

Sempra: SDG&E's Next Wildfire-Mitigation Sequence

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Topic: Risk Management, Customer Strategy, Operations Strategy

Industry: Multi-Utilities

Source: Strategy & Finance

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License: Not specified

Audience: MBA students and working professionals

Decision date and information cutoff: March 1, 2024; public information through February 29, 2024

Case type: Hypothetical strategy-planning assignment; no fixed budget or internal mandate is disclosed

A planning question after plan approval

San Diego Gas & Electric (SDG&E), a Sempra subsidiary, already has an approved 2023-2025 Wildfire Mitigation Plan (WMP). On October 13, 2023, California's Office of Energy Infrastructure Safety (Energy Safety) approved the plan. Its decision said the plan was focused on SDG&E's highest-risk circuits and noted strengths in vegetation management, situational awareness, emergency preparedness, and customer outreach. Energy Safety reported the lowest vegetation-caused ignition and outage count per 10,000 overhead circuit miles among the large utilities. [P2]

The approval did not settle how SDG&E should compare the next increments of wildfire mitigation. Energy Safety noted that SDG&E's planning tool compared undergrounding with covered conductor and expected the utility to compare those options with interim measures that take less time and resources, such as early fault detection. It also said SDG&E and other large utilities were not sufficiently addressing known covered-conductor failures in maintenance and inspection procedures. [P2]

For this case, assume a hypothetical planning group at SDG&E has been asked to advise on how the utility should sequence its next increments of work within the approved WMP and in later planning. The group is not being asked to adopt a new plan, reverse completed work, or decide whether the current plan is authorized. No company source discloses a fixed discretionary budget, binding capital constraint, or internal management mandate for this assignment.

Three routes to compare

The group is considering three broad approaches:

1. Continue selective undergrounding on circuits or segments where the utility's evidence supports the choice.
2. Continue covered-conductor work, with stronger inspection, maintenance, and reporting for known failure modes.
3. Expand quicker interim measures, such as early fault detection, alongside existing operations and vegetation programs.

These approaches may be combined or sequenced; they are not assumed to be mutually exclusive. For each, the group needs to state what risk pathway it addresses, what information should be collected before scaling it, and how it should respond if observed performance differs from forecasts.

Energy Safety described SDG&E's existing strengths in vegetation management and situational awareness, including a dense weather-station network. Those capabilities can support any of the three approaches. They do not by themselves establish which combination will produce the best reduction in wildfire risk. [P2]

Risk, service, and affordability

A wildfire-mitigation choice also affects customers through rates, reliability, and operating practices. Public safety power shutoffs (PSPS) temporarily de-energize selected circuits when weather creates elevated ignition risk. Sempra's Form 10-K describes PSPS as a mitigation tool and notes that such events face scrutiny from customers, regulators, and lawmakers; costs may not be recoverable in rates. The filing also warns that mitigation may not prevent wildfires and that some costs may not be fully recoverable. These are disclosed risks, not forecasts of a particular event. [P1]

Sempra reported that SDG&E incurred \$2.2 billion in WMP implementation costs during 2019-2022 and sought review and recovery of \$1.5 billion in incremental costs in its 2024 general rate case. The filing also said a February 2024 interim mechanism **would permit** recovery of \$194 million of the wildfire-mitigation regulatory balance in 2024 and, **if a recovery mechanism is not in place by January 1, 2025**, an additional \$96 million in 2025. Recovery is subject to reasonableness review. The amounts concern previously recorded costs and a conditional interim mechanism; they do not establish new funding for future work. [P1]

Energy Safety's WMP decision assessed the plan; it did not approve or agree with the costs listed in it. Cost recovery and review occur through separate regulatory processes. [P2]

Evidence available at the cutoff

Public evidence	What it establishes	What remains unknown
Approved 2023-2025 WMP [P2]	SDG&E has an approved plan focused on higher-risk circuits and a defined set of programs.	Approval does not establish that all costs are recoverable or that specific work has achieved a measured risk reduction.
Energy Safety's mitigation comparison [P2]	The agency expects comparison of undergrounding and covered conductor with interim measures such as early fault detection.	The public decision does not provide a project-level ranking or return estimate for these approaches.
Covered-conductor inspection finding [P2]	Maintenance and inspection must address known failure modes.	The decision does not imply covered conductor is ineffective or provide a quantified failure rate for a particular deployment.
Vegetation and situational-awareness strengths [P2]	Energy Safety recognizes operational capabilities SDG&E can use across its portfolio.	These indicators do not measure total wildfire risk or isolate the causal effect of one program.
WMP recovery request and interim mechanism [P1]	Historic recorded costs are under review; the interim mechanism is conditional and subject to reasonableness review.	These amounts do not create a future wildfire-mitigation budget or settle ultimate cost recovery.

The assignment

Prepare a recommendation on how SDG&E should sequence and evaluate its next wildfire-mitigation increments. Make the strongest case for one approach or a staged combination, address the strongest counterargument, and specify the evidence gates that should trigger scaling, re-sequencing, or a pause.

Your analysis should distinguish ignition risk, potential fire consequences, PSPS-related service interruption, customer affordability, maintenance requirements, implementation timing, and regulatory cost review. Identify what further public or operational data the planning group would need. Do not invent a budget, project return, circuit-level forecast, or management preference.

Sources

- **[P1]** Sempra, SDG&E, and Southern California Gas Company, 2023 Form 10-K, filed February 27, 2024, SEC accession 0001032208-24-000007: Item 1A wildfire-mitigation and cost-recovery risk discussion, printed pp. 43-44; Item 7, “SDG&E-Wildfire Mitigation Cost Recovery Mechanism,” printed p. 82; Item 7 PP&E expenditure table, printed p. 91. [SEC filing](#)
- **[P2]** California Office of Energy Infrastructure Safety, *Decision on 2023-2025 Wildfire Mitigation Plan, San Diego Gas & Electric Company*, October 13, 2023, docket 2023-2025-WMPs, Ref. 13189: executive summary, printed pp. 1-2 (PDF pp. 8-9); cost-approval limitation, printed p. 8 (PDF p. 15); related risk/strategy and program findings, printed pp. 23-40 and 84-87. [Final decision PDF](#)