

Edison International - SCE's Next Wildfire-Mitigation Priorities

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Topic: Risk Management, Customer Strategy, Capital Allocation

Industry: Electric Utilities

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Audience: MBA students and working professionals

Decision date and information cutoff: March 1, 2024

Decision scope: Prioritizing future increments of SCE wildfire mitigation while keeping reliability, affordability and regulatory review visible

Case convention: The planning assignment and next-tranche choices are hypothetical. Company disclosures and historical facts are attributed. This case does not represent private deliberations.

The planning assignment

On March 1, 2024, a hypothetical planning group at Southern California Edison (SCE) is asked to prepare a recommendation for the next cycle of wildfire-risk mitigation. SCE already has an approved 2023-25 Wildfire Mitigation Plan (WMP), and it reported that it exceeded its 2023 covered-conductor target. The group is not being asked whether the adopted plan exists or whether completed work should be reversed. It must identify which evidence and criteria should guide the next increments after the current plan.

The choice is between continuing to emphasize covered conductor, prioritizing more targeted undergrounding in selected high-risk areas, or sequencing a broader mix that also includes inspection and vegetation work. Public disclosures do not provide project-level costs, risk reductions by treatment, or a fixed discretionary budget. The assignment is to state what should drive sequencing, what evidence is missing and what results would change the next step.

Operational PSPS decisions sit alongside this investment question but are not another form of physical hardening. A Public Safety Power Shutoff (PSPS) temporarily de-energizes lines in dangerous conditions. It may reduce ignition exposure during an event, while creating planned customer interruptions. The analysis must track its reliability and customer consequences separately from completed construction and modeled wildfire-risk estimates. [P1]

SCE's approved plan and reported progress

Energy Safety approved SCE's 2023-25 WMP on October 24, 2023; the California Public Utilities Commission (CPUC) ratified it on November 30. The adopted plan includes targets of 1,100, 1,050 and 700 circuit miles of covered conductor in 2023, 2024 and 2025, respectively. Its corresponding undergrounding targets are 11, 16 and 48 circuit miles. These are planned annual targets, not completed work. [P2]

On February 22, 2024, Edison International (EIX), SCE's parent company, reported that SCE exceeded its 2023 covered-conductor target and had installed more than 5,580 cumulative

circuit miles. The release does not report a comparable 2023 completed-undergrounding figure. It also does not show how completed miles changed ignition outcomes relative to an untreated counterfactual. [P3]

SCE described covered conductor, inspections and vegetation management as reducing its need for PSPS. That is management's explanation. EIX's earnings presentation also reported an estimated 85-88% reduction since pre-2018 in the probability of catastrophic wildfire losses under a Moody's RMS model used by SCE. The model combines many inputs, including SCE asset locations, reported ignitions, covered-conductor installations, tree removals, inspections, line clearing, fast-curve settings and PSPS criteria. EIX cautioned that actual losses may differ from model results. The estimate applies to a modeled bundle; the slide does not isolate the effect of a single project or expressly say the losses are linked to SCE equipment. [P3]

A plan is not a funding decision

The CPUC resolution ratifying the WMP states that costs are not approved as part of the plan. SCE's wildfire-mitigation costs are evaluated in its general rate case or another cost-recovery application. EIX's February presentation said planned 2025-28 hardening was subject to regulatory approval and that SCE had requested funding through its 2025 general rate case. The request was pending; it was not an authorization to spend or recover those costs. [P2] [P4]

EIX and SCE identify customer affordability, timely cost recovery, execution, regulatory oversight and wildfire liability as business risks. The company reported no project-level cost comparison between covered conductor, undergrounding, inspection or vegetation work in the materials available to this planning group. It also did not report a fixed funding pool for the hypothetical next tranche. [P3] [P4]

Different tools address different pathways

Covered conductor replaces bare overhead conductor with a protective coating. Undergrounding converts overhead lines to underground cable at selected locations. The adopted WMP also includes other grid-hardening actions, inspections and vegetation management. These activities address different hazards and have different work scopes; their annual mile counts are not interchangeable measures of risk reduction. [P2]

PSPS is an operational control, not a construction alternative. It interrupts service to avoid energizing selected lines during specified dangerous conditions. SCE's filing describes both the wildfire-safety purpose and the possible operational, customer-notification and regulatory consequences of PSPS. A change in PSPS events or customer interruptions is therefore a separate service outcome; it does not, by itself, show which physical mitigation program prevented an ignition. [P1]

Decision evidence available at the cutoff

Evidence	What it shows	What it does not show
Approved 2023-25 WMP targets	SCE planned specific annual amounts of covered conductor and undergrounding. [P2]	Targets do not establish completion, cost recovery or treatment-level effectiveness.
2023 covered-conductor result	SCE reported exceeding the 1,100-mile target and more than 5,580 cumulative circuit miles installed. [P3]	It does not isolate the 2023 mileage's risk reduction, the miles' locations or undergrounding completion.
85-88% modeled estimate	EIX reported SCE's model-based probability reduction for catastrophic wildfire losses since pre-2018. [P3]	It is not an observed causal result, a standalone covered-conductor effect or a project-level return.
PSPS explanation	Management attributed reduced PSPS need to physical mitigation and related work. [P3]	It does not isolate weather, changing operating criteria or event frequency as alternative explanations.
2025-28 hardening request	EIX said future planned work was subject to approval and funding had been requested. [P3]	It is not approved funding and does not establish the available budget for this hypothetical assignment.

The group has no public SCE project-level cost per mile, avoided-loss distribution, circuit-by-circuit hazard ranking, estimate of customer interruption consequences under each physical plan, or independent causal evaluation of the model's 85-88% result.

The choice

The planning group can continue emphasizing covered conductor, focus more of the next tranche on targeted undergrounding, or recommend a more balanced sequence across hardening, inspection and vegetation work. For each option, it must state the risk mechanism addressed, the evidence it would require, and the reliability, affordability and regulatory questions that remain.

PSPS may remain part of SCE's operating response in dangerous conditions, but students should evaluate it separately from physical mitigation. A decrease in PSPS use, an increase in completed miles and a model-estimated decrease in catastrophic-loss probability are different observations.

Decision prompt: Which criteria should govern SCE's next wildfire-mitigation increments, and what evidence should trigger scaling, re-sequencing or a pause? Make the strongest case for one approach, address its main counterargument, and identify an observable result that would change your view. Do not invent an internal budget or calculate an unsupported return.

Sources

Information is limited to sources public by March 1, 2024. EIX refers to Edison International, the holding-company parent; SCE refers to its regulated utility subsidiary.

- [P1] [Edison International and Southern California Edison FY2023 Form 10-K](#), filed Feb. 22, 2024; Item 1/Item 1A and “Southern California Wildfires,” including PSPS and WMP sections.
- [P2] [Energy Safety decision on SCE’s 2023-25 WMP](#), Oct. 24, 2023, §8.1.1, Table 8.1-1, printed pp. 34-35; [CPUC Resolution SPD-17](#), Nov. 30, 2023, printed pp. 4-6.
- [P3] [Edison International Q4 and full-year 2023 results release](#), Feb. 22, 2024, headline and paragraphs 1-4; [earnings-call presentation](#), slides 4-5 and 8.
- [P4] P1 Item 1A, wildfire/WMP risks (printed p. 41); P2 CPUC Resolution SPD-17, §7 and ordering paragraph 2, printed pp. 5-6, concerning cost recovery and costs not approved by WMP ratification.