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CATASTROPHIC WILDFIRES, CLIMATE CHANGE AND OUR ENERGY FUTURE

Governor Newsom's Strike Force Progress Report

SAFETY AND ACCOUNTABILITY FOR CALIFORNIA'S ENERGY FUTURE

Governor's Strike Force Progress Report

Climate change has created a new reality in the State of California. It's not a question of "if" wildfire will strike, but "when."

Our recent, terrifying history bears that out. Fifteen of the 20 most destructive wildfires in the state's history have occurred since 2000 and 10 of the most destructive fires have occurred since 2015. Wildfires don't discriminate—they are a rural, suburban and urban danger. We all have an individual responsibility to step up and step in for our communities as we confront new and growing threats.

Wildfire prevention and mitigation have been a top priority for me since taking office. I proactively declared a state of emergency to fast-track 35 critical forest-management projects to protect more than 200 of California's highest-risk communities. I redirected National Guard members from the border to undertake fire prevention activities throughout the state. In my budget, I proposed $1 billion in additional funding to enhance our state's preparedness, expand our capacity to respond to emergency incidents, utilize the most technologically advanced equipment and promote public safety. We're making sure we have the fire engines, helicopters, trucks, personnel and technology we need to keep Californians safe. The Legislature has fully funded nearly all of these proposals.

And in my State of the State Address, I called for a Strike Force to develop a comprehensive strategy within 60 days to address the destabilizing effects of catastrophic wildfires on California electricity customers.

Part of our wildfire response is making sure that Californians maintain access to affordable and reliable power, and that power companies are held to the highest standards of safety and accountability as we work toward our clean energy goals. Financially unstable electric utilities will put wildfire victims in jeopardy and cause California families' electrical bills to skyrocket.

The Strike Force report laid out five key areas where we need to focus:

- Catastrophic Wildfire Prevention and Response
- Mitigating Climate Change through Clean Energy Policies
- Fair Allocation of Catastrophic Wildfire Damages
- A More Effective California Public Utilities Commission with the Tools to Manage a Changing Utility Market
- Holding PG&E Accountable and Building a Utility that Prioritizes Safety

The progress report provides a status update on all of these areas. We're on our way to building a safer, more resilient energy future—one that treats wildfire victims fairly and protects California consumers.

My Administration has welcomed support and guidance from the Legislature in crafting a framework around issues like power company accountability, wildfire safety investments and reform of the California Public Utilities Commission (CPUC). In the coming days, I will continue working with the Legislature to turn this framework into a package of bills that make the changes we need. Our goal remains passing this legislative package by July 12, in time to have solutions for this season's wildfires.

The framework we will pursue maximizes shareholder contributions to a solution, minimizes ratepayer exposure to sticker shock rate increases and mandates a culture of safety in our utilities to prevent wildfires.

Together we can create a safer, more affordable and more reliable energy future and continue the progress we've made toward our clean energy goals.

Governor Gavin Newsom

PART 1: CATASTROPHIC WILDFIRE PREVENTION AND RESPONSE	STATUS
60-Day Report Recommendation • Action taken by state	
Establish a more rigorous wildfire mitigation plan process for power companies. Plans should be cost-effective and include long-term fire management, a process to ensure faster compliance and scientifically verified risk-mitigation metrics. • The comprehensive Wildfire Safety and Reform package sets safety standards and enforces more rigorous wildfire management plans • The comprehensive Wildfire Safety and Reform package creates a new Wildfire Safety Division and Advisory Board at the CPUC	Included in Plan/ Ongoing
Incentivize power companies to prioritize safety without profit. CPUC should provide financial and leadership incentives for power companies to prioritize safety. • The comprehensive Wildfire Safety and Reform package requires utilities to spend at least $3 billion on safety in order to access the proposed Wildfire Recovery Fund	Included in Plan
Invest in technology and innovation. The state should deploy new technologies, including weather stations, drones and artificial intelligence. • The Governor proposed, and the Legislature approved, 100 new statewide infrared cameras to help detect wildfires • The Governor proposed, and the Legislature passed, a comprehensive upgrade to California's antiquated 9-1-1 system • The Governor launched an "Innovation Procurement Sprint" to get the most cutting-edge tools into the field and tackle the wildfire threat • The Governor secured delegation of authority from the U.S. Secretary of Defense to fly infrared-equipped Unmanned Aerial Systems in support of Cal FIRE missions • The Governor partnered with the Federal Government to secure state access to satellite-based technology to detect wildfire ignitions • The Administration partnered with XPRIZE to design an incentive prize for firefighting innovations	Passed by the Legislature/ Ongoing
Update state climate change modeling. CPUC regulations are premised on outdated climate trends—they need to be updated to reflect our new climate reality. The state should facilitate cross-learning with utilities, which can also benefit from these new models. • As part of the comprehensive Wildfire Safety and Reform package, the newly created Wildfire Safety Division and Advisory Board at the CPUC will develop standards based on the most current climate science	Included in Plan

PART 1: CATASTROPHIC WILDFIRE PREVENTION AND RESPONSE (CONTINUED)	STATUS
Implement cost-effective financing for wildfire mitigation safety investments. The state should encourage power companies to invest in electrical grid safety. • The comprehensive Wildfire Safety and Reform package requires utilities to spend at least $3 billion on safety without profit in order to access the proposed Wildfire Recovery Fund and facilitate cost-effective financing	Included in Plan
Convene a Governor's Emergency Preparedness Summit. The Summit should bring together first responders, local governments, community residents and technical experts to improve the state's emergency preparedness planning. • Administration hosted the first Governor's Emergency Preparedness Summit on June 3, 2019, in Sacramento, California	Completed
Develop best practices for evacuation planning. Local governments can use these new evacuation models as a tool when developing their local plans. • Cal OES will charter a group within the Standardized Emergency Management System to develop model plans for evacuations, drawing on best practices developed by local jurisdictions and expertise from state agencies, while giving special consideration to vulnerable populations	Proposed
Develop a methodology to better assess communities at-risk for wildfires. An interagency team should improve methodologies for measuring disaster risk, which take into account climate change and social vulnerability. • California Natural Resources Agency's Forest Management Task Force is facilitating a multi-agency working group to improve methodology to identify at-risk communities	Ongoing
Prioritize building in less fire-prone areas. Governments and city planners should incorporate fire risk projections into planning for housing development. • The Governor's Office of Planning and Research and Cal FIRE are working to assist local jurisdictions with incorporating safety elements into their planning	Ongoing
Incorporate fire risk in local general planning. Local governments should include fire risk projections in their zoning and design standards. The Governor's Office of Planning and Research should prioritize support for these communities, which are often rural and lack resources. • The Governor's Office of Planning and Research and Cal FIRE are working to assist local jurisdictions with incorporating safety elements into their planning	Ongoing

PART 1: CATASTROPHIC WILDFIRE PREVENTION AND RESPONSE (CONTINUED)	STATUS
Advance cost-effective home retrofits. Cal FIRE, the insurance industry and the Department of Housing and Community Development should encourage cost-effective home hardening. • Cal FIRE developed a list of low-cost home retrofits • The Administration continues to work collaboratively with the Legislature to consider additional solutions to make home hardening more accessible • Cal OES, working in partnership with other state agencies and local government, is leveraging federal hazard mitigation dollars for community resiliency	Ongoing/ New Legislative Proposals
Increase defensible space and protect forests and rangeland. Cal FIRE should increase defensible space and ensure compliance with standards. • FY 2019-20 Budget includes $225 million earmarked for hazardous fuels and vegetation management • Cal FIRE is formulating recommendations on defensible space and enforcement	Ongoing/ Passed by the Legislature

PART 2: MITIGATING CLIMATE CHANGE THROUGH CLEAN ENERGY POLICIES	STATUS
60-Day Report Recommendation • Action taken by state	
Evaluate energy resource backstop options through the legislative process. CPUC should adopt energy procurement models that ensure the grid stays running even when energy demand is high. • The Administration is working with the Legislature to create a new energy procurement backstop to ensure energy reliability	Ongoing
Increase transparency for load-serving entities and state coordination of procurement. The state should coordinate and maintain transparency of energy procurement processes. • The California Energy Commission is developing regulations to improve disclosure of power sources on customer bills	Ongoing
Addressing variability in generation and consumption. Energy providers and state planning efforts should address variability in electric generation and consumption. • The CPUC is reviewing the procurement plans of individual energy providers to increase the transparency of progress toward clean energy goals and ensure reliability needs are identified	Ongoing

PART 3: FAIR ALLOCATION OF CATASTROPHIC WILDFIRE DAMAGES	STATUS
60-Day Report Recommendation • Action taken by state	

Create a new framework for allocating costs of utility-caused wildfires.
• As part of the comprehensive Wildfire Safety and Reform package, the Administration is working with the Legislature to create a new Power Company Safety and Wildfire Accountability Standard. The new standard:
  • Mandates unprecedented safety investments without profit from power companies
  • Forces power companies to be accountable for wildfire safety record and performance
  • Of all the solutions, will make Wall Street pay the most and have ratepayers and taxpayers pay the least
• The new Power Company Safety and Wildfire Accountability Standard:
  • Mandates that power companies make at least a $3 billion investment in safety, from which shareholders cannot profit
  • Establishes an enforceable safety certification that utilities are required to obtain annually. The only way power companies can access the proposed solution is to successfully obtain an annual safety certification
  • Establishes a new Wildfire Recovery Fund that will create a mechanism for utilities to stabilize their financial health in order to provide safe, affordable and reliable energy, ensure fair compensation for wildfire victims, and protect ratepayers from massive rate spikes. It will provide ready dollars to pay claims from future utility-caused wildfires
	Included in Plan

PART 4: A MORE EFFECTIVE CPUC WITH THE TOOLS TO MANAGE A CHANGING UTILITY MARKET	STATUS
60-Day Report Recommendation • Action taken by state	
Expand safety expertise. CPUC must incorporate safety expertise into its processes, which include setting safety standards, conducting inspections and enforcing standards. • Establish a new Wildfire Safety Division at CPUC to enforce safety and investment requirements • Create a new Safety Advisory Board to recommend safety metrics • Establish performance metrics for electric utilities • Establish a more vigorous wildfire mitigation plan process • Conduct an annual review of utility safety culture	Included in Plan
Overhaul decision-making processes. CPUC should update its decision-making process to be more efficient and transparent. • Create wildfire cost recovery proceeding with a streamlined procedure • Streamline CPUC processes for efficiency and timeliness	Included in Plan
Review of high-risk industry regulatory models. The Governor's Office of Planning and Research should lead a review of other high-risk industries such as nuclear power and refineries to summarize best practices that could be utilized by CPUC. • The Governor's Office of Planning and Research is undertaking a review of regulatory structures for high-risk industries to identify best practices and make recommendations	Ongoing
Adopt Industry Best Practices. CPUC should develop and adopt industry best practices, regularly updated and monitored to ensure the most cutting-edge technology and climate change information is being used. • Create a new Safety Advisory Board of academic and safety experts to recommend safety metrics based on industry best practices and establish performance metrics for power companies	Included in Plan

PART 5: HOLDING PG&E ACCOUNTABLE AND BUILDING A UTILITY THAT PRIORITIZES SAFETY	STATUS
60-Day Report Recommendation • Action taken by state	
Evaluate any proposals to satisfy 2017-2018 wildfire claims. The state should ensure fire victims are treated fairly and fully compensated. Any reorganization plan should not disadvantage current and future wildfire victims. • The comprehensive Wildfire Safety and Reform package requires PG&E to fully resolve 2017-2018 wildfire claims as determined by the bankruptcy court in order to access the Wildfire Recovery Fund	Ongoing
Assure that PG&E treats its employees fairly. The state should monitor bankruptcy proceedings to ensure that PG&E employees are treated fairly. • The Administration weighed in early in the process to ensure that employees had a strong voice in the bankruptcy proceedings and has been closely monitoring the proceedings to ensure employees are treated fairly	Ongoing
Require that PG&E's investors contribute to a solution. PG&E's investors must contribute to the solution adopted by the state to address wildfire liabilities. • As part of the comprehensive Wildfire Safety and Reform package, power companies are required to pay into the Wildfire Recovery Fund and make safety investments	Included in Plan
Require PG&E meet accountability and safety conditions to participate in changes to the wildfire liability structure for power companies. PG&E must meet conditions to participate in the state's plan to address wildfire liabilities. This includes fully remaking its corporate and safety culture and recognizing the public trust it holds. • As part of the comprehensive Wildfire Safety and Reform package, PG&E is prohibited from accessing the Wildfire Recovery Fund until it resolves its 2017-2018 wildfire claims and exits bankruptcy—with a reorganization plan that is neutral to ratepayers—by June 30, 2020	Included in Plan
Assure that PG&E meets its obligations to decommission Diablo Canyon. PG&E must move forward with plans to safely and quickly decommission the Diablo Canyon Nuclear Power Plant, which poses a threat to the surrounding community and environment. • CPUC will ensure that PG&E's restructuring plans require PG&E to maintain its obligations in regards to Diablo Canyon	Ongoing

PART 5: HOLDING PG&E ACCOUNTABLE AND BUILDING A UTILITY THAT PRIORITIZES SAFETY (CONTINUED)	STATUS
Evaluate the impact of PG&E bankruptcy on clean energy goals. The state should evaluate how PG&E's bankruptcy agreement could affect California's clean energy goals. • The state will evaluate PG&E's restructuring plans to ensure they are consistent with the state's clean energy goals	Included in Plan
Assure plan is compliant with the law and feasible. The state should evaluate any restructuring plan to ensure that the emerging company will be in compliance with the law and that the plan will be feasible. • The Administration retained counsel to review PG&E restructuring plans • The comprehensive Wildfire Safety and Reform package requires PG&E to be out of bankruptcy within 18 months to gain access to the Wildfire Recovery Fund	Included in Plan
Continue appropriate regulatory oversight. While PG&E's bankruptcy process moves forward, CPUC should continue to impose penalties and incentives and maintain its regulatory oversight over PG&E. • CPUC is actively participating in the bankruptcy proceedings to safeguard state interests • CPUC has continued its existing oversight and enforcement proceedings related to PG&E	Ongoing