	22.58	0.73	9.55	**0.47%**
DEL MA [redacted]	0.09	22.67	0.73	2.19	**0.47%**
MIDDLETOWN [redacted]	0.42	23.08	0.72	8.70	**0.49%**
MIDDLETOWN [redacted]	24.80	47.88	0.72	151.83	**0.87%**

[1]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

Project Example: Keswick 11011586 Circuit Protection Zone



Keswick 11011586 Circuit Protection Zone

- 6.6 Miles in total, the 100m X 100m grid points are the absolute risk values for each section of this protection zone
- The total protection zone absolute risk score is 48.84 risk units (sum of all the 100m grid points along the circuit)
- Average risk score of all the grid points results in the CPZ mean risk score of 1.25

Keswick (6.6 Miles)	No System Hardening	Overhead Hardening	Under-grounding	50%-50% OH / UG
Total CPZ Risk Reduced After Mitigation	48.84	30.28	48.35	39.32
Total CPZ Residual Risk Value	**48.84**	**18.56**	**0.49**	**9.52**
Overall Miles Mitigated	0.0	6.6	6.6	6.6
OH System Hardening [redacted] /mile)	[redacted]			
UG System Hardening [redacted] /mile)				
Total Capital Cost				
Average O&M Cost (per year)				
NPV @ 7% discount rate				
$ /NPV per unit of risk (RSE)				
Estimated Time to Complete		12 mos	24 mos	18 mos

Assumptions:

- Discount Rate: **7%**, Cost Escalation / Inflation: **3%**
- Benefit Duration: **30** years for OH and **60** for UG
- Routine Veg Tree Count / Mile: **50.76**
- PSPS Cost of Reenergizing [redacted] **/ mile**
- Patrols and Inspections [redacted] **mile** for OH and [redacted] **/ mile** for UG

Target Setting

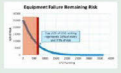
System Hardening

Conditions

Condition 1: 80%[1] 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%[2] 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[3]

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	180	199	208
2022	423	464	485
2023	423	464	485
2021-2023	1,026	1,127	1,178

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%

System Hardening targets are set based on 2021 risk miles and program funding assumptions

Program Funding
- Forecast of [redacted] and [redacted] Wildfire Mitigation capital spend in 2021 and 2022, respectively, consistent with the Proposed Decision Revision for the 2020-2022 GRC. 2023 Wildfire Mitigation capital spend is forecasted at the 2022 level.

Unit Costs
- Assumes [redacted] per circuit miles of Overhead SH work and [redacted] for Underground work

Program Pace
- Get to steady pace of 450-500 high risk miles / year

System Hardening LTIP Targets

	LTIP 0.5	LTIP 1.0	LTIP 2.0
2021	180	199	208
2022	423	464	485
2023	423	464	485
2021-2023	1,026	1,127	1,178

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 goal in 2022 reflects escalation of program funding level; the 2023 LTIP 0.5 goal is set equal to the 2022 level based on the 2023 GRC funding level forecast
- The target and stretch goals (LTIP 1.0, 2.0) were set as 10% and 15% higher, respectively

1. [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%[1] 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%[2] of risk model buydown curve
- Fire impacted miles

Risk Effectiveness
- Execute work consistent with defined EVM scope
  - Achieve 12' recommended radial clearance
  - Assess strike 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

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

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)**
- Evaluating viability of 10-year pace (2021-2030)

Program Funding
- Forecast n[redacted]nd [redacted] spend on EVM program in 2021, 2022 and 2023 respectively (in alignment with POR)

Unit Costs
- Assume[redacted]er miles of EVM work

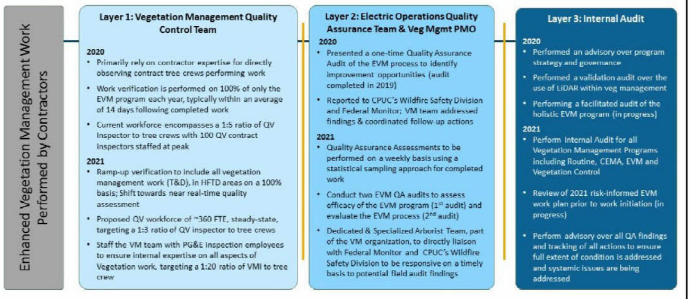
Enhanced Vegetation Management LTIP Targets

	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

EVM Quality Control – Layers of Defense



Governance and Oversight

Wildfire Risk Governance Committee

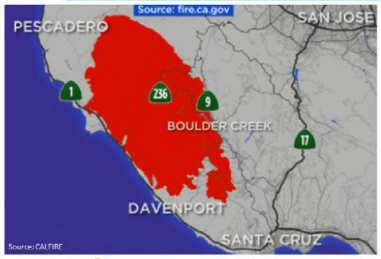
- System Hardening project lists (by CPZ) consistent with the Target Setting methodology will be formally approved annually by the Chief Risk Officer
- Enhanced Vegetation Miles (by CPZ) consistent with the Target Setting methodology will also be formally approved annually by the Chief Risk Officer

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
- Monthly progress updates on plan vs. actual for both System Hardening and Enhanced Vegetation Management including completed work quality performance will be submitted to the SNO and Compensation Board Committees by the Chief Risk Officer

Appendix

CZU Lightning Complex Fire

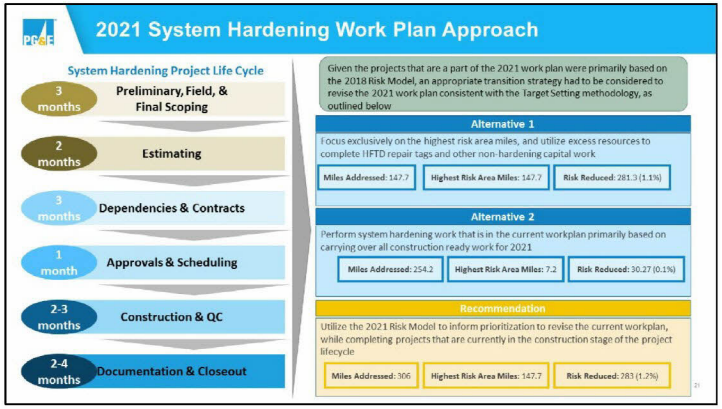


Damage Overview

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

Fire Description and Observations

- The wildfires started at 6:41 AM on August 16, 2020 and was the result of a thunderstorm that produced close to **11,000 bolts of lightning** and started **hundreds of fires** throughout California
- The lightning strikes initially **started fires separately** known as the Warnella 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 HFTDs and several of the ignition points for this fire occurred where none of our assets existed.



Selected list of most destructive fires in the past thirty years

Fire Name	Cause	Date	County	Acres	Structures damaged	Deaths	PG&E Electric Power-caused fires?
Tunnel - Oakland Hills	Rekindle	Oct-91	Alameda	1600	20000	25	No
Jones	Undetermined	Oct-99	Shasta	26,200	954	1	No
Cedar	Human Related	Oct-03	Sand Diego	273246	3820	15	No
Old	Human Related	Oct-03	San Bernardino	91,281	1,003	6	No
Witch	Powerlines	Oct-07	San Diego	197,990	1,650	2	No
Valley	Electrical (Private)	Sep-15	Lake, Napa, Sonoma	76,067	1,955	4	No
Butte	Powerlines	Sep-15	Amador, Calaveras	70,868	921	2	Yes
Clayton	Arson	Aug-16	Lake	3,109	500	0	No
Detwiler	Firearms	Jul-17	Mariposa	81,826	121	0	No
Tubbs	Electrical (Private)	Oct-17	Napa and Sonoma	36907	5636	22	No
Nuns	Powerlines	Oct-17	Sonoma	54,382	1,355	3	Yes
Atlas	Powerlines	Oct-17	Napa, Solano	51,624	783	6	Yes
Redwood Valley	Powerlines	Oct-17	Mendocino	36,523	546	9	No*
Cascade (New Wind Complex)	Powerlines	Oct-17	Yuba	9,989	264	4	Yes
Sulphur	Powerlines	Oct-17	Lake	2,207	162	0	Yes
Thomas	Powerlines	Dec-17	Ventura, Santa Barbara	281,893	1,063	2	No
Carr	Human Related	Jul-18	Shasta County, Trinity	229,651	1,614	8	No
Camp Fire	Powerlines	Nov-18	Butte	153336	18804	85	Yes
Woolsey	Under Investigation	Nov-18	Ventura	96,949	1,643	3	No
Kincade	Powerlines	Oct-19	Sonoma	77,758	374	0	Yes
Ranch Fire	Human Related	Nov-19	Tehama	2,534	0	0	No
August Complex	Under Investigation	Aug-20	Mendocino, Humboldt, Trinity, Tehama, Glenn, Lake, Colusa	1,032,648	935	1	No
North Complex	Under Investigation	Aug-20	Butte, Plumas, Yuba	318935	2,352	15	No
LNU Lightning Complex	Under Investigation	Aug-20	Lake, Napa, Sonoma, Yolo, Solano	363,220	1,491	6	No
CZU Lightning Complex	Under Investigation	Aug-20	Santa Cruz, San Mateo	86,509	1,490	1	No
SCU Lightning Complex	Under Investigation	Aug-20	Santa Clara, Alameda, Stanislaus	396,624	222	0	No
Glass Fire	Under Investigation	Sep-20	Napa, Sonoma	67,484	1,520	0	No
Creek fire	Under Investigation	Sep-20	Fresno, Madera	377,693	856	0	No

*PG&E has admitted fault in case in relation to the camp fire event

Fires caused by PG&E Electric power