

Southern California Edison

WSD-011 – Resolution implementing the requirements of Public Utilities Code Sections 8389(d)(1), (2) and (4) related to catastrophic wildfire caused by electrical corporations subject to the Commission's regulatory authority

DATA REQUEST SET Cal Advocates - SCE - 2021 WMP - 09

To: Cal Advocates
Prepared by: Scott Yoshikawa
Job Title: Sr. Manager
Received Date: 3/4/2021

Response Date: 3/8/2021

Question 003:

- a) Please describe the pay structure for vegetation management (VM) contractors. For example, are these contractors paid by a fixed monthly retainer, by the hour, by the mile of work completed, etc.?
- b) Does the incentive structure for VM contractors include provisions for nonpayment or other penalties for work that fails quality control?
- c) If the answer to part (b) is yes, please explain all such provisions.

Response to Question 003:

a) The majority of VM trimming contractors are paid for their primary work on Fixed Unit Rate, per tree trimmed. Pre-Inspection contractors are paid for their primary work on Fixed Annual Lump Sum divided into monthly values. There is one trimming and pre-inspection contractor who is also compensated on Fixed Lump Sum as a pilot for current round of contracts. Both Trimming and Pre-inspection also have Time and Material rates for non-primary work such as emergency response, supplemental response outside their awarded area, or large distribution line construction project support.

a. There is no "incentive structure" in the contracts, there is standard "consideration" or exchange of value for value, which include provisions for customer actions, including nonpayment, if the contractors do not meet their service requirements, including failure of quality control. Additionally, contractors must correct pruning at no additional cost when quality control identifies a deficiency with a pruned tree.

c. Vegetation Line Clearing contracts are managed by scorecards that include Quality metrics. If those quality levels aren't met, the contractors may be put into a series of control stages with increasing negative actions including loss of opportunity to bid on future work while in control stage, surrendering of current work, or termination. Regarding non-payment, quality of work (i.e., Standard of Performance) is considered a material obligation of the contractor and, therefore, the Master Agreement allows for violations of these obligations to be considered a breach of contract or contractor default. The Master Agreement provisions that address this are typically found under the sections entitled, Non-Conformance Remedies, Disputed Charges and Right of Set-Off which, by way of explanation, are provided below:

Non-Conformance Remedies.

Upon redelivery of the Service or Deliverable to Edison, Edison shall review the Service or Deliverable and advise Contractor within a reasonable time period whether it conforms to the Service or Deliverable Requirements. After two attempts by Contractor to correct the Service or Deliverable, if Edison determines the Service or Deliverable fails to conform to the Service or Deliverable Requirements, the Service or Deliverable shall be conclusively deemed to not conform to the Service or Deliverable Requirements and Edison shall be entitled, at its option, to either:

(A) Accept the non-conforming Service or Deliverable, subject to reduction in the applicable charges payable, as determined (1) by agreement of the Parties, or (2) in accordance with the procedures in Section 19.3 (“Dispute Resolution”) of this MSA, if the Parties cannot agree to the amount of reduction within 30 days after Edison requests a reduction; or

(B) Reject the Service or Deliverable and receive a refund of any amounts Edison paid Contractor for that non-conforming Service or Deliverable; or

(C) Exercise its remedies under Section 16 (“Term and Termination”) of this MSA due to a Contractor Event of Default.

Disputed Charges.

Edison shall pay undisputed charges when these payments are due under the Agreement. Edison has the right to withhold payment of particular charges that Edison disputes in good faith, pending the resolution of the dispute, and Edison will provide Contractor with notice of the amounts being withheld and the reasons for the dispute. Pending resolution of the issues, Edison’s non-payment of the disputed charges shall not be deemed a breach of the Agreement by Edison and shall not entitle Contractor to suspend or delay its furnishing of the Services or Deliverables.

Right of Set-Off.

With respect to any amount to be paid by Edison under the Agreement, Edison may (without liability or notice obligations) deduct, withhold or set off from this amount any amount Contractor owes Edison.