PREPARED TESTIMONY OF
JENNIFER DOWDELL

TESTIMONY ADDRESSING SELECTED ISSUES REGARDING
RECOVERY OF SOUTHERN CALIFORNIA EDISION’S (SCE)
INCREMENTAL WILDFIRE MITIGATION AND GRID SAFETY &
RESILIENCY PROGRAM (TRACK 3) COSTS RECORDED IN
MEMORANDUM AND BALANCING ACCOUNTS

Submitted on Behalf of

THE UTILITY REFORM NETWORK

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PREPARED TESTIMONY OF JENNIFER DOWDELL
REGARDING SELECTED AREAS of SCE’s TRACK 3 2021 GRC WILDFIRE COSTS
IN THE CONTEXT OF AFFORDABILITY

I. INTRODUCTION AND OVERVIEW

This testimony is presented on behalf of The Utility Reform Network (TURN) by Jennifer Dowdell. Ms. Dowdell addresses issues related to SCE’s Track 3 costs associated with Covered Conductor Installation, Vegetation Management, and Public Safety Power Shutoff (PSPS) Labor. In consideration of the on-going nature of these programs and the fact that Track 3 costs would normally be addressed in the single track of a GRC proceeding, this testimony discusses and quantifies the affordability impacts on customers of SCE’s GRC Track 3 request taken together prior authorized 2021 GRC revenue increases.

SCE’s application requests recovery of an additional $679 million in capital and $476 million in O&M which SCE has spent in the 2018-2020 period and which it has recorded in various separate memorandum and balancing accounts. The requested cost are incremental to SCE’s 2018 GRC authorization and arise primarily from wildfire-mitigation related programs. TURN lacks the resources to make a detailed assessment of all the elements of SCE’s request. Instead, TURN has focused its analysis on selected areas. With respect to areas not expressly addressed in testimony, the Commission should not presume that TURN endorses SCE’s proposal.

II. AFFORDABILITY

SCE’s 2018 GRC decision marked “the third consecutive SCE GRC where the Commission has emphasized the importance of affordability as a metric for evaluating funding
request[s].”¹ In 2018, the Commission reaffirmed that “Ratepayers are entitled to the
Commission’s sharp eye and consideration of other options before committing their hard-earned
cash.”² The Commission has recognized in its decisions the importance of fairly balancing
utility requests with the crucial need to maintain affordability, asserting:

“The burden is on SCE to not only establish that the proposed work activities are
necessary, but also that SCE has prudently examined alternatives before coming to
ratepayers to fund the chosen action.”³

“We confirm that the Commission’s mandate is specific and requires a balancing of
interests to authorize rate recovery only for those just and reasonable costs necessary for
safe and reliable service. This requires a hard look at each proposed expense, including
whether it is necessary during the coming rate cycle and is appropriately calculated.”⁴

For this Commission, a key element of finding a charge or rate just and reasonable is
whether that charge or rate is affordable.⁵

In SCE’s most recent 2021 GRC Track 1 Decision, the Commission again recognized the
importance of considering affordability in evaluating utility funding requests, stating:

“We are more cognizant than ever of the need to limit rate increases to the extent
possible to ensure affordability. At the same time, we are mindful that it is in the public
interest to ensure that the utility has adequate funding to safety operate and maintain its
infrastructure and make necessary investments in safety and reliability….We have
carefully reviewed the record and deny or adjust downward several of SCE’s requests
that we find are not adequately justified…”⁶

It is with the same aim of striking a balance between ratepayer interests in safety and
affordability that TURN offers its testimony. Wildfire safety is top of mind for all Californians.

⁴ D.12-11-051 at 9.
⁵ D.19-05-020, p. 11.
Even so, the ability of household budgets to absorb continual utility revenue increases is limited if the Commission intends to support universal access to electric service.

The Commission has clearly explained the approach it will take in scrutinizing the utility’s requests which TURN urges the Commission to maintain here:

Therefore, in every instance where SCE cannot establish by a preponderance of the evidence that a request is necessary to provide safe and reliable service, we deny their requests. We do so with a goal of limiting the annual increase in SCE’s revenue requirements during this GRC period to, not double the growth in customer income, but rather a true alignment with no more than that growth rate. It is only by endeavoring to meet that goal, that we can begin to strive for greater affordability.7

Additionally, the Commission’s 2021 GRC Track 1 Decision appropriately incorporates the findings of its ongoing Affordability Proceeding (R.18-07-006) Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service which recognizes electricity as an essential service and formally defines affordability as “the degree to which a representative household is able to pay for an essential utility service charge, given its socioeconomic status.”8

The Commission’s decision in Track 1 of this Proceeding reduces the financial impact on households relative to SCE’s original request for a 19% first year increase in base revenues followed by somewhat smaller attrition year increases,9 but still allows for more than 20%10 (roughly $1.4 billion in annual revenue)11 increase by the end of the 2021 GRC cycle, resulting

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8 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 24, referencing D.20-07-032 at 9.
9 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 2.
10 Ibid. Calculation: 1-(1.0763 x 1.0554 x 1.0600)=20.05%
11 SCE 2021 GRC Track 1 Final Decision, Appendix B, 2021 CPUC Results of Operations Comparison. Calculation: Adopted vs. Present Rates Annual 2023 recovery plus an estimate for the effect of increased covered conductor capital authorized in the final decision ($2.449 billion final authorized covered
in bill increases from that Track 1 alone of more than $12 per month for Non-CARE and more
than $8 per month for CARE customers in the test year. Including the authorized attrition
increases and exclusive of Track 3 approvals or the authorized revenue requirement in Track 2 of
$391.3 million, TURN estimates SCE customers will experience bills increases in the range of
$20-$25 per month for Non-Care and $15-$20 for CARE customers over the 2021 GRC period.

Although SCE’s Track 3 application is not seeking recovery for the entire $678.8 million
of incremental capital, it is requesting a determination that costs pursuant to the AB 1054 equity
rate base exclusion are "just and reasonable for future recovery in a separate financing order
application." This highlights the fact that the AB 1054 rate base exclusion of $1.575 billion of
capital does not mean that ratepayers will never have to pay these costs—only that the revenue
requirement will not include an equity return for shareholders. Incremental costs of $475.74
million in expense and $678.83 million in capital (although recoveries of this magnitude have
in recent years begun to seem more and more frequent) are, nonetheless, significant for
ratepayers and consequently they cannot be ignored when considering affordability.

In the first track of this 2021 GRC proceeding TURN provided extensive testimony on
the threat to electric bill affordability raised by SCE’s proposed rate increase. While prior to
SCE’s 2021 GRC Track 1 Decision, SCE’s rates have generally tracked inflation (increasing 12

\[
\text{conductor program spending} - \text{original PD $1.54 billion} \times 0.15\% = \$136 \text{ million in incremental revenue requirement relative to original PD.}
\]

\text{D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 3.}

\text{D.21-01-012, p.}

\text{TURN’s estimate is based on average bundled residential bills with usage of 550 kWh monthly located in Zone 9 with moderate climate.}

\text{SCE Track 3 Testimony, Vol. 1 (Tr-3-01), p. 1, FN 1.}

\text{SCE Tr-3-01, p. 1, Table I-1.}

\text{Ex. TURN-03 in Track 1, pp. 9-33 (Dowdell).}
percent over the 2009-2019 period vs. 19 percent overall for CPI), the data that shows household
incomes, “particularly low-income Californians, have not kept pace with inflation or the rise in
SCE’s rates and bills.”18 The real median household income in California has increased
approximately 7 percent over 2009-2018, with wages at the highest end of the scale increasing
much faster than wages for lower paid workers.19 As TURN explains in Track 1 Testimony,
households who would not be eligible for current low income (CARE and FERA) programs, are
nonetheless already struggling with the current level of SCE’s electricity rates.20 The
Commission observes that “these sentiments were also shared by many members of the public
both at the PPHs and in written public comments submitted to the Commission.21

For the lowest income customers, rate increases, such as the ones just authorized in Track
1 of this proceeding, will have more dire affordability effects. The efficacy and value of large
capital spending programs like the Wildfire Covered Conductor Program add incrementally to
the monthly burden of all California households. Their costs must be keenly balanced on the
scale of affordability in particular because the significant costs of these programs weigh most
heavily on households with the fewest economic resources to pay. For reasons of affordability
and equity, the Commission must, now more than ever before, carefully weigh the value of every
dollar requested in this GRC. “Ratepayers are entitled to the Commission’s sharp eye and
consideration of other options before committing their hard-earned cash.”22 To do otherwise is
to deny, or at minimum curtail, universal access to the essential service of electricity.

18 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 25.
19 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 23 referencing TURN-03E, pp. 9-10.
20 Ex. TURN-03-E, p. 15.
22 D. 12-11-051, at 10.
### III. SUMMARY OF RECOMMENDATIONS

#### A. Covered Conductor

TURN recommends that $229.0 million of covered conductor work-in-progress (WIP)\textsuperscript{23} associated with more than 2,600 miles recorded so far but not yet completed be removed from this request. Whether this work meets the required GSRP Settlement unit cost threshold cannot be assessed until the completed cost and mileage are known, and thus the reasonableness of the work cannot be evaluated at this time. SCE should request reasonableness review and recovery of these costs after it has completed the work.

Additionally, TURN recommends that $15.891 million in capital for covered conductor work be disallowed for recovery because SCE has provided no basis for its selection of the specific miles on which it deployed a relatively expensive mitigation. As such this work has not been shown to be reasonable.

#### B. Vegetation Management/Line Clearance O&M

TURN recommends that $46.15 million in Vegetation Management Program Line Clearance costs recorded in the Fire Hazard Prevention Memorandum Account (FHPMA) be disallowed because they relate to non-HFRAs activities, and such, are ineligible for recovery in the FHPMA. TURN also recommends that the amounts authorized for recovery for vegetation management be reduced by $51.8 million to reflect the SB247 cost recovery SCE expects to receive from tree trimming contract renegotiations during the 2021 GRC cycle.

#### C. Other Adjustments

TURN recommends a disallowance of $3.16 million in expense associated with raising vegetation management quality control (QC) confidence levels to 99% in both HFRA and non-

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\textsuperscript{23} TURN DR 009 Q5a-b
HFRA relative to the prior year standard of 95%. TURN also recommends the Commission disallow “supplemental pay” for exempt employees (not normally eligible for overtime) when they work more than a 40-hour work week during PSPS events.

D. Summary Recommendations

TURN’s recommendations are summarized below.

Table 1

<table>
<thead>
<tr>
<th>TURN Recommended Adjustments</th>
<th>Capital</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Covered Conductor Program Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incomplete Covered Conductor Work (WIP) Request Deferred to Future Application</td>
<td>$229</td>
<td>N/A</td>
</tr>
<tr>
<td>Covered Conductor Disallowance for Lack of Reasonableness</td>
<td>$15.89</td>
<td>N/A</td>
</tr>
<tr>
<td>Subtotal Covered Conductor Adjustments</td>
<td>$244.89</td>
<td>N/A</td>
</tr>
<tr>
<td>Enhanced Vegetation Management</td>
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<td></td>
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<tr>
<td>Adjustment for Non-HFRA Incremental Line Clearance Costs requested in the FHPMA</td>
<td>N/A</td>
<td>$46.15</td>
</tr>
<tr>
<td>SB 247 Cost in FHPMA Reduced for Benefit of Tree Trimming Contract Renegotiations</td>
<td>N/A</td>
<td>$51.80</td>
</tr>
<tr>
<td>Subtotal Vegetation Management Adjustments</td>
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<td>$97.95</td>
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<tr>
<td>Other Recommended Adjustments</td>
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<td></td>
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<tr>
<td>Adjustment from 98% QC in Non-HFRAs</td>
<td>N/A</td>
<td>$3.16</td>
</tr>
<tr>
<td>Disallowance for Overtime Payments for Exempt Employees</td>
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<td>$2.18</td>
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<tr>
<td>Subtotal Other Recommended Adjustments</td>
<td>N/A</td>
<td>$5.34</td>
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<tr>
<td>Total Recommended Adjustments</td>
<td>$244.89</td>
<td>103.29</td>
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<tr>
<td>SCE Track 3 Recovery Request</td>
<td>$678.83</td>
<td>$496.829</td>
</tr>
<tr>
<td>Less TURN Recommended Adjustments</td>
<td>(244.89)</td>
<td>(103.29)</td>
</tr>
<tr>
<td>TURN Recommend Total for Track 3 Approval</td>
<td>433.94</td>
<td>393.539</td>
</tr>
</tbody>
</table>

IV. COVERED CONDUCTOR PROGRAM

The SCE GSRP Settlement forecasted 592 miles of covered conductor work at a unit cost not to exceed 115% of $428,425 per circuit mile, or $492,091 per mile. The unit cost reflected a covered conductor forecast budget of $253,614,000, not to exceed 115%, or

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24 DR TURN 008, Q02 Supplemental.
SCE’s $820 million total request for covered conductor is nearly three times the forecast budget. SCE’s incremental request for the Wildfire Covered Conductor Program (WCCP), including the costs of tree removal, is $487 million as shown in its testimony. SCE must demonstrate the reasonableness of this incremental work on both an overall and unit cost basis pursuant Ordering Paragraphs 14 and 15 of D.20-04-013.

While SCE’s unit cost calculation met the GSRP unit cost threshold, SCE has installed roughly “double the original GSRP forecast scope” in completed miles relative to the covered conductor work contemplated in the Settlement. Moreover, while the unit cost is technically within the 115% adopted by the Settlement, the Settlement unit cost calculation does not include the full unit cost of the covered conductor deployment, since it does not include the costs of fire-resistant poles and tree attachment remediations, which are an integral element of the Wildfire Covered Conductor Program (WCCP). Including the cost of fire-resistant poles increases SCE’s recorded unit cost to $522,892 per mile. TURN uses the actual recorded figure in calculating its adjustment here.

A. SCE’s GSRBA Recorded Costs for Covered Conductor Work-In-Progress (WIP) Cannot be Properly Accessed for Reasonableness and Must be Denied in This Application

Even before evaluating the reasonableness of the costs, it is critical to note that SCE has recorded $820 million in the Grid Safety & Reliability Program Balancing Account (GSRPBA) for recovery in this application, but it actually spent $592 million for completed covered

25 DR TURN 003, Q03.a-c.
26 DR TURN 003 a-c. Calculation: $820.210 million WCCP recorded costs/WCCP budget of $284.842 million = 2.87 times WCCP budget
27 SCE Tr-3-01, p. 15., Table II-5.
28 SCE Tr-3-01 E., p. 14. states that as part of its WCCP “SCE proactively installed 1,132 circuit miles of covered conductor.”
conductor work. The remaining $229 million is associated with circuit miles that are still
under construction or work-in-progress (WIP). SCE itself highlights this distinction by the
fact that its stated average cost per circuit mile is based on $592 million for completed circuits,
dividing the total cost of closed work orders by the total number of covered conductor circuit
miles completed and in service.

The GSRP Settlement separately requires SCE to demonstrate the reasonableness of unit
costs per circuit mile in excess of 115% of the $428,425 forecast, as specified in Ordering
Paragraph 15 of D.20-04-013. With respect to the covered conductor WIP, SCE has not (and
cannot), comply with this requirement, because the total costs, total mileage, and resulting unit
costs for the $229.0 million in WIP expenditures are presently unknown. SCE can demonstrate
compliance with the Settlement unit cost threshold only after it has completed the work and
knows the final cost of the completed miles. Of the $487.6 million in incremental covered
conductor capital SCE has recorded for recovery in the GSRPBA, only $258.6 million is eligible
to be reviewed as part of this application. The remaining $229.0 million must be deferred until
the associated circuit miles are complete.

In addition to TURN’s recommendation that recovery for covered conductor WIP be
deferred to a future application, the Commission should include clear language in this decision
that explicitly limits covered conductor cost recovery in the GSRPBA to completed work whose

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29 DR TURN 009, Q2a-b. states: “The $592 million is associated with 1,131.9 circuit miles based on
closed work orders.”

30 DR TURN 009, Q5 shows that SCE’s total of $820 million is comprised on completed work of roughly
$592 million with the remainder being WIP.

31 SCE’s recorded average unit cost per mile of $492,091 in 2020 dollars is based on the recorded work
for completed covered conductors less the costs of fire-resistant poles. Including the cost of fire-resistant
poles SCE’s cost per mile for the 1131 circuits completed is $522,892 per mile, 22% above the GSRP
Settlement unit cost.
unit cost can be properly evaluated going forward. In consideration of the fact that under
TURN’s recommendation, $229 million remain for recovery in the GSRPBA, TURN
recommends that the Commission direct SCE not to request recovery for covered conductor
WIP.

B. A Small Portion of the Incremental GSRP Spending Is Unreasonable
Because SCE Did Not Provide Any Risk Analysis for Work Even in 2020

1. SCE’s Covered Conductor Spending Lacks Risk-Spend Prioritization

SCE has repeatedly justified the increased volume of covered conductor it installed as
compared to the amount agreed to in the GSRP Settlement as a way “to aggressively buy down
risk.”32 SCE expanded its covered conductor program plans “to deploy 700-1000 circuit miles
during 2020.”33 Yet, as late as 2020, SCE failed to objectively quantify that risk. SCE states:
“what became apparent through SCE’s updated risk modeling effort was that there was still a
significant amount of residual absolute risk remaining on the system for many more circuit miles
than were originally forecast to be covered.”34 However, SCE itself acknowledges that in the
2018-2020 period, it did not apply any consistent risk assessment model to quantify the risk or
prioritize the expanded covered conductor work. So, it is unknown what risk reduction value
ratepayers received for this incremental covered conductor investment. SCE lacks a quantitative
measure of how much risk it actually “bought down.”

32 SCE Tr-3-01, p. 20
33 Ibid.
34 SCE Tr-3-01, p. 20
Of the completed covered conductor work performed in 2018-2020, SCE’s risk assessment used either its GSRP risk model or two risk scoring methodologies referred to as DOTS 1.0 and DOTS 2.0.  

From March 2019 to May 2019, SCE employed DOTS 1.0; and from May 2019 to July 2019, SCE used DOTS 2.0.  

From February 2018-March 2019, SCE relied on its original GSRP risk model.  

SCE affirms that: “Other than the GSRP, DOTS 1.0, and DOTS 2.0 risk models, SCE did not utilize any other risk model for the WCCP.”  

After July 2019, SCE reverted to using its GSRP risk model, which “had no risk score per se,” but selected circuits in HFRA with: 1) vintage small conductors at risk of damage during a short circuit; and/or 2) conductors on circuits with two or more vegetation-related faults. The GSRP modeling did not produce quantifiable risk results or prioritize among circuit miles based on the amount of wildfire risk addressed by the associated covered conductor deployment. These two GSRP criteria were used for 72% of the mileage at issue in this Track 3.  

SCE applied circuit level risk-spend efficiency analysis using the DOTS 1.0 and DOTS 2.0 to roughly 220 miles in 2018 and 2019 and has provided risk scores for those miles. Miles with risk score under DOTS constitute only about 40% of the extra miles completed beyond the GSRP Settlement scope.  

Filtering SCE’s response to TURN 006 Q1 Structure Data Ready for Service Status Update (excel tab Miles) by Risk Criteria DOT 1.0 and DOT 2.0 gives the result of approximately 218 miles. As shown in footnote 21 of this TURN testimony volume, the total miles above the GSRP Settlement score are 586 miles Calculation: 218 miles/586 miles=37% of miles using DOT 1.0 or DOT 2.0 risk scores.
Of the 1,132 total miles of covered conductor that SCE deployed over the 2018-2020 period, only 19.5% used a comprehensive risk scoring pursuant to DOTS 1.0 and 2.0, and more than 80% used no comprehensive risk scoring to prioritize the work. Assuming all the work was completed at the average recorded cost of $522,892 per circuit mile (including fire resistant poles), there is approximately $475 million in incremental capital investment above its authorized requested here for which SCE has offered no quantification of the amount of risk it has addressed for this cost. This result casts significant doubt on SCE’s assertion that its incremental work was designed to mitigate a “significant amount of residual absolute risk.”

Neither the total nor residual risk was objectively quantified.

SCE states that as its “risk modeling capabilities improved, SCE deployed a more granular risk analysis called the Wildfire Risk Model (WRM) to estimate the amount of risk expected at the circuit and circuit segment level.” However, none of the work for which SCE is requesting recovery in this application resulted from the use of WRM. SCE states that:

“while the WRM is the current risk prioritization methodology, it was not yet developed when circuits were selected for the 2018 to 2020 scope years. Instead, approximately 80% of the circuit miles completed during that period used risk criterion developed for the GSRP.”

A breakdown of the miles by risk criteria is shown below.

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42 SCE response to DR TURN 003 Q06 part a also validates TURN’s arithmetic.

43 SCE Tr.3-01, p. 18

44 DR TURN 003, Q06 a.
Table 2
2018-2020 Completed Covered Conductor Miles by Risk Criteria Program

<table>
<thead>
<tr>
<th>Risk Criteria</th>
<th># Covered Conductor Miles</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSRP</td>
<td>815.31</td>
<td>72.0%</td>
</tr>
<tr>
<td>DOTS 1.0</td>
<td>155.84</td>
<td>13.8%</td>
</tr>
<tr>
<td>DOTS 2.0</td>
<td>62.95</td>
<td>5.6%</td>
</tr>
<tr>
<td>Not Specified</td>
<td>1.90</td>
<td>0.17%</td>
</tr>
<tr>
<td>N/A</td>
<td>95.78</td>
<td>8.5%</td>
</tr>
<tr>
<td>Total Miles WCCP</td>
<td>1131.78</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Percent of Miles w/ No Risk Score 80.5%

2. It Was Unreasonable for SCE Not to Use Risk-Based Prioritization for Projects Started in 2020

In its Track 1 testimony in this rate case, TURN noted:

“SCE’s proposal is to install as much covered conductor as it possibly can, from highest to lowest risk circuit segment. The response implies covered conductor has the same risk-spend efficiency no matter where it is deployed in SCE’s HFRA, which SCE’s own statements and analyses demonstrate is false.”\(^{45}\)

SCE’s own analysis in Track 1 of this 2021 GRC shows that the risk mitigation value to be gained from covered conductor programs is concentrated in a relatively small percentage of the HFRA circuits.\(^{46}\) SCE provides little in the way of concrete evidence that the additional 540

\(^{45}\) A.19-08-013 Track 1, TURN 02E, p. 13.

\(^{46}\) A.19-08-013 Track 1,TURN 02, p. 13, citing: Data request in R.18-10-007, WSD-SCE-002, Q. 084, UVM-07 – V3,Utility Vegetation Management Post Work Verification and UVM Program Oversight, states: “In High Fire Risk Areas (HFRA) risk-consequence 1 models such as REAX Engineering risk data is used to prioritize circuit mileage for inspection (Reference Table 1). […]REAX data stratification for HFRA identifies 2161 circuit miles present approximately 93.87% of the risk consequence for SCE. QC will target to perform 100% inspection of these 2161 miles, as practical. The remainder of HFRA circuit miles, approximately 14,028 present approximately 6.13% risk-consequence.”
circuit miles more than the original GSRP Settlement scope of 596 miles\textsuperscript{47} was the most cost-effective level of deployment, given the GSRP Settlement was an agreement involving both cost and scope of work.

TURN believes that SCE’s continued use of the GSRP criteria in 2020, instead of a risk-based prioritization of circuits, is unreasonable. SCE stated that based on its updated risk modeling effort “it was prudent to expand its plans for covered conductor beyond the original scope…”\textsuperscript{48} But SCE did not use updated risk modeling to select the covered conductor work initiated in 2020. SCE did not demonstrate why the additional covered conductor miles were more prudent or more cost-effective than other means of wildfire mitigation on these circuits. Or even that these were the right miles to do first. SCE simply asserts that the more covered conductor miles, the better. This assertion is not a showing of reasonableness.

TURN proved in Track 1 of this GRC that “while installing covered conductor on a minority of high-risk circuits in SCE’s HFRA will be relatively cost-effective – i.e. the risk mitigated per dollar spent will be comparatively high – many more circuit miles in SCE’s HFRA will provide only a small amount of risk reduction at a high cost.”\textsuperscript{49} TURN also showed in Track 1 of this proceeding, the actual performance of covered conductor for reducing ignitions in high-risk wildfire conditions has not been validated in the field.\textsuperscript{50} In the SCE 2021 GRC Track 1 Final Decision, the Commission concurs: “the fact that covered conductor does not in and of itself completely eliminate the risk of ignition, further highlights the need for SCE to present a

\textsuperscript{47} Calculation: 1,132 miles deployed less 596 miles agreed in GSRP Settlement = 540 miles of covered conductor deployed more than the GSRP Settlement amount.

\textsuperscript{48} SCE Tr.3-01, p. 20.

\textsuperscript{49} A.19-08-013 TURN 02, p. 13.

\textsuperscript{50} Ibid., p. 22.
more comprehensive evaluation of each circuit segment to determine the most appropriate and
cost-effective mitigation measure(s) for that segment.” 51

These facts apply equally to the costs in this Track 3 and strongly refute SCE’s
contention that more covered conductor as long as it is in HFRA is always better for customers.
SCE’s Track 3 showing does not demonstrate whether most of SCE’s incremental WCCP work
was prudent and reasonable or not. Absent some objective quantification of risk, reasonableness
cannot be determined because the Commission can’t tell if SCE made the cost-effective risk
mitigation decisions of a prudent manager.

TURN believes, at a minimum, that by the beginning of 2020 SCE should have been using
quantifiable risk criteria to select incremental circuits for covered conductor deployment.

Particularly since its planned covered conductor costs were approaching three times the
original forecast. By March 2019, SCE had put DOTS 1.0 in place, which did generate a risk
score at the circuit and circuit segment level. 52 Consequently, it is unreasonable for work started
by SCE in 2020 to have no risk efficiency score or other risk quantification, and certainly it
ought not lack designated risk criteria on which to justify the expensive covered conductor
work. 53

51 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 204.

52 DR TURN 003, Q6c states: “SCE installed more or less covered conductor than what was originally scoped, depending on the circuit. This difference is due to SCE evolving its scoping methodology from targeting small conductor and high vegetation contact circuits to DOTS 1.0, a risk assessment method that further evaluates HFRA wildfire consequence risk at the circuit segment levels. The new analysis allowed SCE to prioritize circuit segments and areas within all HFRA in order to target the highest risk ones first.”

53 In TURN 006 Q 1, SCE provided, the record numbers, risk criteria, when the work was started and completed, risk scores where applicable, structure/segment number and associated miles of covered conductor deployed. The risk criteria are: GSRP, DOTS 1.0, DOTS 2.0, N/A, and not specified. SCE has asserted that it used only three risk models for prioritizing the work it is requesting in Track 3. TURN presumes that N/A and not specified indicate the lack of a formalized risk model in the manner of GSRP guidelines or DOTS risk scoring.
Roughly 667 miles\(^{54}\) (more than 80%) of the 814 miles of covered conductor installed in 2020\(^{55}\) were begun in 2020. Most of these (496 miles) were selected based on the GSRP unquantified risk criteria. TURN believes that by 2020, having installed 364 miles of covered conductor at an estimated cost of nearly $200 million\(^{56}\), that SCE ought to have been using a quantifiable risk-based criteria to support its covered conductor deployment.

However, even more egregious than continued use of GSRP criteria (rather than a quantified risk scoring), SCE began and completed 30.39 miles of covered conductor work in 2020 for which it indicated no risk criteria at all\(^{57}\) – not even the GSRP criteria.\(^{58}\) While it may be reasonable that a portion of covered conductor miles could be justified as part of operational efficiencies in implementing the program, SCE did not identify any of the roughly 100 miles with no risk criteria as having been deployed based on operational efficiencies—it simply failed to identify any risk criteria.

It would be valid for the Commission to disallow the entire 496 miles of 2020 GSRP-specified covered conductor work, based on a lack of showing that the prioritization of these projects was reasonable from a risk reduction perspective. This, if for no other reason than given the size of the covered conductor program just approved for the 2021 GRC cycle, to remind SCE of what the Commission’s standards for reasonableness regarding a multi-billion-dollar, ratepayer funded program to mitigate wildfire risk.

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\(^{54}\) Filtering SCE’s response to TURN 006 Q1 Structure Data Ready for Service Status Update (excel tab Miles) by actual start date 2020 and counting the circuit miles gives the result of 667 miles.

\(^{55}\) SCE Tr.3-01, p.20.

\(^{56}\) SCE 2021 GRC Decision p. 207. Calculation: 1,132 total completed miles - 814 miles installed in 2020 = 372 miles installed prior to 2020; 372 miles at an average cost per mile of $522,892 = $194.516 million costs prior to 2020.

\(^{57}\) D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 205.

\(^{58}\) See Table 2 above.
However, TURN conservatively recommends applying SCE’s recorded unit cost including covered conductor of $522,892 to the 30.39 miles completed in 2020 with no risk criteria. This results in a disallowance of $15.891 million in capital, or roughly 3.4% of SCE’s requested incremental recovery.\textsuperscript{59} TURN’s recommended adjustment which is unlikely to affect SCE’s risk mitigation efforts must be disallowed as SCE has not met its burden to prove the reasonableness of the costs for this mileage.

C. Covered Conductor Conclusion

TURN recommends that the Commission defer to a future application the recovery of $229 million recorded covered conductor WIP until this work is completed, and the permanent disallowance of $15.891 million in covered conductor capital for which SCE has made an inadequate showing of reasonableness. This is an overall reduction of approximately $244.891 million in SCE’s $353.48 million GSRPBA recovery request for covered conductor, resulting in a recommendation that $108.67 million in capital costs be approved for recovery at this time.

V. VEGETATION MANAGEMENT

This section addresses SCE request for $252 million for 2020 line clearance costs recorded to the FHPMA that it claims are incremental to what was authorized for this activity in the 2018 GRC Decision.\textsuperscript{60} SCE established the FHPMA in 2009 in order “to track the difference between all fire hazard prevention costs that related to activities necessary to implement the requirements of D.09-08-029, and the amounts previously authorized in SCE’s 2009 GRC.”\textsuperscript{61}

\textsuperscript{59} Calculation: $15.891/($487.6-$20.52)=3.4%
\textsuperscript{60} A. 19-08-013, Track 1, SCE-1, p. 97.
\textsuperscript{61} SCE Tr.3-01, p. 176.
The Commission issued subsequent decisions requiring the utility to perform additional pole inspections and conduct fire mapping activities, the costs of which could be tracked in the FHPMA. In December 2017, the Commission adopted D.17-12-024 (“HFTD Decision”), which adopted “new regulations to enhance the fire safety of overhead electric power lines in high fire threat areas,” through adding “a new high fire threat district [HFTD] to General Order [GO] 95, and increasing “line clearance and inspection cycles.”

SCE is requesting $252.31 million in expense above the 2020 revenues authorized for line clearance. Also, included in this request are costs related to the passage of SB 247, which increased the hourly rate that must be paid for tree trimming labor. Of the total incremental amounts requested, SCE states that $123.34 million is associated with labor requirements of SB 247. The remaining $128.97 requested is unrelated to SB 247. As will be addressed below, the FHPMA currently exists to expressly to track incremental costs in HFRA. However, SCE has recorded non-HFRA costs to the FHPMA and requests to recover these as well.

A. SCE’s Attempt to Recover Costs Not Related to the Implementation of the HFTD Decision Recorded in the FHPMA is Not Reasonable

62 A. 19-08-013, Track 1, SCE-1, p. 66, lines 1-2.

63 Note that both the term High Fire Threat District (HFTD) and the term High Fire Threat Area (HFRA) are used throughout this section of the testimony. See SCE-1, p. 5, FN 8 for an explanation of the distinction. “As set forth at length in Tracks 1 and 2, SCE has historically treated certain non-High Fire Threat District (HFTD) areas internally as High Fire Threat Areas (HFRA). On December 17, 2020, the Commission approved in part SCE’s August 19, 2019, Petition for Modification to conform the Commission’s official HFTD fire map with SCE’s internal HFRA (D.20-12-030). D.20-12-030 approves the inclusion of 37 out of 43 of SCE’s proposed HFRA “polygons” in the official HFTD fire map. Accordingly, the amount of high fire threat-related work SCE completed in the other 6 polygons in 2020 was de minimis. In accordance with D.20-12-030, no later than June 30, 2021, SCE will fully conform its HFRA to the HFTD fire map, as revised therein.”
1. SCE’s Request for Non-HFRA Cost Recovery is Beyond the Intent of the Memorandum Account

Although per the directive in D.17-12-024, the FHPMA was intended to solely record the incremental cost associated with HFRAs, SCE recorded “all incremental Line Clearance costs incurred by SCE in 2020”\textsuperscript{64} regardless of whether or not they were related to HFRAs. SCE now seeks recovery of $252.31 million in incremental line clearance costs. SCE also includes $665,842 of environmental cost which is another potential example of non-HFRA associated with Line Clearance recorded in the FHPMA, although TURN does not specifically address this cost. SCE’s request for costs incurred in non-HFRAs is inappropriate and contrary to the purpose of the FHPMA.

SCE states that “costs incurred in non-HFRA were closely intertwined, and non-segregable, from the work completed by contractors in HFRA.”\textsuperscript{65} Thus, it recorded non-HFRA along with HFRA costs in the FHPMA.\textsuperscript{66} This is essentially the same claim SCE made in its 2021 GRC—that it considered “all incremental vegetation management costs to be ‘wildfire-related.’”\textsuperscript{67} However, this assertion is not supported by the HFTD decision.\textsuperscript{68}

In its Track 3 testimony, SCE also states: “one of the main drivers for the Line Clearance Program is to mitigate faults and associated risks of ignitions from vegetation contacting energized equipment irrespective of location.”\textsuperscript{69} Be that as it may, SCE’s claims attempting to

\textsuperscript{64} SCE Tr.3-01, p. 98.

\textsuperscript{65} SCE Tr.3-01, p. 98.

\textsuperscript{66} Ibid.

\textsuperscript{67} A.19-08-013, Track 1 SCE-1, p. 58, line 15.

\textsuperscript{68} See D.17-12-024, Section 4.2.6 regarding Changes to GO 95, Rule 35 pp. 41-58, and Section 4.2.17 regarding changes to GO 95, Appendix E, pp. 100-102. See also D.17-12-024, Appendix A, p. A-34 and D.17-12-024, Appendix B, p. B-6.

\textsuperscript{69} SCE Tr.3-01., p. 98
justify the inclusion of non-HFRA costs in the FHPMA are not supported by the plain language of the HFTD Decision. SCE asserts: “The HFTD Decision imposed both regulatory requirements and Commission recommendations. For distribution-level infrastructure, the HFTD Decision required minimum clearances be expanded to 4 feet in HFRA and recommended that clearances at time of trim be further expanded to 12 feet in HFRA and 4 feet in non-HFRA.”

Regardless of SCE’s assertions, the plain language of the HFTD decision clearly states that the relevant tree trimming requirements apply to HFTDs, as discussed in Ordering Paragraph 3:

“The increased time-of-trim guidelines in Appendix E of General Order 95, as amended by today’s Decision, apply to vegetation trims starting no later than September 1, 2018, in Tier 3 and starting no later than June 30, 2019, in Zone 1 and Tier 2 of the High Fire-Threat District.”

Ordering Paragraph 4 is similarly explicit, stating, “the new and amended regulations adopted by today’s Decision” specifically “apply to Zone 1, Tier 2, and/or Tier 3 of the High Fire-Threat District.”

TURN’s understanding is that the HFTD made two modifications that are relevant to Track 3 costs recorded in FHPMA. These are 1) "Amendments to GO [General Order] 95, Rule 35, Table 1, to require utilities to maintain the stricter Case 14 vegetation clearances in the HFTD," and 2) "Amendments to GO 95, Appendix E, to increase the recommended time-of-trim clearances between power lines and vegetation in the HFTD." The limitation to HFTAs is

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70 DR TURN 005, Q02a.
71 D. 17-12-024 (HFTD Decision) p.154, Ordering Paragraph 3. (Emphasis added)
72 D. 17-12-024 (HFTD Decision) p.154, Ordering Paragraph 4.
73 Ibid. at p. 3.
74 Ibid.
also demonstrated by the text the Appendix A of D.17-12-024, which lays out Proposed Regulations for GO 95. The proposed language for GO 95 Appendix E, only show changes to Table 14, which has the clearances for HFTAs. Additionally, Appendix B, which has the adopted revisions to GO 95, indicates the revised version of GO 95 Rule 35 only addresses HFTDs. Moreover, based on TURN’s review of D.17-12-024, changes to clearances for non-HFTAs are not expressly addressed in this decision. Clearly, D.17-12-024 did not intend for the FHPMA to be used to recover what amounts to voluntary changes to SCE’s routine vegetation maintenance in areas not deemed high-fire threat areas or districts. SCE has received base revenue GRC funding for 2020 to address vegetation management in non-HFRAs and under forecast ratemaking, it is SCE’s responsibility to adhere to the Commission-authorized forecast. Finally, SCE itself seems to recognize it has no basis for its request, admitting: “SCE recognizes that the Commission contemplated in the HFTD Decision that the utilities would record in the FHPMA costs to comply with high-fire regulations, not necessarily service

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75 D.17-12-024, Appendix A: Proposed Regulations, p. A-34, Contested Proposed Regulation 19 re: GO 95, Appendix E (SDG&E), Proposed Revisions to Appendix E Are Shown with Strikeout and Underline. D.17-12-024 adopts SDG&E’s Proposed Regulation 19 for GO 95, Appendix E, pp. 101-102, See that changes are only made to Case 14 of Table 1 which is the case relating to HFTAs, see pp. 41-42 of Decision.

76 D.17-12-024, Appendix B: Adopted Revisions to General Orders 95, 165, and 166, and Electric Tariff Rule 11, p. B-6, General Order 95, Rule 35, Table 1, Case 14 and Reference (hhh), Adopted Rule in Final Form. Reference (hhh) states, “The High Fire-Threat District is defined in GO 95, Rule 21.2-D.”

77 See D.17-12-024, Section 4.2.6 regarding Changes to GO 95, Rule 35 pp. 41-58, and Section 4.2.17 regarding changes to GO 95, Appendix E, pp. 100-102. See also D.17-12-024, Appendix A, p. A-34 and D.17-12-024, Appendix B, p. B-6.

78 See D.17-12-024, p. 128, “The Electric IOUs shall track and record their costs to implement the regulations adopted by today’s Decision in the Fire Hazard Prevention Memorandum Accounts (FHPMAs) they have established pursuant Commission decisions issued in R.08-11-005.”
territory-wide regulations." Accordingly it was inappropriate for SCE to record non-HFRA
tree trimming costs to the FHPMA in the first place and the Commission should deny recovery
of non-HFRA costs recorded in the FHPMA.

B. SCE Should Not be Rewarded for Failing to Properly Record Cost to the
   FHPMA

   Although SCE did not keep track of the non-HFRA amounts spent for Line Clearance,
clearly some work was done. SCE states that "initially, SCE prioritized its resources on
expanded clearance work in HFRA to ensure strides were made in mitigating wildfire threats. By
2020, SCE was able to re-focus some resources to ramp-up its non-HFRA trims as well."

   TURN estimates that SCE recorded roughly $91 million of non-HFRA incremental Line
Clearance expense to the FHPMA. Of this amount, TURN estimates approximately $46.15
million is not associated with either HFRA, or with tree trimming labor increases mandated by
SB 247. TURN recommends that the Commission disallow this amount because it relates to
vegetation management work in non-HFRA, which has not been impacted by SB 247 and thus
has nothing to do with the HFTD Decision or legislative mandates.

   While reasonable parties may sometimes differ in their view of what items are eligible for
memo account treatment, TURN believes that this is all the more reason why appropriate

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79 A.19-08-013, Track 1 SCE-1, p. 30, FN 42.
80 SCE Tr.3-01, p. 100, footnote 150.
81 See TURN-T3-01, Atch-1, p. 27. TURN used the relative unit costs per trim for HFRA and Non-
   HFRA provided by SCE and the information in SCE WP p. 27 to allocate non-SB 247 costs. This
   assumes that the HFRA and Non-HFRA cost are proportional to the average cost per trim in the
   respective areas.
82 See TURN-T3-01, Atch-1, p. 27.
83 TURN notes that its recommended adjustment is an estimate rather than a direct accounting partially
due to SCE’s accounting practices and presentation of costs in its workpapers.
segregation and granular accounting of the costs recorded in memo accounts is a good and transparent policy. However, SCE recorded non-HFRA costs in the FHPMA, despite clear Commission directives that it was ineligible for recovery in that memo account.\textsuperscript{84} SCE claims that "costs incurred in non-HFRA were closely intertwined, and non-segregable from the work completed by contractors in HFRA."\textsuperscript{85} However, TURN finds this lack of diligence in segregating and precisely accounting for non-HFRA costs, which ought not have even been recorded in the FHPMA in the first place, questionable.

Whatever the reason SCE has failed to properly record only eligible HFRA-related costs, the Commission ought not reward sloppy accounting by allowing SCE to recover costs it would not be entitled to, but for an alleged inability to identify them. Rather, the Commission should disallow $46.12 million in 2020 non-SB 247, non-HFRA costs inappropriately recorded in the FHPMA. TURN does not oppose recovery of incremental expenses associated with SB 247 labor mandates subject to the Commission’s adoption of TURN’s recommendation regarding the expected renegotiation of SCE’s tree trimming contracts in the upcoming GRC cycle discussed in the following section. Although the FHPMA is closed, TURN also recommends that going forward, the Commission should direct SCE to properly account for (and record) only HFRA expenses in any successor account designated for that purpose.

C. If SCE is Allowed to Recover Incremental SB 247 Labor Costs Recorded in FHPMA, Ratepayers Should Receive the Expected Benefits of Contract Renegotiations Anticipated During the 2021 GRC Cycle.

SCE states that one of the primary drivers of its increased vegetation management

\textsuperscript{84} D.17-12-024, p. 128. “The Electric IOUs shall track and record their costs to implement the regulations adopted by today’s Decision in the Fire Hazard Prevention Memorandum Accounts (FHPMAs) they have established pursuant Commission decisions issued in R.08-11-005.” (Emphasis added).

\textsuperscript{85} SCE Tr.3-01 p. 98.
cost is the wage increase for tree trimming contractors mandated by SB 247, which went into
effect on January 1, 2020. “Furthermore, SCE’s vegetation contractor crews are not
assigned HFRA and non-HFRA separately;\textsuperscript{86} accordingly, SB 247’s mandated pay increases
for tree trimmers resulted in increases to the cost of performing tree trimming service area
wide.”\textsuperscript{87} Of the total $252.31 million request for incremental Line Clearance O&M recorded
in the FHPMA, SCE states that $124.34 million is related to SB 247.\textsuperscript{88} However, SCE is
confident that it will recover some of these costs by operational efficiencies amounting
primarily to tree trimming contract renegotiation because these contract renegotiation
savings form the basis of SCE’s cost/benefit analysis to justify its request that ratepayers
fund Arbora vegetation management technology cost recorded in the WMPMA.

In testimony, SCE discusses its implementation costs associated with the Vegetation
Management Program Management Office (PMO) and the deployment of its new tree-
tracking, relational data base and workflow system, Arbora, which together are expected to
allow SCE to realize tree trimming contract labor savings and operational improvements.\textsuperscript{89}
These costs are all recorded in the WMPMA. The labor savings from tree trimming contract
renegotiations are cited as a primary benefit in SCE’s cost benefit analysis to support its
Vegetation Management Program improvements. SCE states: “Based on SCE’s
conservative assumptions in our cost-benefit analysis, economic benefits to customers

\textsuperscript{86} As an aside, TURN wonders why SCE does not separately assign contractors and contractor crews to
HFRA since it seems to make sense from a safety and risk management standpoint to operationally assign
the best performing crews to HFRA to increase the likelihood that work will be performed in the most
workmanlike fashion.

\textsuperscript{87} SCE Tr.3-01, p. 102.

\textsuperscript{88} SCE Tr.3-01-E, p. 98.

\textsuperscript{89} On SCE Tr.3-01, p. 108 SCE states: “Overall, the work of the vegetation management PMO was a
significant factor in improving SCE’s vegetation management capability in 2020.”
largely comprised of current unrealized savings in the form of renegotiated trimming contracts to be renewed in 2022 and 2023.""}90 Thus, SCE expects to recoup at least some of the incremental costs (now recorded in the FHPMA) associated with SB 247-mandated labor rate increases during the 2021 GRC cycle. Based on responses to TURN data requests, SCE estimates that these savings amount to roughly $52 million.91

In its response to TURN’s discovery request, SCE states that its GRC Track 1 proposed two-way balancing account for Vegetation Management will allow SCE to pass the savings from contract negotiation back to customers.92 However, this is hardly a sure thing for ratepayers. SCE notes that “many factors come into play when VM contracts are renegotiated, not just the productivity improvements we expect from our work management system, and therefore these benefits may be counteracted by other cost pressures, new regulations, or emergent operational impacts.”93 SCE also indicates that there are costs associated with the renegotiation as well, and their inclusion comprises the “net unrealized benefits” which may be significantly less than the gross savings.94

SCE asks ratepayers to reimburse the full amount of SB 247 costs up-front but only proposes to flow future contract renegotiation savings back after deducting all other incremental vegetation management costs, which it would record together in the Vegetation Management balancing account. This is unfair to ratepayers.

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90 SCE Tr.3-01, p. 113.
91 DR TURN 004 Q6 quantifies these gross benefits as $7.8 million in 2022, and $22 million in both 2023 and 2024, totaling $51.8 million over 2022-2024.
92 DR TURN 004 Q06a-b.
93 DR TURN 004 Q6 b
94 Ibid.
In addition to reimbursement for SB 247-related costs SCE expects to recoup, SCE is asking ratepayers to reimburse it for the investment in vegetation management technology capital and labor it expects will allow it to realize tree trimming contract savings. Examples of this vegetation management investment include $16.15 million in capital and $1.11 million for vegetation technology recorded in the WMPMA, along with $6.66 million in incremental O&M associated with the 2020 costs for the Vegetation Management PMO. Of the capital amounts, $4.16 million is related to “final development and licensing costs for Survey 123,” which SCE intends to retire in 2022 when its new system Arbora becomes fully operational.

So, SCE is asking ratepayers to pay for the full amount of the SB 247 labor costs, as well as the consulting services costs, and investments in labor and technology that SCE expects will create future savings to offset that same SB 247 labor cost. Although SCE’s request to update its labor forecast for SB 247 in the 2021 GRC was denied, the Track 1 Final Decision provides SCE with the ability to record incremental SB 247 costs going forward to the Fire Risk Mitigation Memorandum Account and is not precluded from seeking recovery in the future.

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95 SCE Tr.3-01, p. 108, Table II-38.
96 SCE Tr.3-01, p. 107.
97 SCE Tr.3-01, pp. 115-116.
98 In SCE Tr.3-01, pp. 115-116, with regard to Survey 123 SCE states: “In 2020 SCE incurred costs related to final development and licensing costs for Survey 123, totaling $4.156 million in capital and $0.051 million in O&M expenses. Prior to the full implementation of Arbora in 2022, Survey continues to be in operation in order to meet critical system needs for the Vegetation Management Program’s line clearance work.” So essential SCE has recorded for recovery from ratepayers the costs of junking its prior vegetation management tracking and workflow system before it is even paid for.
99 D.21-08-036, SCE 2021 GRC Track 1 Final Decision, p. 183 states: “SCE will have the opportunity to seek future recovery of SB 247-related cost through the Vegetation Management Balancing Account established in this decision.”
TURN recommends a reduction of SCE’s request for 2020 SB 247-related Line Clearance expenses by the amount of expected future contract savings to ensure that ratepayers receive the savings from the improvements SCE asks that they fund. Given the scale of costs in this application combined with the rate increases associated with the Track 1 and 2 Decisions, ratepayers need these savings to offset costs now. TURN proposal will have a more meaningful impact on rate affordability then SCE’s proposal to provide hypothetical offsets in the future that likely would not be realized by ratepayers until at least the end of the rate case cycle.

Should the Commission not wish to deduct the renegotiated contract savings now, it should direct SCE to defer any reimbursement of SB 247 costs recorded in the FHPMA until all future contract savings are known and can be appropriately netted against SCE’s recovery in a future application.

D. Conclusion- Vegetation Management

In summary, TURN recommends two adjustments to SCE’s request of $252.31 million in incremental Line Clearance cost recorded in the FHPMA. The Commission should reduce this amount by $46.12 million to account for non-HFRA, non-SB 247 costs improperly recorded into the FHPMA. The Commission should also reduce the incremental recovery of SB 247-related costs by $51.8 million to reflect the expected savings from tree trimming contract renegotiations expected during the 2021 GRC cycle. Thus, TURN recommends an overall reduction of $97.92 in SCE’s FHPMA recovery request, resulting in approval of $154.39 million in Line Clearance O&M expense.
VI. OTHER RECOMMENDED ADJUSTMENTS

A. Quality Assurance Confidence Levels of 99% in Non-HFRA are Not Reasonable

SCE conducts quality control (QC) inspections of its contractor’s tree trimming and other vegetation management activities, including hazardous tree removal. SCE commenced its tree trimming quality control (QC) program to essentially check its tree trimming contractors’ work in April 2019. Based on 2020 data, roughly 75% of the QC inspections are conducted in HFRA with the remainder in non-HFRAs.  This program tests whether the contractors have trimmed the trees to: 1) the vegetation-to-conductor clearance required by regulation, the regulation clearance distance (RDC); and 2) clearance to SCE’s internal standard, the compliance clearance distance (CCD), which is one and one half times the RDC.  Rework is required whenever an inspection fails RDC or CCD.

The total cost of this QC program for line clearances only (excluding hazardous tree removal) is $3.66 million for 2020. This cost primarily reflects the large number of QC inspections that SCE has chosen to do because of the confidence level of 99% and 5% margin of error it has chosen. Typically, the higher the confidence level at a given margin of error, the more QC inspections must be performed, and the more inspections the higher the overall cost. In 2020, SCE increased its confidence level to 99% which required that it inspect approximately

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100 DR TURN 003 Q08a.-c.
101 DR TURN 003 Q09a-c.
102 Ibid.
103 SCE Tr.3-01, p. 106.
104 DR TURN 003 Q08a.-c.
300,000 trees\textsuperscript{105} or roughly 30\% of the total trims completed.\textsuperscript{106} By comparison, a very high but more typical confidence level of 95\% plus or minus 5\% (so being more than 90\% sure of the results reported by the QC program), would have required approximately 48,000 inspections at a cost of approximately $500,000 in total. In evaluating the reasonableness of this $3.16 million higher cost, it is important to note that by inspecting 6 times as many trees, SCE is not making 99\% (rather than 95\%) sure its contractor have completed the trim in compliance with RDC and CCD. Rather, SCE is 99\% confident that it can rely on the QC sample to represent how well its contractors are doing are performing. Put another way, if SCE’s contractors were achieving 60\% conformance with its standards (rather than the roughly 90\% actual conformance reported), inspecting 30\% of the work completed allows SCE to be 99\% sure its contractor are not doing a very good job.

The need to have 99\% confidence in the QC sample does not suggest much faith in SCE’s tree trimming contractors. Fortunately, however, SCE’s tree trimming contractors are performing at well over 90\% conformance with their standards. Based on the increase in the QC confidence level, RCD improved 1\% from 98\% conforming in 2019 to 99\% in 2020.\textsuperscript{107} Conformance with SCE’s internal CCD metric increased 4\% from 90\% to 94\%.\textsuperscript{108} SCE attributes this improvement from excellent to more excellent in its conformance metrics to “the value of the QC process.” But SCE cites other issues impacting its conformance to the regulations beyond the performance of its contractor, stating: “SCE strives to achieve the recommended clearances, but is often met with resistance and/or constraints from property

\textsuperscript{105} SCE Tr.3-01, p. 106 footnote 165.
\textsuperscript{106} Calculation: 300,000 QCs /967,155 trims=31\%.
\textsuperscript{107} DR TURN 003 Q09a-c.
\textsuperscript{108} DR TURN 003 Q09a-c.
owners and or/ federal and state agencies.”

TURN believes its modest improvements in already relatively high levels of conformance could just as possibly reflect an increasing openness of stakeholders to wider clearances given California’s recent wildfire experience. In any case, SCE has not established the reasonableness of these additional costs, nor has it demonstrated that they result in commiserate additional benefits to ratepayers sufficient to justify the increased costs. Consequently, TURN recommends the incremental cost of $3.16 million be disallowed for recovery in the WMPMA.

B. Ratepayers Should Not be Charged for Unnecessary PSPS Labor Expenses

SCE called PSPS 12 times in 2020 and 16 times in 2019 resulting in $7.903 in total labor and non-labor expense. SCE states that “the labor costs consisted of supplemental pay to exempt employees when required to work significantly longer-than-usual hours in extraordinary situations such as PSPS IMT [Incident Management Team] activations.” Thus, when supporting PSPS, SCE’s salaried employees were “eligible for incremental hourly pay beyond the 40 hours of work during a 7-day duty period.” Essentially, during PSPS SCE paid “salaried” employees overtime after 40 hours per week. In response to TURN’s discovery SCE has stated that it paid supplemental pay in the 2016-2020 period in more than 20 instances.

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109 DR TURN 005 Q03 c and g.
110 SCE Tr.3-01, p. 140.
111 SCE Tr.3-01, p. 140.
112 SCE Tr.3-01, p. 140.
113 TURN recognizes that an employee must meet several specific conditions to be an exempt employee, and that paying an employee a salary does not make them exempt, but rather uses “salaried” as in casual parlance as SCE has clearly indicated in testimony that the employees receiving overtime pay for PSPS events are exempt employees for purposes of California Labor Code.
114 DR TURN 004, Q08 a-c.
While TURN does not doubt the valuable contributions made by SCE’s exempt employees during PSPS, SCE’s request that ratepayers pay overtime to “salaried” employees is questionable for several reasons. These supplemental payments: 1) were not required by California Labor Regulations, 2) were not targeted toward employees who made distinguishable contributions over and above their basic job roles, and 3) are an unnecessary addition to SCE’s base compensation program which also includes short-term incentive bonuses, long-term incentives, and a defined obligation pension plan funded by ratepayers. As SCE stated in the Test Year 2018 GRC, its Short-term Incentive Program (STIP) is the company’s “annual variable pay program that provides employees an opportunity to earn a cash bonus based on achieving Company goals” related to public and workplace safety, customer service, system reliability, cost control, and productivity.\(^\text{115}\) Accordingly, exempt employees already receive additional compensation for achieving Company goals, including those that relate to public safety and PSPS execution is a public safety measure.

Thus, SCE’s current request is that ratepayers provide incremental revenues beyond those authorized by the 2018 GRC to fund unnecessary payments. Of the PSPS labor and non-labor requested, $2.179 million is associated with overtime pay paid to exempt employees.\(^\text{116}\) This amount is unnecessary, provides no incremental value to ratepayers, and awards an augment to more than adequate existing compensation programs.\(^\text{117}\) Consequently the $2.179 million in supplemental PSPS labor pay should be disallowed for recovery from ratepayers.


\(^\text{116}\) DR TURN 004, Q08 a-c.

\(^\text{117}\) See D.19-05-020, p. 185, “SCE further notes that SCE’s variable pay programs (including STIP and long-term incentives) are all included in the 2018 TCS [Total Compensation Study], and the TCS results show SCE’s total compensation is 1.9% below market.” TURN notes that there is generally a 5% margin
1. **Overtime Pay for SCE’s Exempt Employees is Not Required by California Labor Regulations.**

An exempt employee is an employee to whom certain California wage and hours labor laws such as overtime laws do not apply. The most common type of exempt employee falls under the Executive, Administrative or Professional (“white collar”) exemptions. As of January 2021, the minimum annual salary for an employee to be exempt under the “white collar” exemption is roughly $60,000. A key element of being an exempt employee (aside from the ability to regularly and customarily exercise discretion with respect to your work) is that your salary is not variable on the hours worked in a given week. When the workdays of SCE’s exempt employees are less demanding, involving fewer than 40 hours of work in a week, they are not paid less, essentially resulting in a labor refund to ratepayers. Consequently, ratepayers should not be required to pay SCE exempt employees unnecessarily more than their base salary when they work more than a 40-hour work week.

2. **SCE’s Practice of Paying Overtime to Exempt Employees is Not Linked to Quality of Work Performance**

SCE explains that all that is required for exempt employees to be eligible for supplemental pay, is that 1) there must be a PSPS IMT event; 2) the employee must be directly supporting the IMT; and 3) the employee must work more than 40 hours in the given week.

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120 SCE Tr.3-01, p. 140.
Thus, to receive supplemental pay, the exempt employee does not need to demonstrate any
particular value in the PSPS effort other than simply reporting to work as requested. By its own
description in compensation for their job duties, SCE offers these same employees “a
competitive Total Rewards Package including a wide selection of health plans, preventative
health reimbursement, 401(k) savings plan, tuition reimbursement, discount on their electric
bills, and “many other perks!” SCE’s exempt employees already enjoy many salary and
compensation benefits without being paid extra to support PSPS events. SCE’s request for
supplemental PSPS pay is simply providing salaried employees additional pay for doing their
jobs at ratepayer expense.

TURN rejects any potential arguments that given the challenges of PSPS, SCE’s
employees would perform less diligently absent supplemental pay which amounts to an average
of roughly $3,200 per employee. Although, if calculated based on an equivalent hourly rate,
payments would skew heavily toward more highly paid workers, making them all the more
inappropriate for ratepayer funding. Regardless, to presume that absent such inducements,
SCE’s exempt employees would provide any different level of customer safety, service, and
responsiveness is to disrespect their professionalism and pride in their work. TURN does not
oppose SCE’s desire to reward and motivate their employees during PSPS work assignments or
other challenging circumstances, but these costs should be paid by shareholders—not ratepayers.

121 Career Benefits page Southern California Edison available at: https://www.edisoncareers.com/page/show/benefits/
122 DR TURN 004, Q08 a-c. Calculation $2.179 million/677 employees receiving Supplemental Pay=$3218.61 per employee.
STATEMENT OF QUALIFICATIONS OF JENNIFER DOWDELL

Jennifer Dowdell is a Senior Policy Expert with The Utility Reform Network (TURN).

Prior to joining TURN, Ms. Dowdell specialized in financial forecasting and data analysis as an independent consultant, where she supported clients in a wide range of industries.

Her professional experience includes over 30 years in regulated utilities, independent power, financial services, and accounting. Ms. Dowdell has held positions in engineering, corporate communications, investment research, merchant banking, project finance, venture capital, and accounting operations at leading corporations including Duff & Phelps Investment Research, Sanwa Bank, and Gilead Sciences.

Ms. Dowdell’s specific utility experience includes four years in design engineering and environmental compliance at Exelon Corporation, four years developing independent power projects in California for Calpine Corporation, and four years as a securities analyst and a project finance lender in the energy sector. For 13 years, Ms. Dowdell worked for Pacific Gas and Electric Company in a variety of consulting and employee roles, including six years at the leadership/director-level. Her assignments included strategic planning and regulatory relations, as well as managing investor relations and payment services functions. During her tenure at PG&E, Ms. Dowdell participated in multiple GRCs and Cost of Capital cases as well as many other policy proceedings where she developed regulatory strategy, wrote, and sponsored testimony, and engaged in regulatory advocacy.

Ms. Dowdell’s education includes a Bachelor of Science degree in Mechanical Engineering from Purdue University, and an MBA in Economics and Finance from The University of Chicago, Booth Graduate School of Business. She has a Graduate Certificate in Accountancy from Golden Gate University, and is a California-licensed Certified Public Accountant (CPA). Ms. Dowdell is also a Chartered Financial Analyst (CFA), and has held FINRA Series 7 and Series 66 licenses. Ms. Dowdell is a member of CalCPA.