



Pacific Gas and Electric Company Securitization

A. 20-04-023

TURN HEARING EXHIBIT

TURN-7

Letter from PG&E's Federal Monitor Dated 10-16-20

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AND AFFILIATED PARTNERSHIPS

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October 16, 2020

The Honorable William H. Alsup
United States District Court for the Northern District of California
450 Golden Gate Avenue
Courtroom 12 - 19th Floor
San Francisco, CA 94102

Re: Information Request Regarding Monitor Team Field Inspections

Dear Judge Alsup:

This letter responds to your request for an update on the Monitor team's field inspections of PG&E's vegetation management and infrastructure inspection operations since last year.

Vegetation Management

The Monitor team continued conducting vegetation management inspections of PG&E's Enhanced Vegetation Management ("EVM") work in August of this year, following the Company's completion of the majority of its 2020 EVM mileage targets. In sum, based on inspections completed to date (and a smaller sample this year than last, given quarantine restrictions and field conditions), the Monitor team has not seen a meaningful improvement in the quality of work from late 2019 to 2020.

On a per-mile basis, the Monitor team is finding more missed trees (what we refer to as "potential exceptions" to the EVM scope) in 2020 than we did in the later part of 2019. For perspective, from May to July 2019, the Monitor team found 11.4 potential exceptions per mile. After we discussed the underlying deficiencies with PG&E throughout the summer and early fall of 2019, and following revamped training by PG&E, the quality of work improved, and the exception rate dropped to 1.1 potential exceptions per mile from September to December 2019. This year, the Monitor team has found approximately 4.82 potential exceptions per mile, with potential missed hazard trees accounting for roughly half of the exceptions. Therefore, although there were meaningful improvements within 2019, that improvement appears to have, at best, plateaued, and perhaps actual regression has occurred. For the Court's reference, we have attached a finding from an October 4, 2020 inspection, during which we identified a tree that PG&E was supposed to have removed in mid-August, but twice failed to remove, seemingly because of a series of process breakdowns. The leaves on the tree had singed from contact with the conductor.

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Following the Monitor team's identification of the tree and immediate escalation to PG&E management, PG&E removed the tree within 24 hours.

It is too early to identify with absolute certainty the cause for increased findings this year or whether there is an actual backsliding trend from late 2019. The Monitor team inspections this year are, for the most part, taking place in more vegetation-dense areas than they did last year, which may explain the increased findings. Our sample size so far this year is also smaller than last year. Although we had already intended to inspect fewer miles this year than last, pandemic-related travel restrictions, stay-at-home orders, quarantine requirements, and social-distancing regulations substantially limited our ability to safely send members of our team into the field to inspect remote portions of PG&E's service territory. Additionally, wildfire-related air quality hazards have forced our inspection teams to remain indoors on many days scheduled for inspections, and the unprecedented scope of wildfires this year has also limited our access to certain inspection locations. Despite these limitations, the Monitor team has analyzed over 1,600 individual conductor line segments and over 10,200 trees with potential to strike electric assets, through inspections of approximately 27.58 miles of EVM work.

One of the reasons the Monitor team believes vegetation density may be playing a role in the increased misses this year stems from field inspection observations and analyses the Monitor team completed in the first quarter of 2020. Specifically, in late 2019 and early 2020, the Monitor team analyzed data collected from approximately 500 miles of line we inspected in 2019, and the more than 1,150 missed trees (including over 300 hazard trees) we identified and reported to PG&E. During those inspections, and particularly towards the later part of 2019 as PG&E was pushing to achieve its year-end EVM targets, Monitor team inspectors were observing fewer and fewer trees—and, at times, no trees at all—on mileage that PG&E had counted towards its 2019 EVM goals. Although we began raising this lack of vegetation density to the Company in December 2019, it prompted us to undertake an in-depth assessment in early 2020 regarding the vegetation density and risk profile of the mileage on which the Company conducted its 2019 EVM work.

In sum, the Monitor team's findings from our field observations and subsequent data analyses suggested that PG&E completed the majority of its 2019 EVM work in relatively low-risk portions of its high fire-threat districts ("HFTDs"). Put another way, as the Company pushed to meet its 2,455-mile EVM target for 2019, it did not prioritize wildfire risk reduction according to its risk model. PG&E had previously represented that it prioritized 2019 EVM work based on a risk model the Company developed with a third-party consultant, which assigned a risk score for each HFTD circuit. The Company also highlighted that its EVM plan prioritized higher-risk mileage in the multi-year EVM program to achieve the greatest risk reduction sooner rather than later in the plan lifecycle. Despite the fact that the top 100 circuits on the risk model had significantly higher risk scores than the remaining 596 circuits ranked in the model, approximately 59% of PG&E's completed 2019 EVM mileage was outside of the top 100 circuits. Of course, operational considerations may force some deviations from any risk model or related plan informed by that model, but in this case, the severity of the deviations strongly suggest that the Company prioritized the achievement of EVM mileage targets over the most meaningful wildfire risk reduction.

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Aside from the risk model, our assessment and field observations further revealed that not only were the selected circuits lower risk, but the EVM work completed in 2019 focused on portions of those circuits with fewer trees and that required less tree trimming work under the EVM scope. For example, 92% of mileage that passed EVM work verification (and was therefore counted towards PG&E's 2019 EVM targets) through November 2019 did not require any EVM tree trimming work. This statistic showed some directional improvement by the end of 2019, dropping to 77%. PG&E continued its directional improvement in 2020 and is conducting EVM work in higher density areas requiring more tree trimming work (preliminary analysis through September 2020 suggests that 57% of the EVM mileage completed in 2020 did not require any EVM tree trimming work, and our field observations suggest PG&E is performing more work in higher tree-density areas). Despite the directional improvement, we believe that the Company needs to do a much better job of prioritizing wildfire risk reduction within mileage targets through its EVM work, while operating pursuant to an effective risk model. The Company has committed to do so and is working on a revised risk model and EVM scope for 2021 EVM work. Preliminary indications (subject to ongoing assessment by the Company) are that the Company is planning to reduce the EVM work scope in 2021, for example, by trimming branches overhanging lines only on selected tree species, instead of all trees, among other reductions, while also planning to achieve its risk reduction targets with fewer resources. The Monitor team is continuing to inquire regarding the Company's 2021 plans, including whether, if necessary, the Company should devote more resources to meet its Wildfire Mitigation Plan targets, while abiding by its representations that it will do so in a manner that prioritizes overall wildfire risk reduction. Moving forward, the Monitor team will be focusing its vegetation management inspections in areas with greater vegetation density, and we will continue to evaluate the Company's use of its risk models.

Infrastructure Inspections

The Monitor team is continuing field inspections in 2020 of PG&E's distribution assets and is including certain transmission assets into our oversight efforts. Our infrastructure inspections began around this time last year, as we commence our work following PG&E's completion of its own annual inspections of HFTD areas. We received the last of the data necessary to initiate our field checks of PG&E's work on September 28, 2020. In light of PG&E's inspection cycle, our plan is to conduct infrastructure field inspections of PG&E's 2020 inspections program through the second quarter of 2021. In 2019, the Monitor team found issues likely missed by PG&E's inspectors on approximately 12% of the assets our team inspected, and inspectors failed to collect basic asset information for PG&E's recordkeeping purposes on approximately one-third of assets inspected. In February 2020, the Monitor team presented specific feedback and findings to the leaders of PG&E's new System Inspections Team, who incorporated that feedback into PG&E's 2020 inspections program.

This is the first year of the Monitorship where PG&E has brought PG&E's entire electric asset inspections program under the leadership of a single Systems Inspections Team at the Company. The Monitor team viewed this centralized accountability as a positive step. However, the Monitor team recently discovered that the Company failed to perform enhanced climbing inspections of selected transmission towers in HFTDs prior to peak fire season this year—we immediately elevated this finding within the Company (senior leadership was unaware). In its initial planning, PG&E had set an internal target (not a Wildfire Mitigation Plan deadline) of

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August 31, 2020 to conduct enhanced, ignition-based climbing inspections of 100% of the 967 applicable transmission structures selected for 2020 inspections in HFTDs. That target would have allowed PG&E to inspect those transmission assets in the highest threat areas and begin any immediate repairs prior to peak fire season. By August 31, 2020, PG&E represented that it had conducted no such inspections (although it had completed less robust ground inspections of the 967 assets, and has since reported making progress on the climbing inspections). Additionally, the Company had conducted approximately 1,000 climbing inspections of transmission towers *outside of* high threat areas by that time, further underscoring the Company's shortcomings in executing work in a manner that prioritizes wildfire risk reduction. The failure to timely inspect the HFTD transmission towers pursuant to PG&E's plan appears to have been caused by human error, lack of oversight, miscommunications, and failure to appropriately escalate matters. The Company has now represented that it plans to complete these inspections by Thanksgiving 2020, and the Monitor team will continue to evaluate the Company's progress.

Overall, we believe the inspections and related analyses have identified material shortcomings in PG&E's progress, as compared to its stated goals regarding wildfire risk reduction. This is not to say that the EVM and other wildfire mitigation work PG&E completed in 2019 and 2020 did not result in a meaningful reduction in the wildfire risk profile—they did, and directionally the risk profile is being lowered—but it strongly appears that the Company failed to adhere to its risk models in its work execution and could have done better under its own chosen metrics and approaches. The Monitor team has identified these shortcomings to PG&E leadership and will monitor progress towards meeting past and current PG&E goals. Should the Court have any further questions in the meantime please do not hesitate to reach out.

Sincerely,

A handwritten signature in black ink that reads "Mark Filip". The signature is written in a cursive, slightly slanted style.

Mark Filip

Exhibit – Tree Report

**PG&E Monitor Team Immediate Hazard
Reported October 4, 2020**

- Segment ID: CIL_AO123-K17_233536
- GPS Coordinates: 37.8359150, -122.2016603
- Nearby Address: 6924 Snake Road, Oakland, CA 94611
- Veg Point ID: VP_AO123-K18_1733229_2020
- HFTD: Tier 3
- Species: Blue Gum / Eucalyptus
- Height: 38
- DBH: 54 (including multiple stems)
- Monitor Team Observations: Leading sprouts of tree observed within one inch of primary conductor, and tree shows evidence of singeing from prior contact with conductor. Tree also located on steep slope with exposed roots.
- PI Comments field in Arc Collector states: "L/O PI 0907 Uphill Multistem, sent to HN URG 8/12/2020 M8D9 - revisited 8/31/2020, HN not complete, created WI point for removal M8D9"
- Photos of the potential exception are included below.









