Council File No. 19-0396 - State Legislation or Regulatory Action / Wildfire Mitigation / Investor-owned Utilities (IOUs) Power Infrastructure

Energy, Climate Change and Environmental Justice

May 21, 2019

Putting Customers First
Wildfire Liability & State Issues
Statewide Efforts

• Governor proposed framework to create a wildfire fund among electric utilities... 60 day comment period has begun

• No commitment has been made on reducing liability risk to electric utilities... no one is ready to take on the constitutional issues

• California electric utilities are facing impacts to credit ratings as a direct result of State’s inaction on the runaway liability issue

• Question as to how POU’s will be dealt with vs IOU’s
Risk Management/Insurance

- Wildfire insurance premiums have risen nearly 20%, while the coverage has decreased over 25% for LADWP.
- Rates are expected to continue to increase for the foreseeable future due to the instability in the CA Wildfire Insurance market.
- Most insurers consider the CA Wildfire Insurance market to be in crisis.

<table>
<thead>
<tr>
<th>Policy Year</th>
<th>Wildfire</th>
<th>Non-Wildfire</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>$150M</td>
<td>$160M</td>
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<tr>
<td>2016-17</td>
<td>$200M</td>
<td>$160M</td>
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<tr>
<td>2017-18</td>
<td>$250M</td>
<td>$160M</td>
</tr>
<tr>
<td>2018-19</td>
<td>$185M</td>
<td>$160M</td>
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Wildfire Cost Allocation (Fund)

• Governor’s Strike Force 4/12/19 report proposed a framework to consider three concepts:
  • Liquidity-Only Fund: modest modification of current framework only to address the delay between when an IOU pays wildfire claims and when the CPUC makes its rate recovery determination
  • Changing Strict Liability to a Fault-Based Standard: Moving to a fault-based standard would shift the risk of property loss to insurance companies.
  • Wildfire Fund: Mandatory for IOUs, voluntary for POUs; Cap on subrogation claims; Consideration of contribution into the fund by insurers and insured

• Commission on Catastrophic Wildfire Cost and Recovery:
  • Commission created by SB 901 (Dodd), Statutes of 2018 to examine issues related to wildfires associated with utility infrastructure and to produce recommendations on ensuring equitable distribution of costs among affected parties. Recommendations are due to the Governor and the Legislature by July 1, 2019.
Power System Preparedness
Wildfire Causes

• Human Activity
  • Majority of fires caused by campfires, arson, fireworks, vehicle fires
• Natural Events (such as Lightning strikes)
• Power Lines
  • <10% of fires started by electrical facilities
  • 38% by downed lines (including mylar balloons), 18% failed hardware, 16% vegetation contact, remainder - lines slapping, animal contact
• Weather conditions
  • High temperature, low humidity, high winds tremendously impact fire potential
Wildfire Prevention Plan

- Initiated 2008
- Includes Standards
- CPUC Map
- Vegetation/Inspection
- 2016 Compliant
- 2020 Legislation (SB 901)
High Wind, Brush Clearance and Fire Threat Zones

Legend
- Tier 2 - CPUC Elevated Fire Risk
- Tier 3 - CPUC Extreme Fire Risk
- Brush Clearance Zones
- High Wind Area
- L.A. City Boundary
- Brush Clearance & Wind Area Boundary
- Freeways
- Major Streets

See Attached sheets for Area Details for: 1 2 3 4

Legend
- City, Town
- Tier 2 - CPUC Elevated Fire Risk
- Tier 3 - CPUC Extreme Fire Risk
- Major Roads
- LADWP Service Area

Owens Valley Area
Brush Clearance Program

- LAFD conducts annual brush clearance inspections of all LADWP properties (common to both Water & Power)

- Work completed by Department and contract workers

- Brush clearance requirements set by Fire Code
Vegetation Management

- Maintain database of 400,000 trees
- Use a 12-month pruning cycle for ins needed
- Prune approx. 185,000 trees a year,
- Employ work force of 9 full-time in-hc crews
- Meet and exceed all state and federal Best Management Practices for trees
Construction Standards

- Use larger overhead supply conductors (1/0 copper to 3/0 steel reinforced aluminum)
- Increase conductor spacing on 4.8kV from 11.5” to 39”.
- Replace low voltage bare conductors with insulated conductors.
- Surpass State’s pole wind loading design requirements (80 mph vs 56.6 mph)
Thank You