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SUBJECT: ALL EXHIBITS – PG&E'S WILDFIRE RISK MODEL(S)

QUESTION 03

For each of PG&E's wildfire risk models, please explain how has PG&E validated its output or results?

a. Has there been any proof of theory yet?

b. If not, when does PG&E envision to implement any validation of results and/or proof of theory?

ANSWER 03

PG&E developed its probabilistic risk model known as the Wildfire Risk Model for its 2017 RAMP Report (I.17-11-003) in accordance with the Commission directives in Risk-Informed Decision Making for General Rate Cases Rulemaking (D.14-12-025 in R.13-11-006) and in the subsequent Safety Model Assessment Proceeding (D.16-08-018 in A.15-05-002). PG&E then evolved this model for use in both in its 2020 General Rate Case (A.18-12-009) and its Wildfire Mitigation Plan (R.18-10-007).

At this point in time, proof of concept for the Wildfire Risk Model relies on subject matter expert appraisal of the design and calculations of the Wildfire Risk Model. These appraisals include internal model validation reviews and discussions with intervenors throughout the SMAP proceeding. PG&E responded to data requests to validate the mathematical calculations for risk reduction during the SMAP proceeding. The joint utilities and intervenor teams discussed model limitations and concerns and ultimately a settlement agreement was reached by the parties and adopted in December 2018 (D.18-12-014 in A.15-05-02).

The objectives of the Wildfire Risk Model were to validate and score mitigation alternatives using the Risk Spend Efficiency ("RSE") methodology (see 2017 RAMP Report and 2020 GRC for a more detailed discussion of RSE) that could then be deployed by PG&E to potentially reduce the risk of wildfire ignitions.

With regard to proof of theory, PG&E interprets this question as relating to the assessment of the effectiveness of mitigations proposed as part of the 2020 GRC. Since these mitigation programs are expected to be implemented during the 2020 GRC

period (2020-22), or a longer period in the case of certain multi-year programs, PG&E has developed a number of performance indicators to monitor and validate the effectiveness of the mitigations deployed. These are discussed in more detail in Section 6.2 of the Wildfire Mitigation Plan ("Plan Performance and Evaluation") specifically in the identification of: 1) "targets" to assess the execution of work and deployment of mitigations; and 2) "indicators" to assess PG&E's performance in reducing wildfire ignitions.