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18	SAN FRANCISCO DIVISION					
19	UNITED STATES OF AMERICA.	Ca	ase No. 14-CR-00	175-WHA		
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22	V.	Ju	dge: Hon. Willia	n Alsup		
23	PACIFIC GAS AND ELECTRIC COMPA	NY,				
24	Defendant.					
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	RESPONSE TO ORDER REGARDING MONITOR LETTER					
	Case No. 14-CR-00175-WHA					

Defendant Pacific Gas and Electric Company ("PG&E") respectfully submits this response to the Court's October 20, 2020 order for PG&E to respond to the Monitor's letter 2 3 providing an update on PG&E's vegetation management and infrastructure inspection operations. 4

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# **ENHANCED VEGETATION MANAGEMENT**

PG&E did not programmatically target low-risk line miles for work in its Enhanced Vegetation Management ("EVM") program during 2019. In 2019, PG&E devised a relative wildfire risk ranking for distribution circuits and used those rankings as an input in selecting areas for EVM work. PG&E did not intend at any time to schedule EVM work by relying solely on the risk rankings. Instead, those rankings were intended to be used as one input among many, including weather, permitting requirements, local workforce inputs, community preferences, coordination of work with routine vegetation management work, and coordination with other wildfire mitigation work, to help guide which lines were selected for EVM. By the end of 2019, approximately 40% of the miles completed and more than 50% of the trees worked (removed or trimmed) as a result of the EVM program were in the top 100 highest-risk circuits as identified by the risk model in use at the time.

While those figures reflect a significant reduction in wildfire risk, PG&E also accepts and agrees with the Monitor's view that in making operational decisions PG&E must give greater weight to working the riskiest areas first and must do so in a more rigorous, consistent and measurable way. PG&E has put in place specific processes to further emphasize risk ranking for EVM scheduling in 2021.

Specifically, under leadership from a recently appointed Chief Risk Officer-who reports to the CEO, updates the Board frequently and has been consulting directly with the Monitor as well as other independent safety observers—PG&E is developing a more rigorous, systematic and transparent process for selecting areas to be worked for EVM so that the percentage of PG&E's work that is targeted toward the riskiest areas increases. For the 2021 workplan, PG&E's Chief Risk Officer will be responsible for overseeing, among other things, a

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programmatic approach to selecting areas for work and measuring in advance what percentage of risk will be eliminated under the current approved risk model, as well as coordinating such work with system hardening efforts. In areas where insufficient risk will be eliminated, the Chief Risk Officer's mandate is to re-evaluate whether there is a different approach to eliminate more risk. Part of this effort will entail evolving from exclusively volume-based metrics (such as completed miles) to metrics that also quantify risk reduction. Reporting to the Chief Risk Officer on these 6 efforts will be PG&E managers responsible for Wildfire Safety, Major Projects, Asset and Risk Management, and Audit. PG&E has invited the Monitor to attend and provide feedback during the weekly meetings of this group to review and consider the plans and risk reduction targets for EVM and other wildfire mitigation work in 2021.

The EVM program, which is the first of its kind at PG&E, was stood up very quickly in 2019 to address wildfire risk in High Fire-Threat District ("HFTD") areas in PG&E's service territory. It was unprecedented in scale and scope, involving thousands of qualified arborists and tree workers. The program was (and is) performed in addition to PG&E's historical and ongoing vegetation management work and is designed to go beyond what is needed to satisfy regulatory requirements. Last year, the program navigated uncharted territory and required a mid-stream change in scope necessitated by a CPUC decision regarding the removal of healthy trees. These circumstances caused contractor confusion and required PG&E to undertake numerous steps mid-year to address problems in the execution of this new program. These steps included 100% work verification, increased contractor training, contractor competency tests, and numerous changes to improve EVM recordkeeping. PG&E devoted intense effort to both implementing these improvements and keeping the program on track, and they resulted in demonstrable improvements in the quality of work in the back end of 2019.

As a result of the EVM program, PG&E assessed over 1 million trees in 2019 and trimmed or removed over 180,000 of them, at a cost of over \$400 million. Of those 180,000 trees trimmed or removed in 2019, over 94,000 were in the top 100 highest-risk circuits. The

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work on all 180,000 trees mitigated potential hazards to PG&E powerlines in areas designated by 2 the CPUC as posing a high fire threat.<sup>1</sup>

For 2020, the Monitor team has found approximately 4.82 potential exceptions per mile during its vegetation management inspections, which is an average figure over both miles where work verification is complete, pursuant to PG&E's 100% work verification policy, and miles where work verification is still pending. For miles that have completed PG&E's EVM process—*i.e.*, have been work-verified—the "potential exception" rate is 3.4 per mile, with approximately 95% of the individual line segments reviewed having no potential exceptions. PG&E takes every potential exception seriously, sending personnel back to the tree to understand whether the potential exception is due to a miss, due to differing judgments by the relevant arborists, or another factor. While PG&E does not believe the overall quality of its EVM work has regressed in 2020, the Monitor has identified issues that were missed, and the process has provided valuable feedback to PG&E and its contractor crews.

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# **INSPECTIONS OF 500 KV TOWERS**

The Monitor reports that PG&E did not perform enhanced climbing inspections of certain transmission towers in HFTD areas by August 31, 2020, despite PG&E's initial internal target to conduct such inspections before peak fire season. The Monitor's report is correct. PG&E notes the following points to provide additional context.

First, PG&E's Wildfire Mitigation Plan targets completion of this year's inspections of transmission towers by December 31, 2020, not August 31, 2020. PG&E is on track to meet its Wildfire Mitigation Plan targets for such inspections. The issue identified by the Monitor relates to PG&E's more ambitious internal targets with respect to a specific set of PG&E transmission towers—500 kV towers.

<sup>1</sup> The 180,000 trees worked as part of the 2019 EVM program were associated with a greater number of miles than the approximately 2,500 miles of EVM work that were completed in 2019. PG&E did not count a line segment as complete unless the entire segment passed all steps of the EVM process, including completion of work on all designated trees and passing work verification. For that reason, PG&E worked a significantly larger number of miles under the EVM program during 2019 than it completed.

Second, PG&E initially planned to complete all 500 kV climbing inspections 2 scheduled for 2020 before August 31, not just those in HFTD areas; accordingly, PG&E did not 3 specifically prioritize 500 kV towers in HFTD areas, as all 500 kV towers were planned to be 4 inspected before peak wildfire season. Due to operational delays associated with digitizing 5 inspection forms for 500 kV towers, however, these inspections were not started until early August. At that time, the work execution group was not given specific guidance on where to 6 7 initiate the inspections following the delay, and the decision was made to start in non-HFTD 8 areas where about 60% of the 500 kV towers are located. This was a process breakdown. That 9 decision did not align with PG&E's intent to prioritize work in a risk-informed manner, and 10 PG&E is examining the episode to learn from it. Further, as part of the Chief Risk Officer's 11 mandate described above, the Chief Risk Officer will be responsible for increasing guidance, 12 oversight and accountability for adhering to a risk-informed plan for asset inspections, as well as 13 for EVM and other wildfire mitigation work.

When the Monitor learned that towers in HFTD areas were not being prioritized, it raised it with PG&E managers in early October, and PG&E agreed with the Monitor that it should prioritize HFTD areas and promptly took steps to do so. As of October 26, 2020, PG&E has completed 656 out of 1,117 inspections in HFTD areas and 1,424 out of 1,767 inspections in non-HFTD areas.

*Third*, while it does not change the fact that PG&E should have prioritized inspections of 500 kV towers in HFTD areas, it is important to note that the 500 kV towers in the HFTD areas are assets that have been inspected frequently in the last year and a half. During that time, each of these towers has been subject to three inspections—one ground inspection, one climbing inspection, and one inspection by aerial drone—and multiple helicopter patrols. This year alone, before peak fire season, PG&E performed a ground inspection and three helicopter patrols on each tower. Last year, PG&E subjected each of these towers to both a climbing inspection and an inspection by drone. The climbing inspections that PG&E is doing this year

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on the 500 kV towers in HFTD areas are in addition to all of the other inspections and patrols performed recently.<sup>2</sup>

PG&E is focused on making its EVM program and asset inspections as effective and efficient as possible and will continue to evolve these programs based on experience, as well as the Monitor's valuable feedback.

\* \* \*

<sup>2</sup> PG&E notes that, based in part on its own review of 2019 asset inspections and in part on feedback from the Monitor regarding those inspections, PG&E is implementing a quality management function for asset inspections (beyond PG&E's standard work verification processes and the review that the Centralized Inspection Review Team already performs) that will identify potential exceptions based on a combination of random and targeted statistical sampling of data generated by inspections.

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Dated: November 3, 2020 Respectfully Submitted, JENNER & BLOCK LLP By: /s/ Reid J. Schar Reid J. Schar (pro hac vice) CRAVATH, SWAINE & MOORE LLP By: <u>/s/ Kevin J. Orsini</u> Kevin J. Orsini (pro hac vice) CLARENCE DYER & COHEN LLP By: <u>/s/ Kate Dyer</u> Kate Dyer (Bar No. 171891) Attorneys for Defendant PACIFIC GAS AND ELECTRIC COMPANY RESPONSE TO ORDER REGARDING MONITOR LETTER Case No. 14-CR-00175-WHA