



California Public
Utilities Commission

Opening Comments on Draft Resolution SPD-37

September 4, 2025

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Danjel Bout
Director, Safety Policy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Pacific Gas and Electric Company's Opening Comments on Draft Resolution SPD-37

Dear Mr. Bout,

Attached are Pacific Gas and Electric Company's (PG&E) opening comments on Draft Resolution SPD-37, which proposes new guidelines addressing the process and requirements for California Public Utilities Commission review of a large electrical corporation's 10-year distribution infrastructure undergrounding plan. We thank you in advance for considering our comments.

Please feel free to contact me at Megan.Ardell@pge.com if you have questions about these comments or need additional information from PG&E.

Very truly yours,
/s/ Megan Ardell

Megan Ardell

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SB-884 Notification List
Service Lists for A.25-05-009, A.23-05-010, A.22-05-016, and R.18-10-007

**Pacific Gas and Electric Company's Opening Comments on Draft
Resolution SPD-37**

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SUBJECT INDEX OF RECOMMENDED CHANGES

Pursuant to Rule 14.3(b) of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides the following Subject Index of Recommended Changes in support of its opening comments:

1. The Commission should return to the portfolio-level cost recovery requirements established in SPD-15 because SPD-15 provided utilities with regulatory certainty, addressed ratepayer protection, and included numerous provisions for ensuring that the rates associated with undergrounding via SB 884 are just and reasonable.

If the Commission does not adopt PG&E's recommendation to revert to portfolio-level cost recovery in SPD-15, PG&E makes the following recommendations.

- The Commission should align the proposed method for calculating a CBR in Draft Resolution SPD-37 (SPD-37) to the CBR calculation method in Decision (D).22-12-027 and the Office of Energy Infrastructure Safety's 10-Year Electrical Undergrounding Plan Guidelines (EUP Guidelines) that allow a large electrical corporation to use a risk averse scaling function, incorporate all life-cycle costs in the denominator of the Cost Benefit Ratio (CBR) calculation, and include standard reliability and public safety in the CBR calculation.
- The Commission should eliminate the proposed CBR threshold because it (1) is unfairly biased against undergrounding; (2) contradicts the EUP Guidelines and SB 884's intent; and (3) ignores the absolute gain or loss of a project that is captured in a Net Benefit analysis. The CBR threshold is Condition for Approval of Plan Costs Number 5.
- The Commission should eliminate the proposed project-level CBR and unit cost variance requirements for recording costs to the one-way balancing account because: (1) these thresholds are based on early-stage cost estimates which are inherently imprecise; (2) the thresholds are not necessary for portfolio-level management of an undergrounding plan, and (3) there is no perfect stage in the project lifecycle where meaningfully accurate baselines can be set that align with PG&E's circuit-segment level mitigation decision-making. The CBR and unit cost variances are Conditions for Approval of Plan Costs Numbers 6 and 7.

If the Commission does not adopt PG&E's recommendations listed above, PG&E makes the following recommendations.

- The Commission should allow a large electrical corporation to consider both the forecast Net Benefits and the forecast CBRs for undergrounding and alternative mitigations by revising Conditions for Approval of Plan Costs Number 5.

- The Commission should provide the CBR threshold, CBR and unit cost variances, and Memorandum Account cost cap ranges that will be applied in SPD-37 instead of waiting until a Phase 2 Decision is issued so that a large electrical corporation can make project selection decisions before a Phase 2 decision is issued.
- The Commission should remove both of the competing Conditions for Approval of Plan Costs by eliminating the requirement that the average recorded unit cost for all projects completed in any given two-year period must not exceed the approved average unit cost cap for the current year and the requirement that the average recorded CBR for all projects completed in any given two-year period must equal or exceed the approved threshold CBR value for the current year. These average recorded unit cost and average recorded CBR requirements are Conditions for Approval of Plan Costs Numbers 3 and 4.
- The Commission should eliminate the proposed requirement to meet Project-Level Standards or provide a method for addressing the requirement since it is unclear how a large electrical corporation that is reporting data at the subproject level would prove that a completed subproject met a Project-Level Standard established at the circuit-segment level. The Project-Level Standards requirement is Conditions for Approval of Plan Costs Number 8.
- The Commission should revise the proposed Audit Processes to be in line with standard regulatory procedures and simplify the audit requirements by: (1) revising SPD-37 to require the auditor, rather than the large electrical corporation, to establish the audit methodology; (2) simplifying the audit requirements by adopting PG&E's recommendations to eliminate overlapping cost recovery requirements and/or the CBR threshold and the CBR and unit cost variance measures; and (3) eliminating the condition that opens the audit to all intervening parties.
- The Commission should eliminate proposed CBR and unit cost variance requirements for Wildfire Rebuild Work and include an exemption for recording wildfire rebuild work to the memorandum account stating that wildfire rebuild work can be recorded to the memorandum account and that these costs will not count towards the cost cap. The CBR and unit cost variances are Conditions for Approval of Plan Costs Numbers 6 and 7.

OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY **ON DRAFT RESOLUTION SPD-37**

As we observed in Southern California in January 2025, catastrophic wildfires continue to have devastating impacts on communities throughout the State. In the last decade, California has experienced an increasing number of record-breaking wildfires and extreme swings in weather due to the impact of climate change. To address these increasing catastrophic risks, it is critical that large electrical corporations (*i.e.*, utilities)¹ work with the California Public Utilities Commission (CPUC or Commission) and other stakeholders to implement long-term programs aimed at permanently reducing wildfire risk, while simultaneously addressing reliability risk. In line with this need, the Director of the Office of Energy Infrastructure Safety (Energy Safety) and the Director of CAL FIRE recently wrote a letter to PG&E reminding the Company of the “extreme wildfire risk” throughout the State and stating that “there is no time to waste in implementing *every available measure* to mitigate ignition risks.” (emphasis added)

Unfortunately, Draft Resolution SPD-37 (SPD-37) will discourage utilities from investing in the permanent, long-term risk reduction benefits of undergrounding, which is the best tool we have to stop catastrophic wildfires and improve reliability. SPD-37 adds new and onerous requirements for utilities that file a 10-year Electric Undergrounding Plan (EUP). If left unchanged, PG&E estimates that as much as 80 percent of our EUP-eligible² miles would become ineligible for undergrounding if we were to select miles using the CBR methodology proposed in SPD-37. Additional miles would likely become ineligible given other SPD-37 requirements. Together, approximately 95% of the High Fire Threat District (HFTD) miles in PG&E’s service territory would become ineligible for the EUP under SPD-37. SPD-37 also introduces significant cost recovery uncertainty that will likely cause investors and utilities to abandon undergrounding efforts out of concern that the costs incurred for planning long-term undergrounding work may not be recovered.

This is not the outcome the Legislature anticipated when it enacted Senate Bill (SB) 884 to *incentivize* undergrounding by requiring the Commission to “establish a program for *expediting* the undergrounding of a utility’s distribution infrastructure.”³ SB 884 was enacted to provide an avenue for significantly reducing wildfire and reliability risk and to make undergrounding more affordable over time. Resolution SPD-15 (SPD-15), enacted by the CPUC in March 2024, did just that by providing a mechanism flexible enough for utilities to submit an EUP that would reduce significant wildfire and reliability risk, ensure cost recovery while still requiring declining unit costs. SPD-37 undoes the progress made in SPD-15 and essentially puts an end to the Legislature’s plan for an expedited undergrounding program of any meaningful scale that would allow utilities to realize economies of scale and cost efficiencies.

If SPD-37 is not rejected or significantly revised, it is unlikely that PG&E will submit an EUP pursuant to SB 884. PG&E urges the CPUC to return to the portfolio-level cost recovery

¹ For brevity, large electric corporations are referred to as “utilities” in these comments.

² Per PG&E’s project selection framework designed in accordance with the Phase 1 EUP Guidelines.

³ Language taken from the Commission’s website at [Electric Undergrounding Expediting Program – SB 884](#) (emphasis added).

requirements in SPD-15 to ensure the intent of SB 884 is met. Returning to SPD-15 gives PG&E, and potentially other utilities, the best chance of filing an EUP as early as this year.

Below, we provide an Executive Summary describing the impacts of SPD-37 and how it deprioritizes wildfire and reliability risk reduction. We then identify seven critical issues, provide a detailed analysis of each, and recommendations for addressing them.

Executive Summary of SPD-37 Impacts

Resolution SPD-37 Adds Requirements that Will Further Delay or Altogether Preclude the Development of Long-Term Undergrounding Plans

SB 884 was enacted in September 2022. Since that time, the CPUC adopted SPD-15 cost recovery guidelines in March 2024 and Energy Safety adopted its 10-Year Electrical Undergrounding Plan Guidelines (EUP Guidelines) in February 2025. After the EUP Guidelines were adopted, utilities expended significant time and resources developing the tools and processes needed to comply with SPD-15 and the EUP Guidelines. This preparation was based on SPD-15 language indicating that cost recovery guidelines would be updated to *align* the CPUC and Energy Safety data presentation requirements.⁴ The CPUC did not indicate that it would introduce new cost recovery requirements at this late stage.

SPD-37, which was issued almost three years after SB 884 was enacted, adds new and substantial cost recovery requirements for EUPs. To be given new requirements at this point will, in many ways, upend the work we have done, require utilities to revise tools and processes, and reconsider whether submitting an EUP is prudent. Because of the time it took to get final EUP Guidelines and the significant new requirements added in SPD-37, the soonest a PG&E EUP program could begin would be January 2029—more than six years after SB 884 was passed.

As described in more detail below, the most concerning change in SPD-37 is the transition from the portfolio-level cost recovery described in SPD-15 to project-level cost recovery. PG&E supports the SPD-15 requirements, which the Commission found provided utilities with regulatory certainty,⁵ addressed ratepayer protection, and included numerous provisions for ensuring that the rates associated with undergrounding under SB 884 are just and reasonable.⁶ SPD-37 completely undermines the clarity of SPD-15 by introducing project-level requirements that add unreasonable levels of cost recovery risk, delay, and uncertainty into the EUP process. Failing to return to the portfolio-level cost recovery procedures in SPD-15, or failing to significantly revise SPD-37, will likely end PG&E's efforts to develop long-term, comprehensive undergrounding plans and will prevent customers from realizing the benefits of SB 884.

Additionally, the new CBR threshold included in SPD-37 unduly favors overhead hardening, which may lead utilities to choose to forgo the more permanent risk mitigation benefits of undergrounding to ensure that its system hardening costs can be recovered. Ultimately this choice will leave more wildfire and reliability risk on the system despite the advantages of undergrounding that include near permanent risk reduction, long-term cost savings, and reduced

⁴ Resolution SPD-15, Findings of Fact Number 13.

⁵ Resolution SPD-15, March 7, 2024, p. 8.

⁶ Resolution SPD-15, March 7, 2024, p. 9.

reliance on outage programs like Public Safety Power Shutoffs (PSPS) and Enhanced Powerline Safety Settings (EPSS).

SPD-37 Requirements Deprioritize Wildfire and Reliability Risk Reduction

While the CPUC has stated that SPD-37 was intended to refine SPD-15 to be in alignment with the requirements of the EUP Guidelines, the draft resolution, in practice, represents a fundamental departure from the principles established in SPD-15 and conflicts with EUP guidelines in several areas. SPD-15 established straightforward requirements for submitting a Phase 2 Application and a reasonable set of conditions for portfolio-level cost recovery that recognized the real-world challenges inherent in managing a complex system hardening program. SPD-15 allowed utilities to prudently manage a portfolio of work within established metrics and did not penalize a utility for an individual project that may not achieve a specific metric, so long as the entire portfolio met the approved values.

SPD-37 has introduced unnecessary complexity into the EUP process by deviating from the portfolio-level cost recovery standard and adding several new project-level conditions for cost recovery that interfere with a utility's ability to manage its undergrounding program. These include project-level requirements for recording costs to the balancing account, an untested method for CBR calculations, and a CBR threshold test for selecting undergrounding. The Conditions for Approval of Plan Costs also include overlapping portfolio-level and project-level requirements that add unnecessary complexity to the EUP.

The transition from portfolio-level to project-level cost recovery will require utilities to report information at the subproject level,⁷ which is at odds with the EUP Guidelines and PG&E's process for making mitigation decisions and reporting risk reduction. PG&E makes mitigation decisions only at the circuit segment (project) level. We do not calculate risk at the subproject level but instead allocate risk evenly across the subprojects within a circuit segment. This is consistent with the EUP requirements for setting project-level thresholds and standards that establish the need for mitigation on a circuit segment (project-level thresholds). It also ensures that, in the context of the EUP, undergrounding projects substantially increase electric reliability and reduce wildfire risk (project-level standards).⁸ In prior comments, we recommended that data be reported only at the project level⁹—a recommendation we still support.

With its focus on meeting CBR and unit cost thresholds, SPD-37 further reduces a utility's ability to serve customers' interests through risk reduction and affordability. SPD-37 gives mitigations other than undergrounding an unfair advantage by requiring undergrounding to outperform other mitigations by an undetermined threshold value and significantly limits the undergrounding benefits that can be included in the CBR calculation. PG&E's project scoping

⁷ SPD-37, pp. 35-36 and Appendix A, p. A1-8. Utilities who choose to execute work at a sub-circuit segment level will be required to report information at the sub-circuit segment, or subproject, level.

⁸ EUP Guidelines, February 20, 2025, Section 2.7.9.

⁹ PG&E's Responses to SPD Questions and Additional Comments, SB 884 Project List Data Requirements Guidelines TWG on June 3 and 10, 2024 and ICE 2.0 TWG on June 24, 2025 (TWG Comments), p. 9.

process includes an evaluation of local factors that are not fully captured in our risk models.¹⁰ Given the SPD-37 requirements, local factors would no longer be considered because project selection would be based exclusively on meeting cost recovery thresholds and variances rather than evaluating which mitigation reduces the most risk. PG&E would not be able to consider local tree strike risk and ingress egress factors, which will make our mitigations less effective. Additionally, if PG&E is required to select projects based on only a CBR analysis, we are likely to exclude hybrid projects¹¹ from our mitigation alternatives. Deploying hybrid projects allows us to reduce costs by adjusting to local factors and engineering constraints. Excluding hybrid projects negatively impacts affordability and localized risk mitigation.

Summary of SPD-37 Critical Issues and Proposed Changes

Recognizing the detrimental impact of SPD-37 on plans for future undergrounding, PG&E again encourages the CPUC to revert to the requirements of SPD-15. If the Commission does not revert to SPD-15, PG&E has identified seven critical issues that must be addressed to ensure utilities can confidently invest in undergrounding. Following the seven critical issues, we provide a summary of the changes we propose to address them. In Appendix A, PG&E proposes revisions to the SPD-37 Findings of Fact and Ordering Paragraphs in line with the recommendations described herein.

Seven Critical Issues

1. Establishing an untested method for calculating a CBR in SPD-37 that is at odds with both the EUP Guidelines and the calculation method described in the Risk-Based Decision-Making Framework (RDF).
2. Establishing a threshold based solely on CBR analysis by which undergrounding must materially outperform other mitigation measures in order to record costs to the one-way balancing account.
3. Micromanaging a utility's undergrounding work by establishing project-level CBR and unit cost variances for recording project costs to the one-way balancing account.
4. Introducing additional delay, uncertainty, and cost recovery risk into the EUP by not setting the CBR threshold, CBR and unit cost variances, and the memorandum account cost cap until issuing a Phase 2 Decision.
5. Requiring utilities to demonstrate adherence to a Project-Level Standard without providing a method for doing so.
6. Establishing nonstandard and unnecessarily complex audit requirements.

¹⁰ See PG&E's 2026-2028 Wildfire Mitigation Plan – Final Revision Notice Response, Docket # 2026-2028 WMPs, July 28, 2025, Response to Critical Issue RN-PGE-26-03.

¹¹ Hybrid projects refer to circuit segments that are hardened through a combination of overhead hardening and undergrounding.

7. Setting requirements that may preclude recovery of wildfire rebuild costs.

Proposed Changes

Listed below are PG&E's recommended changes to SPD-37 for addressing the seven critical issues above. There is not a direct correlation between the seven critical issues and our recommendations because we start with an overarching recommendation, followed by additional recommendations that address the seven critical issues in various ways.

PG&E's primary recommendation is the following:

- **Revert to SPD-15:** Return to the portfolio-level cost recovery requirements established in SPD-15 which included allowing CBR calculations in alignment with RDF and the EUP guidelines.

If the Commission does not adopt PG&E's primary recommendation, PG&E makes two recommendations to reduce cost recovery risk and uncertainty and to align SPD-37 to other regulatory proceedings.

- **Align Method for Calculating a CBR to Existing Regulatory Standards:** Align the method for calculating a CBR in SPD-37 to the RDF and the EUP Guidelines that allow a utility to use a risk averse scaling function, include standard reliability and public safety benefits, account for Operations and Maintenance (O&M) costs, and include a uniform value of service.
- **Eliminate CBR Threshold, CBR and Unit Cost Variances:** Eliminate the project-level CBR threshold and CBR and unit cost variance requirements for recording costs to the one-way balancing account.¹²

If the Commission does not revert back to SPD-15, or accept PG&E's two recommendations above, PG&E suggests that the following changes to SPD-37 be made to align the Draft Resolution with other regulatory proceedings and to reduce additional complexity and delay.

- **Provide CBR Threshold, CBR and Unit Cost Variance and Memorandum Account Cost Cap Values in SPD-37:** Provide the threshold, variance, and cost cap values in SPD-37. PG&E recommends CBR threshold, CBR and unit cost variances and a memorandum account cost value in Critical Issue 4 below.
- **Allow Utilities to Consider Net Benefit Along with CBR:** Allow utilities to consider Net Benefit along with CBR when comparing mitigation alternatives by revising the CBR threshold requirement.¹³
- **Remove Competing Conditions for Approval of Plan Costs:** Remove the competing Conditions for Approval of Plan Costs by eliminating the requirement that the average

¹² Conditions for Approval of Plan Costs, Numbers 5, 6 and 7.

¹³ Conditions for Approval of Plan Costs, Number 5.

recorded unit cost for all projects completed in any given two-year period must not exceed the approved average unit cost cap for the current year and the requirement that the average recorded CBR for all projects completed in any given two-year period must equal or exceed the approved threshold CBR value for the current year.¹⁴

- **Eliminate Requirement to Meet Project-Level Standards or Provide a Method for Addressing the Requirement:** Eliminate the requirement that an undergrounding project or subproject must meet or exceed the applicable EUP Project-Level Standard(s). If the CPUC does not adopt PG&E's recommendation, then provide a method for demonstrating how a subproject meets a Project-Level Standard.
- **Revise the Audit Processes to be in Line with Standard Regulatory Procedures and Simplify the Audit Requirements:** Revise SPD-37 such that the auditor, and not the utility, establishes the audit methodology with the utility providing generally-held audit principles to which the audit must align. Streamline and simplify the audit requirements by adopting PG&E's recommendations to eliminate overlapping cost recovery requirements and/or the CBR threshold and the CBR and unit cost variance measures. Remove the nonstandard conditions that open the audit to all intervening parties.
- **Eliminate CBR and Unit Cost Variance Requirements for Wildfire Rebuild Work:** Eliminate CBR and unit cost variance requirements for wildfire rebuild work¹⁵ and include an exemption for recording wildfire rebuild work to the memorandum account. The exemption should state that wildfire rebuild work can be recorded to the memorandum account and that these costs will not count towards the cost cap.

PG&E's Detailed Analysis of SPD-37 and Recommended Changes

In this section, PG&E provides a substantive discussion of each of the seven critical issues followed by our recommendations for addressing them. Please note that PG&E refers to "project" throughout these comments because SPD-37 uses that language. PG&E will conduct at least some undergrounding work at the subproject level and, therefore, many of the critical issues we are discussing would also apply to a subproject.

Critical Issue 1: The method for calculating a CBR in SPD-37 is at odds with both the EUP Guidelines and the calculation method allowed under the Risk-Based Decision-Making Framework.

The first sentence of the SPD-37 CBR Calculation Guidelines says, "[t]he Cost Benefit Ratio (CBR) Calculation Guidelines establishes a standardized and consistent methodology for evaluating and comparing the cost-efficiency of undergrounding and alternative mitigations in Senate Bill (SB) 884 applications."¹⁶ This, however, is inaccurate and introduces a potential legal error because the method for calculating a CBR that is described in SPD-37 is neither standardized nor consistent with the method for calculating a CBR in the EUP Guidelines or

¹⁴ Conditions for Approval of Plan Costs, Numbers 3 and 4.

¹⁵ Conditions for Approval of Plan Costs, Numbers 6 and 7.

¹⁶ SPD-37, Appendix 1, p. A1-2.

other relevant proceedings—it is even inconsistent with the application requirements in SPD-37 itself.¹⁷ The new method in SPD-37 does not allow a utility to use a risk averse scaling function, excludes standard reliability and safety benefits from the CBR calculation, excludes O&M costs from the “cost” denominator of the analysis, and precludes use of a uniform value of service, all of which the EUP Guidelines and other relevant proceedings allow. If the SPD-37 CBR calculation method is adopted, a utility will report different CBRs for the same project in its EUP—one CBR using the method approved in the EUP Guidelines in Phase 1 and a different CBR using the SPD-37 method in Phase 2.

SPD-37 states that only a risk neutral scaling function should be used for calculating CBRs and that requiring the utility to present unscaled (i.e., risk-neutral) risk values in the CBR calculations will ensure closer alignment with the EUP Guidelines.¹⁸ PG&E has two concerns with this position: (1) it is in conflict with the EUP Guidelines and; (2) it does not follow Commission approved CBR calculation methodology.

SPD-37 incorrectly states that, “. . . requiring the large electrical corporations to present unscaled (i.e., risk-neutral) risk values in the CBR calculations will ensure closer alignment with the Energy Safety Guidelines” and cites for its support EUP Guidelines page 31.¹⁹ Page 31 of the guidelines describes the requirements for the Key Decision-Making Metrics (KDMMs) and says that KDMMs are not influenced by risk attitudes or risk tolerances and must be unweighted and unscaled calculations.²⁰ PG&E takes no issue with this requirement as it relates to calculating KDMMs. While the EUP Guidelines require KDMMs to exclude risk attitudes, they allow a utility to use a risk scaling function in CBR calculations because they define a CBR as “the cost-benefit ratio produced by the cost-benefit approach adopted in the CPUC’s Decision 22-12-027 (as modified by any subsequent decision).”²¹ In Decision 22-12-027 (the decision issued in Phase 2 of the RDF proceeding) the CPUC allows utilities to use a risk averse scaling function in a CBR calculation, stating:

It is reasonable to afford the IOUs the same flexibility to incorporate Risk Attitude and Risk Tolerance into the Cost-Benefit Approach as they would under the current MAVF structure until further RDF refinements are adopted.²²

It is clear from the CBR definition in the EUP Guidelines that they are meant to align to the RDF. If SPD-37 adopts a new methodology it will disrupt this alignment.

¹⁷ SPD-37 says, “[t]he Application shall present the forecasted average Cost-Benefit Ratio (CBR) across all projects expected to be completed in each of the 10 years of the Application period, broken out by year and for the total Application period. Cost and Benefits must be calculated as defined in Commission Decision (D.)22-12-027 or its successor.” (SPD-37, Application Requirements, p. 9).

¹⁸ SPD-37, p. 33.

¹⁹ SPD-37, p. 33, footnote 96.

²⁰ EUP Guidelines, pp. 30-31.

²¹ EUP Guidelines, Appendix A, p. A-1.

²² D.22-12-027, Conclusions of Law No. 14. While additional decisions have been issued in the Risk-Based Decision-Making Framework proceeding (Phase 3, D.24-05-064 and Phase 4, D. 25-08-032), both still allow utilities to use a risk averse scaling function in calculating CBR.

PG&E has long supported the use of a risk averse scaling function because it expresses a risk management approach that is focused on reducing the potential for catastrophic risk events and the consequences of those events. A risk averse scaling function is also consistent with how the broader financial markets evaluate and value risk. PG&E uses a risk averse scaling function in the CBRs that we report in our RAMP, WMP, and GRC proceedings and that we will report in Phase 1 of the EUP. Requiring a CBR calculation using only a neutral scaling function would result in conflicting CBR values for the same projects in Phase 1 and Phase 2 of the EUP. Using different methods to calculate CBRs would also result in CBR values that would no longer be comparable when evaluating mitigations across proceedings.

SPD-37 CBR requirements also deviate from the RDF and EUP Guidelines because they exclude standard reliability benefits saying, “[f]or CBR calculations, only two risk events may be included in the CBR’s Risk Reduction component: Wildfire Ignition Risk; and, Outage Program Risk, where Outage Programs exclude maintenance outages and other outages not related to reducing wildfire.”²³ Additionally, SPD-37 states that a CBR must exclude enterprise risks such as Public Contact with Energized Electrical Equipment (PCEEE),²⁴ which includes important public safety benefits. This requirement to exclude standard reliability and public safety benefits directly contradicts the RDF method which states that, “the Benefits should reflect the full set of Benefits that are the results of the incurred costs.”²⁵ It is unreasonable to exclude benefits directly associated with an undergrounding project from the CBR calculation. The RDF does not limit reliability in the CBR to only outage program reliability²⁶ and safety is one of the three attributes of the CBR approach that utilities must use to disaggregate the monetized value of electric reliability. Further, SB 884 explicitly called out that utility underground programs must prioritize based on “wildfire risk reduction, public safety, cost efficiency, and reliability benefits.” Excluding a portion of reliability benefits and all public safety benefits is at odds with the very legislation that created this program. Ultimately, all the benefits that accrue to customers should be accounted for when analyzing undergrounding. Arbitrarily excluding certain benefits prejudices undergrounding and is a disservice to customers who deserve to know that a utility is making the right investment based on a comprehensive analysis of all potential benefits.

The SPD-37 CBR methodology says a utility must separate the value of electric reliability between HFTD and non-HFTD customers. This is unreasonable when customers are paying the same rate for service whether they live in an HFTD or not. Valuing service differently based on a regulatory construct is arbitrary and creates inequities with the utilities’ decision making.

Finally, the SPD-37 CBR methodology excludes net O&M costs from the “cost” denominator of the CBR analysis, saying that such an approach is consistent with requirements for accurate program evaluation according to the U.S. Department of Transportation.²⁷ PG&E disagrees with this approach. Utilities should be allowed to include net O&M costs in the CBR calculation

²³ SPD-37, Appendix A, p. A1-5.

²⁴ SPD-37, Appendix A, p. A1-5.

²⁵ D.22-12-027, Appendix A, Row 25.

²⁶ D.22-12-027 requires utilities to adopt the use of the LBNL ICE Calculator to determine a standard dollar valuation of electric reliability risk. (Conclusions of Law No. 13). The ICE Calculator includes standard outages.

²⁷ SPD-37, p. 32 and footnote 94.

because they are part of the total cost customers will pay over the life of an asset. In guidance prepared by The Federal Office of Management and Budget (OMB) designed to, “. . . inform whether an agency has considered and properly dealt with all the elements for sound benefit-cost and cost effectiveness analyses”²⁸ the OMB defines the lifecycle cost used in a cost benefit analysis as, “[t]he overall estimated cost for a particular project alternative over the time period corresponding to the life of the project, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance.”²⁹ The OMB Guidance properly considers O&M costs part of the total costs customers will pay for an asset over its life. PG&E strongly recommends that the Commission adopt this approach as well.

In Technical Working Group (TWG) comments, PG&E explained that O&M cost savings can turn CBRs negative (in cases where the Net Present Value of the lifecycle O&M savings actually offsets the entire capital investment), rendering the CBR confusing, or even meaningless.³⁰ We refer to this as a “corner case.” This situation occurs in a small number of cases but emphasizes again why we endorse other evaluation methods including Net Benefit (which can never be turned negative and does not require modification for corner cases). The lifecycle costs of the investment (upfront capital plus lifecycle O&M) should generally be combined into the “cost” denominator of the CBR analysis but utilities should be permitted to include this factor either as Benefits or Costs (either in the numerator or denominator) in the CBR equation to address corner cases and minimize the occurrence of meaningless CBR values.³¹

Recommendations

Primary Recommendation

Revise SPD-37 to align to the D.22-12-027 by: (1) eliminating the requirement that only a risk neutral scaling function can be used for CBR calculations; (2) including all standard reliability and safety benefits; (3) allowing lifecycle O&M costs to be incorporated into the “cost” denominator of the CBR calculation; and (4) using a standard value of service for HFTD and non-HFTD customers.

Secondary Recommendation

If SPD-37 is not revised to align to D.22-12-027, then PG&E recommends pausing the adoption of the EUP cost recovery guidelines. Developing a standardized method for correctly calculating a CBR is crucial if the other provisions of SPD-37 that allow only a CBR to be used for comparing mitigation alternatives remain in place. Because CBR is such an important metric, if the CPUC declines to revert the guidelines to SPD-15 or accept our Primary Recommendation on this topic, then PG&E urges the Commission to exclude the CBR Guidelines from SPD-37 and implement a process for establishing a method to calculate CBRs that includes participation by the Commission, utilities, and other

²⁸ OMB Circular No. A-94, Revised, Nov. 9, 2023, p. 3. See <https://www.whitehouse.gov/wp-content/uploads/2023/11/CircularA-94.pdf>

²⁹ OMB Circular No. A-94, Revised, Nov. 9, 2023, p. 24.

³⁰ Pacific Gas and Electric Company’s Responses to Safety Policy Division’s Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines, April 25, 2025, p.11.

³¹ PG&E appreciates the recognition of this issue, but it appears the corner case discussed in technical working group comments was misunderstood and a far larger issue (miscalculation of project costs) was created in the SPD-37 CBR calculation guidelines.

stakeholders. PG&E would support a process that includes written proposals, workshops, and comments. PG&E understands that this would further delay the EUP but believes it is a necessary delay if the objective is to establish a fair and consistent method for calculating CBR that will be used to support long-term investments.

Critical Issue 2: Establishing a threshold based solely on CBR analysis by which undergrounding must materially outperform other mitigation measures in order to record costs to the one-way balancing account.

The first new Phase 2 condition³²—that the forecasted CBR of an undergrounding project must exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value—and deferring the threshold value decision until a Phase 2 Decision is issued³³ raises three concerns. The new condition: (1) disadvantages undergrounding; (2) contradicts the EUP Guideline requirements for selecting a mitigation; and (3) fails to consider the absolute net gain or loss of a mitigation.³⁴ PG&E addresses a fourth concern—deferring the threshold value decision until a Phase 2 Decision—in Critical Issue 4 below.

Requiring undergrounding to outperform all other mitigation alternatives by a certain threshold unfairly prejudices undergrounding. A CBR is one method to determine if the benefits of a project outweigh the costs and may, in itself, undervalue the absolute benefits of a project. In establishing a threshold by which an undergrounding project must exceed the CBR of all other mitigations, SPD-37 is, in effect, directing a utility to select a non-undergrounding mitigation solution with a lower CBR if the threshold has not been met. While cost effectiveness is a key focus of SB 884,³⁵ SPD-37 establishes a requirement directly contradicting it by requiring a utility to forgo a more cost-effective mitigation (undergrounding) for a less cost effective one. This is at odds with the CPUC's goals of protecting ratepayer's interests and contradicts SB 884, which sought to establish an expedited undergrounding program to substantially reduce risk. SPD-37 deprioritizes risk reduction by requiring a utility to select a mitigation other than undergrounding when undergrounding has the most favorable CBR.

The EUP Guidelines require a utility to provide CBR values for undergrounding and alternative mitigations in Screen 2,³⁶ but do not prohibit consideration of other mitigation assessments or the selection of undergrounding when its CBR is not the highest. SPD-37 contradicts the EUP Guidelines by establishing a new project selection requirement that requires an undergrounding project CBR to not only have the highest CBR, but exceed the CBRs of all other mitigation alternatives by some value that will not be decided until a Phase 2 Decision is issued.

³² Conditions for Approval of Plan Costs, Number 5.

³³ SPD-37, Attachment A, p. 12.

³⁴ Additional issues related to waiting to establish the CBR threshold value are discussed in Critical Issue 4 below.

³⁵ SB 884 directs a large electrical corporation to consider cost containment assumptions, including the economies of scale necessary to reduce wildfire risk and mitigation costs in its EUP plan (§8388.5(c)(6)). Additionally, in its application for cost recovery a large electrical corporation is directed to establish cost targets that result in cost reductions (§8388.5(e)(1)(B) and to develop a strategy for achieving cost reductions over time (§8388.5(e)(1)(D)).

³⁶ EUP Guidelines, Section 2.4.4

SPD-37 states that only a CBR value can be used to measure the variance between the two mitigation alternatives. While CBR measures the cost efficiency of a mitigation, (e.g. a CBR over 1.0 indicates a project is cost effective), Net Benefit represents the absolute gain or loss of a project. Net Benefit quantifies the economic benefits that will accrue over the life of an asset and allows utilities to compare the lifetime benefits for different mitigations. The Net Benefit of undergrounding is often better than other mitigations because undergrounding delivers greater long-term benefits to customers. It is shortsighted to exclude consideration of Net Benefits when selecting a mitigation alternative.

PG&E considers both CBR and Net Benefit values when comparing mitigation alternatives.³⁷ Allowing a utility to consider both CBRs and Net Benefits would account for a mitigation's long-term benefits and align SPD-37 to both the EUP Guidelines and the RDF that states a utility is not bound to select mitigations solely based on CBRs but can consider other factors as well.³⁸

Recommendations

Primary Recommendation

Eliminate the CBR threshold requiring undergrounding to exceed all mitigations.³⁹

Secondary Recommendation

If the CBR threshold value is not eliminated, revise it to allow a utility to consider Net Benefit along with CBR when comparing mitigations as set forth below:

The forecasted CBR of the undergrounding project must be within ~~exceed~~ 50% of the forecasted CBR of the highest all alternative mitigation considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision. If the forecasted CBR of undergrounding is within 50%, then consider Net Benefit analysis and if the Net Benefit of undergrounding is greater than the Net Benefit of all alternative mitigations considered, select undergrounding for all or a portion of the circuit segment as informed by the utility's decision making process defined in their EUP filing.

Critical Issue 3: Micromanaging a utility's undergrounding work by establishing project-level CBR and unit cost variances for recording project costs to the one-way balancing account.

SPD-37 adds two new conditions for approval of plan costs that add significant cost recovery risk to the EUP:

1. When an undergrounding project becomes used and useful, if the value of its recorded CBR is less than the value of its forecasted CBR at the time of the Phase 2 Application

³⁷ The inputs and variables used in both the CBR and Net Benefit calculation are exactly the same—the only difference is that the CBR is calculated by dividing project benefits by project costs while Net Benefit is calculated by subtracting project costs from project benefits.

³⁸ See D.22-12-027, Appendix A, Row 26.

³⁹ Conditions for Approval of Plan Costs Number 5.

submission, then the percentage difference between the two CBR values must not exceed the specified threshold value determined in the Phase 2 Decision.⁴⁰

2. When an undergrounding project becomes used and useful, if the value of its recorded unit cost is greater than the value of its forecasted unit cost at the time of the Phase 2 Application submission, then the percentage difference between the two unit cost values must not exceed the specified threshold value determined in the Phase 2 Decision.⁴¹

The method for determining if a project or subproject meets the CBR and/or the unit cost percentage difference between the recorded and forecast values (the variance) compares the recorded unit cost and recorded CBR to the forecast unit cost and forecast CBR in the Phase 2 Application. Under SPD-37, the forecast unit cost and CBR (the baseline) that a utility would provide in a Phase 2 Application would be based on Screen 2 and 3 outputs. In our responses to the TWG questions,⁴² we explained why setting a meaningful project-level baseline at Screen 2 or 3 may be infeasible and strongly recommended that any requirements to establish project level baselines for calculating unit cost and/or CBR variances be omitted because: (1) they do not support portfolio-level cost recovery and; (2) there is no stage in the project lifecycle to establish them that provides both a fair representation of mitigation decision-making and mature cost forecasting. Recorded portfolio-level unit costs and CBRs are sufficient measures for ensuring that a utility prudently manages a portfolio of work to established metrics and do not penalize a utility for an individual project that may not achieve a metric, or vary from a baseline value, as long as the entire portfolio meets the approved metrics.⁴³

When PG&E files a Phase 2 Application, we will have completed Screen 2 for all eligible projects and Screen 3 for approximately 50 projects.⁴⁴ PG&E recommends that a baseline be set when projects complete the estimating phase because that is when the scope of the actual construction and materials needed are confirmed. PG&E's Screen 2 and 3 cost estimates are considered by the Association for the Advancement of Cost Engineering (AACE) scale to be a "Class 5" estimate. Per the AACE, a Class 5 estimate can vary significantly, from +100% to -50% when compared to a project's final recorded costs and are typically used for strategic planning and concept screening. It is unreasonable to measure CBR and unit cost variances against a baseline set at Screen 2 or 3 when we know such a baseline is expected to vary

⁴⁰ SPD-37, Attachment A, p. 12; Conditions for Approval of Plan Costs Number 6.

⁴¹ SPD-37, Attachment A, p. 12; Conditions for Approval of Plan Costs Number 7.

⁴² TWG Comments pp. 5-7.

⁴³ PG&E reiterated its position on this issue in our responses to SPD's Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines (April 25, 2025), p. 2.

⁴⁴ PG&E anticipates submitting approximately 25 projects with our EUP submittal to Energy Safety (Progress Report 0) and another approximately 25 projects in Progress Report 1 six months later. PG&E anticipates filing its Phase 2 Application 11 months after our EUP submittal to Energy Safety which includes 9 months for Energy Safety to review and approve our submittal and then 60 days (2 months) to file our Phase 2 application. During these 11 months PG&E will have submitted Progress Reports 0 and 1 with Energy Safety, each including approximately 25 projects.

significantly from the recorded cost. By the time we complete estimating, our cost estimates are generally considered AACE Class 2 with an accuracy range of approximately +20% to -15%.⁴⁵

The SPD-37 project level unit cost and CBR variance requirements are unreasonable due to the disconnect among mitigation decision-making, cost estimating, and project execution given that:

- 1) PG&E makes mitigation decisions at the project level; therefore, establishing cost and CBR baselines and measuring variances at the subproject level would not be an accurate representation of our decision making; and
- 2) It would be unreasonable to establish baseline values at Screen 2, which is well before a utility has developed a mature project cost estimate.

Recommendations

Primary Recommendation

Omit the requirement to establish project-level CBR and unit cost variances.⁴⁶

Secondary Recommendation

See Critical Issue 4 for PG&E's secondary recommendation related to variance amounts.

Critical Issue 4: Introducing additional delay, uncertainty and cost recovery risk into the EUP by not setting the CBR threshold, CBR and unit cost variances, and the memorandum account cost cap until issuing a Phase 2 Decision.

SPD-37 adds four⁴⁷ new conditions in the Phase 2 Decision that will introduce unreasonable delay, uncertainty, and cost recovery risk into the EUP. To record costs to the one-way balancing account, projects or subprojects must meet the following new conditions:⁴⁸

1. The forecasted CBR of the undergrounding project must exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision;
2. If the value of its recorded CBR, as reported in the applicable six-month progress report, is less than the value of its forecasted CBR at the time of the Phase 2 Application submission, then the percentage difference between the two CBR values must not exceed the specified threshold value determined in the Phase 2 Decision;

⁴⁵ Summary of AACE International Cost Classifications and Expected Ranges of Accuracy - <https://www.processengineer.com/insights/capital-cost-estimate-classes>

⁴⁶ Conditions for Approval of Plan Costs Numbers 6 and 7.

⁴⁷ SPD-37 also includes a fifth new condition— A Phase 2 Decision may also add primary and/or secondary objectives for Audits specific to that EUP—that will also be decided in the Phase 2 Decision. PG&E acknowledges this requirement but excludes it from this discussion.

⁴⁸ The four new conditions are in addition to several other conditions that must be met in order to record costs to the one-way balancing account. *See* SPD-37, p. 19 and SPD-37, Conditions for Approval of Plan Costs, Attachment A, p. 12.

3. If the value of its recorded unit cost, as reported in the applicable six-month progress report, is greater than the value of its forecasted unit cost at the time of the Phase 2 Application submission, then the percentage difference between the two unit cost values must not exceed the specified threshold value determined in the Phase 2 Decision; and
4. The total cumulative costs recovered via the memorandum account throughout the duration of an EUP shall not exceed the cap established for such accounts in the Phase 2 Decision.

Per the schedule established in SB 884, a Phase 2 Decision will not be issued until 20 months⁴⁹ after a utility submits its EUP (and almost five years after SB 884 was passed).⁵⁰ This means that for at least 20 months, a utility will be selecting and developing undergrounding projects without knowing if they will meet the CBR threshold, the CBR and unit cost variance thresholds, or how much can be recorded to the memorandum account. Table 1 provides an example of the minimum delay, uncertainty, and cost recovery risk imposing a CBR threshold will have on project selection.

TABLE 1
DELAYS, UNCERTAINTY, AND COST RECOVERY RISK DUE TO IMPOSING A CBR THRESHOLD FOR PROJECT SELECTION

Activity	Screen 2 Select circuit segment A for undergrounding with a CBR of 2.0 compared to overhead hardening with a CBR of 1.8. UG CBR Threshold is 11%.	Submit Phase 1 Application to Energy Safety. (Assume it is submitted 3 months after initial mitigation selection.)	Energy Safety approves Phase 1 Application within 9 months that includes PG&E's proposal to underground circuit segment A.	Prepare and submit Phase 2 Application 60 days after Phase 1 Application is approved.	CPUC approves Phase 2 Application within 9 months. Phase 2 Decision establishes a 20% CBR threshold for project selection.	Circuit segment A does not qualify for cost recovery in the one-way balancing account based on Phase 2 Decision because the UG CBR of 11% for CS A is less than the 20% threshold established in the Phase 2 Decision.
Cumulative Months	0	3	12	14	23	23

Before the Phase 1 Application is approved, a utility will continue the screening process (refining the mitigation selection and prioritizing undergrounding work in Screens 3 and 4) and begin pre-construction activities to maintain the undergrounding program schedule and progress towards risk reduction. If the utility will not learn for almost two years if undergrounding projects selected using the approved project acceptance framework are eligible for cost recovery via the one-way balancing account (and may not be eligible for cost recovery in the memorandum account, depending on the cost cap), the utility is essentially left with two options:

1. Wait for a Phase 2 Decision to determine if undergrounding costs can be recovered in the balancing account before conducting additional work. This would significantly delay an

⁴⁹ SB 884 §8388.5(d)(2); §8388.5 (e)(1); and §8388.5 (e)(5)

⁵⁰ This calculations assumes an EUP is submitted by December 31, 2025.

undergrounding program, increase program costs,⁵¹ increase the time required to remove risk from the system, and could have potential compliance implications for a utility to meet annual targets established in the Phase 1 Decision.

2. Do not wait for a Phase 2 Decision to determine if undergrounding costs can be recovered in the balancing account and conduct undergrounding at significant cost recovery risk.⁵²

Both options are unfavorable and are contrary to SB 884's intent to create an expedited program to support undergrounding. Utilities have been waiting for years for the EUP program to begin and are now being further delayed by these new requirements. By waiting for a Phase 2 Decision to establish the threshold, variances, and a cost cap, SPD-37 is essentially forcing a utility to pick from unfavorable options that would result in: (1) suspending an undergrounding program and all the efficiencies built into it; (2) stopping undergrounding work and leaving wildfire and reliability risk on the system; or (3) assuming very significant cost recovery risk by continuing its undergrounding program before a Phase 2 Decision is issued.

Recommendations

Primary Recommendation

Eliminate the four new items to be determined in the Phase 2 Decision that introduce cost recovery risk, uncertainty and delay into the EUP: (1) the CBR threshold;⁵³ (2) the CBR variance;⁵⁴ (3) the unit cost variance;⁵⁵ and (4) the memorandum account cost cap.

Secondary Recommendation

Provide the CBR threshold, CBR and unit cost variance values, and the memorandum account cost cap in SPD-37. PG&E recommends the following values.

- CBR Threshold: PG&E recommends revising Conditions for Approval of Plan Costs Number 5 as follows:

The forecasted CBR of the undergrounding project must ~~be within~~ exceed 50% of the forecasted CBR of the highest all alternative mitigation considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision. If the forecasted CBR of undergrounding is within 50%, then consider Net Benefit analysis and if the Net Benefit of undergrounding is

⁵¹ In its 2027 GRC PG&E explained how delays can undermine the undergrounding progress success and increase costs for customers. Application (A.) 25-05-009, Exhibit (PG&E-4), pp. 7-10 – 7-12.

⁵² PG&E understands that project costs that do not meet the balancing account thresholds can be recorded in the memorandum account. However costs recorded to the memorandum account are also at risk because: (1) the CPUC may set a memorandum account cap so it is possible that if we reach the cost cap there would not be any avenue for cost recovery; and (2) recovering costs via the memorandum account is uncertain and further delayed as there is no guarantee what portion of costs will be recovered during a Phase 3 reasonableness review proceeding. It could also take years to complete the Phase 3 proceeding.

⁵³ Conditions for Approval of Plan Costs Number 5.

⁵⁴ Conditions for Approval of Plan Costs Number 6.

⁵⁵ Conditions for Approval of Plan Costs Number 7.

greater than the Net Benefit of all alternative mitigations considered, select undergrounding for all or a portion of the circuit segment as informed by the utility's decision making process defined in their EUP filing.

- CBR and Unit Cost Percentage Difference: +/- 50%

PG&E's recommended value reflects the uncertainty in the cost estimates and CBRs that would be used in establishing a forecast value when a Phase 2 Application is submitted (see Critical Issue 3.)

- Memorandum Account Cost Cap: 50% of the 10-years of cost caps placed on the one-way balancing account.

PG&E's recommended range reflects: (1) the uncertainty in the cost estimates that would be included in a Phase 2 Application; and (2) the excessive and competing requirements a large electrical corporation must meet to record costs to the memorandum account.

Critical Issue 5: Requiring large electrical corporations to demonstrate adherence to a Project-Level Standard without providing a method for doing so.

SPD-37 requires that an undergrounding project meet or exceed the applicable Project-Level Standard(s) in an approved EUP in order for costs to be recorded to the balancing account.⁵⁶ The Project-Level Standards are used to determine the level of risk reduction needed for an undergrounding project to be included in the EUP without considering other EUP projects.⁵⁷

A utility will establish Project-Level Standards at the circuit segment (project) level, but in many cases will execute undergrounding work at the subproject level. To meet the SPD-37 conditions for recording costs to the balancing account, a utility must demonstrate that a project or subproject meets the Project-Level Standards. It is unclear how a utility can prove that a subproject has met a Project-Level Standard, and SPD-37 fails to provide any guidance for doing so. For example, if the Project-Level Standard for Project A is \$100—meaning that Project A must reduce \$100 of risk on the system—and Project A is divided into subprojects, none of the individual subprojects will reduce \$100 of system risk. It is unclear how a utility would prove that one or more of the Project A subprojects met the Project-Level Standard. This is especially true when risks, such as PSPS risk, are dependent on upstream mitigations to be realized. This interplay between subprojects is not contemplated in SPD-37 and is adequately managed at the project-level in the Energy Safety guidelines and does not need to be duplicated in Phase 2.

Requiring an undergrounding project to meet or exceed a Project-Level Standard to be recorded in the balancing account is duplicative of EUP Guidelines requirements, does not add value to demonstrating cost efficiency, and would add significant complication when paired with Risk Reporting Unit (RRU) requirements. Utilities are awaiting EUP compliance guidelines that could

⁵⁶ SPD-37, p. 23 and Attachment A, p. 12.

⁵⁷ EUP Guidelines, Section 2.7.9.2.

assign compliance requirements associated with the Project-Level Standards, and introducing Project-Level Standards conditions in SPD-37 is likely to lead to conflicting requirements.

Without guidance in SPD-37 for how to comply with this Project-Level Standard requirement, it is unfair to ask a utility to develop a method for meeting this requirement without any guarantee that the method will be approved. If the method is not approved, a utility would be penalized because it would be precluded from recording costs to the balancing account even though the undergrounding project was selected per an approved EUP plan.

Recommendations

Primary Recommendation

Eliminate the requirement that an undergrounding project must meet or exceed a Project-Level Standard in an approved EUP for costs to be recorded to the balancing account.

Secondary Recommendation

If the project-level standards requirement is not removed, provide a method in SPD-37 that a utility can use to demonstrate how a subproject meets a Project-Level Standard.

Critical Issue 6: Establishing nonstandard and unnecessarily complex audit requirements.

SPD-37 introduces new, onerous balancing account audit processes including: (1) a utility must propose the audit methods; (2) the balancing account will be audited annually; (3) the audit will be open to all stakeholders for review and comment before it is finalized; and (4) the Commission may reopen the Phase 2 Application proceeding. PG&E is concerned about these new requirements.⁵⁸

First, the audit process in SPD-37 asks a utility to, “propose the methodology for the auditor to determine whether the costs of undergrounding projects recovered via the one-way balancing account meet the primary and secondary objectives.”⁵⁹ Asking a utility to propose the audit methodology infringes on the auditor’s independence and professional standards. The auditor should be provided with the Phase 2 Decision, establish compliance criteria based on that decision, and then perform testing to confirm that the costs are properly recorded to the one-way

⁵⁸ PG&E notes that there appears to be an inconsistency between one of the audit requirements the corresponding Condition for Approval of Plan Costs. Primary audit objective (e) is, “[d]etermining whether the forecasted CBR of an alternative mitigation exceeds a certain threshold value above the forecasted CBR of an undergrounding project (Condition #5)” while the corresponding Condition for Approval of Plan Costs states, “[t]he forecasted CBR of the undergrounding project must exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision.” The audit objective is asking to confirm that CBR of the alternative mitigation is greater than the CBR of undergrounding while the Condition for Approval of Plan Costs is saying the opposite—that the CBR of the undergrounding project must exceed the CBR of the alternative mitigations.

⁵⁹ SPD-37, Attachment A, p. 15. PG&E notes that SPD-37 says, “The large electrical corporation shall not have input into the direction, focus, or outcome of the EUP Audit that goes beyond the input afforded to other Parties to the Commission’s SB 884 proceeding or process” (Attachment A, p. 16). It appears that this statement is in conflict with the requirement for a large electrical corporation to propose the audit methodology.

balancing account. The utility could provide generally held audit principles to which the audit must align. Proposing an audit methodology in the Phase 2 Application would give stakeholders an opportunity to propose changes or additional requirements to an audit that should be limited to the utility, the auditor, and the Commission.

PG&E is concerned about the workload, resources and costs (all paid for by utility customers) required to complete an annual audit given the complex requirements in SPD-37. Based on our experience with other regulatory audits, addressing the eleven audit objectives will require significant effort to satisfy the auditor's data, information, and interview requests, address questions during the audit, prepare opening comments, and respond to intervenors comments on the audit report. Doing this annually for 10 years is a significant undertaking that should be simplified by limiting the audit objectives and removing overlapping conditions for cost recovery that are described in relation to Critical Issues 3 and 4. This would streamline the cost recovery and audit requirements while still ensuring that a utility meets the conditions for recovery.

Among these new audit requirements, the most concerning is that the new process opens the audit to all stakeholders by stating that the EUP audit report will be filed and served to the Phase 2 Application docket and parties will be allowed to file opening and reply comments on the audit report.⁶⁰ These new requirements, in effect, invite stakeholders to be parties to the audit of a utility's books and records which is a nonstandard audit approach. In alignment with existing precedence for regulatory audits, the audit should follow standard practice that would include only the utility and the auditor with the results shared with the Commission.

PG&E recognizes that the Commission may reopen the Phase 2 Application proceeding to consider the need for refunds.⁶¹ PG&E strongly recommends that if the Commission needs to reopen the Phase 2 Application proceeding, the only issue to be considered is the need for refunds and all other decisions and provisions in the Phase 2 Decision remain unchanged.

Recommendations

Revise SPD-37 such that the auditor, and not the utility, establishes the audit methodology with the utility providing generally held audit principles to which the audit must align.

Remove overlapping requirements by eliminating the CBR and unit cost thresholds and variances and the Project-Level Standards requirement. Overlapping requirements can also be addressed by removing the requirements to meet the two-year average recorded cost and average unit cost requirements.⁶²

Omit the nonstandard condition that, in effect, opens the audit to all intervening parties.

⁶⁰ SPD-37, Attachment A, p. 16.

⁶¹ SPD-37, Attachment A, p. 16.

⁶² Conditions for Approval of Plan Costs Numbers 3 and 4.

Critical Issue 7: Setting requirements that may preclude recovery of wildfire rebuild costs.

SPD-37 makes it almost impossible for a utility to record costs for wildfire rebuild undergrounding work in the balancing account. This is inconsistent with SB 884 and the EUP Guidelines and adds more cost recovery risk for the utility.

SB 884 provides that “undergrounding projects located in tier 2 or 3 high fire-threat districts or rebuild areas may be considered and constructed as part of the program.”⁶³ The EUP Guidelines allow circuit segments in wildfire rebuild areas to be included in the EUP if they meet the Screen 1 requirements.⁶⁴ Circuit segments that pass the Screen 1 are evaluated in subsequent screens to determine if undergrounding is the appropriate solution. The data used in the cost and CBR analysis conducted in Screens 2 and 3 is generally preliminary information based on historical costs that may include some adjustments for known local factors. PG&E’s experience shows that undergrounding in wildfire rebuild areas often costs more than undergrounding in other locations. As PG&E explained in our 2027 GRC that “[k]ey drivers of unit cost increases include. . . the need to provide temporary generation to customers during construction, particularly on Fire Rebuild projects.”⁶⁵ It is not possible for a utility to predict which of the circuit segments included in a 10-year plan might be located in a wildfire rebuild area in order to include wildfire rebuild-like cost estimates in its Phase 2 Application. Because a utility cannot make these predictions, the recorded costs and recorded CBRs in wildfire rebuild areas are at increased risk of exceeding any established unit cost and CBR variance, such that costs for wildfire rebuild work would have to be recorded to the memorandum account. The challenge with not being able to predict where wildfires will occur or accurately forecast wildfire rebuild costs demonstrates how SPD-37 has introduced even more delay and cost recovery risk to the EUP process as described in the two scenarios below.

First, assume that a utility has not met the memorandum account cost cap and can record wildfire rebuild costs to it. Because a utility cannot predict where wildfires will occur, and rebuild undergrounding costs are often higher, it is very unlikely that wildfire rebuild work would meet the CBR and unit cost variance standards. This essentially requires a utility to record wildfire rebuild costs in the memorandum account which is subject to a Phase 3 reasonableness review. The reasonableness review process adds additional delay, uncertainty, and cost recovery risk and increases the utility’s administrative burden that is paid for by its customers. This process penalizes the utility for conducting its highest priority work to quickly restore power to customers impacted by wildfire in areas where undergrounding may be appropriate.

Next, assume that a utility has met the memorandum account cost cap and cannot record any more costs to it. If a wildfire were to occur, the utility would not have an avenue to recover costs for the wildfire rebuild work in the EUP—even though wildfire rebuild work is allowed—since it is very unlikely that wildfire rebuild work would meet the CBR and unit cost variance standards.

The EUP Guidelines envision that wildfire rebuild work be treated the same as work on other eligible circuit segments. The CBR and unit cost variances in SPD-37 will restrict cost recovery

⁶³ Public Util. Code, §8388.5(c)(2).

⁶⁴ EUP Guidelines, Section 2.4.1.

⁶⁵ A.25-05-009, Exhibit (PG&E-4), p. 7-48.

options for wildfire rebuild to a memorandum account—if it is even available—and will add more delay, uncertainty, and cost recovery risk into the process.

Recommendations

Primary Recommendation

Eliminate the CBR and unit cost variance requirements for wildfire rebuild work.⁶⁶

Secondary Recommendation

If PG&E's primary recommendation is not adopted, include an exemption for recording wildfire rebuild work to the memorandum account stating that a utility can record all wildfire rebuild work to the memorandum account and that the costs will not count towards the cap.

SPD-37 Requirements Do No Reflect How PG&E Makes Mitigation Decisions or Reports Risk Reduction

Energy Safety data reporting requirements are project-based. All but one table ask for data at the project level. They are aligned to PG&E's methodology for mitigation decision making. While we often harden circuit segments with different mitigations, the initial mitigation choice is made at the circuit-segment level. Dividing a circuit segment into subprojects is done in support of affordability and constructability. The SPD-37 reporting requirements, however, require a utility who chooses to use the subproject designation (at any point during the project lifecycle) to provide information at the subproject level by attempting to turn project-level data into subproject data through backcasting. These requirements are at odds with the Energy Safety data reporting requirements and PG&E's mitigation decision making and risk reduction reporting. The better approach would be to report data at the project level when it is describing mitigation decision making and risk reduction and only report data at the subproject level for execution.

Reporting subproject information will not provide new or useful data because the values reported would be an allocation of the total risk on the circuit segment to the individual subprojects. Any subproject that is not placed underground would not be reported in the EUP, so there would be no way to aggregate the data from the subprojects that are reported to tie back to the circuit segment level information in the EUP. The EUP Guidelines and SPD requirements already mandate detailed project-level reporting and traceability through all phases of the project lifecycle. Adding a subproject layer would not provide additional transparency or accountability beyond what is already achieved through these project-level controls. Accordingly, PG&E strongly recommends allowing utilities to report information throughout the life of the EUP only at the project level even if work is executed in phases at the subproject level.

Conclusion

SB 884 was designed to encourage undergrounding to protect communities from the devastating impacts of catastrophic wildfires while realizing economies of scale and efficiencies to reduce undergrounding costs. SPD-37 will further delay utility plans to underground and may dissuade large electrical corporations from filing an EUP altogether. We urge the CPUC to restore SPD-15 or, failing that, to adopt the recommendations made in these comments.

⁶⁶ Conditions for Approval of Plan Costs Numbers 6 and 7.

APPENDIX A

PG&E'S PROPOSED REVISIONS TO SPD-37 FINDINGS OF FACT AND ORDERING PARAGRAPHS

As discussed in our Comments, PG&E recommends that the CPUC reject SPD-37 in its entirety and instead affirm the portfolio-level cost recovery requirements established in SPD-15. Our proposed adjustments to the Findings and Ordering Paragraphs in SPD-37 supporting this recommendation are shown below in the Section labeled Alternative 1.⁶⁷

If the above recommendation is not adopted, PG&E provides several recommendations for amending SPD-37 that are aligned to PG&E's primary recommendations in these comments. Our proposed adjustments to the Findings and Ordering Paragraphs in SPD-37 supporting our primary recommendations are shown below in the Section labeled Alternative 2.

Alternative 1 – Aligned to PG&E's Recommendation to Revert to SPD-15

FINDINGS

1. On March 8, 2024, the Commission voted out SPD-15 which detailed cost application requirements for a utility's Phase 2 EUP Application and ordered that it was reasonable to only make changes to SPD-15 to ... "align the preliminary CPUC SB 884 Project List Data Requirements and GIS data requirements with Energy Safety guidelines, adding any data elements necessary for Commission conditional approval purposes".
2. On October 14, 2024, the Commission's Safety Policy Division (SPD) staff issued a list of "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" for stakeholder comment.
3. On November 12, 2024, responses to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" was received from stakeholders.
4. On February 20, 2025, Energy Safety issued its own SB 884 10-Year Electrical Undergrounding Plan Guidelines (Energy Safety Guidelines).
5. On April 8, 2025, SPD held a workshop to discuss potential modifications to the SPD-15 Guidelines following publication of the Energy Safety Guidelines.
6. On April 25, 2025, responses to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" were received from stakeholders.
7. On June 3, 2025, and June 10, 2025, SPD held technical working group (TWG) meetings on potential updates to the SB 884 Project List Data Requirements Guidelines.
8. On June 24, 2025, SPD held a TWG meeting to discuss the Interruption Cost Estimator Calculator (ICE 2.0) element of the SB 884 program.
9. The Energy Safety Guidelines do not require all projects submitted in an Electrical Undergrounding Plan (EUP) to pass through Screens 3 and 4 before being approved by Energy Safety.

⁶⁷ PG&E's proposed additions to the Findings and Ordering Paragraphs are shown in orange font. We indicate proposed deletions by striking through the original text.

APPENDIX A

PG&E'S PROPOSED REVISIONS TO SPD-37 FINDINGS OF FACT AND ORDERING PARAGRAPHS

10. The vast majority of undergrounding projects approved by Energy Safety through its Project Acceptance Framework may only be preliminarily scoped.
11. It is not until a project successfully passes Screen 3 and Screen 4 of the Energy Safety Guidelines that a project will be completely scoped.
12. A large electrical corporation will not be required to obtain Energy Safety approval of undergrounding projects it intends to construct after Energy Safety approves its EUP.
13. A large electrical corporation will provide new details about undergrounding projects in its six-month progress reports.
14. Because significant changes can be made to the economic metrics of an undergrounding project as it is more accurately scoped in Screens 3 and 4, the large majority of forecasted data available to the Commission at the time the Phase 2 Application is considered, and upon which its EUP cost approval conditions will be based, will not be sufficiently precise to provide the necessary cost containment controls.
15. SPD-37 goes beyond the stated objectives in SPD-15 to reduce potentially conflicting data presentation requirements in the EUP Guidelines.
16. The CBR methodology described in SPD-37 does not align with D.22-12-027 in the RDF.
17. SPD-15 provided utilities with regulatory certainty, addressed ratepayer protection, and included numerous provisions for ensuring that the rates associated with undergrounding via SB 884 are just and reasonable.
18. ~~In consideration of the Energy Safety Guidelines, the questions and responses from stakeholders, and feedback from the SPD workshop and TWG meetings, described above, it is reasonable to update and refine the guidelines adopted in Resolution SPD-15 issued March 8, 2024.~~
19. ~~Allowing undergrounding projects that have forecasted Cost-Benefit Ratios (CBR) below 1.0 to be included in a Phase 2 Application would be unreasonable, especially considering that undergrounding is the most capital-intensive grid hardening investment available.~~
20. ~~After considering the results of the workshops and stakeholder feedback, and the Energy Safety Guidelines, additional Phase 2 Conditions in this resolution are necessary to ensure the most cost-efficient undergrounding projects are implemented.~~
21. ~~Staff proposed a maximum total cost cap for the memorandum account at the April 8, 2025, workshop and solicited written feedback in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," published on April 11, 2025.~~
22. ~~Stakeholders generally agreed at the April 8, 2025, workshop that it may be valuable to include cost caps on the memorandum account, but setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed.~~

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- ~~23. It is prudent to establish an upper bound on the total potential costs of an EUP by capping the total costs recovered from the memorandum account at a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account.~~
- ~~24. The percentage value of the memorandum account cost cap should be established in the Phase 2 Decision.~~
- ~~25. An EUP Audit of the one-way balancing account should occur annually.~~
- ~~26. The primary objective of the EUP Audit is to determine if the costs recorded into the one-way balancing account met the Phase 2 Conditions.~~
- ~~27. The secondary objectives of the EUP Audit include verifying that an undergrounding project is used and useful, verifying the incrementality showing found in Application Requirement No. 2, and validating the methodology used to calculate a CBR for a given project.~~
- ~~28. Additional primary and/or secondary objectives for an EUP Audit may be included in the Phase 2 Decision.~~
- ~~29. The EUP Audit should begin no later than 60 days (or such period specified in the Phase 2 Decision) after the due date for reply comments on the second six-month progress report in a given calendar year.~~
- ~~30. The large electrical corporation should not have input into the direction, focus, or outcome of the EUP Audit that goes beyond the input afforded to other Parties to the Commission's SB 884 proceeding or process.~~
- ~~31. The large electrical corporation should provide access to all information requested by the auditor and SPD to carry out the audit within five days (or such period specified in the Phase 2 Decision) of each data request.~~
- ~~32. The large electrical corporation should make personnel available for interviews on five days' notice (or such period specified in the Phase 2 Decision) if the auditor seeks substantive information, and a custodian of records for questions about the location and content of requested information.~~
- ~~33. In the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," issued on April 11, 2025, Staff solicited stakeholder input on whether the Commission should provide additional guidance for CBR calculations made in the context of SB 884.~~
- ~~34. Guidance on how to calculate CBRs is necessary to ensure projects achieve wildfire risk reduction without undue expense and provide a means for equitable comparison against potential alternative mitigations.~~
- ~~35. The CBR Calculation Guidelines requirement for backcasting is reasonable and allows for greater alignment with the Energy Safety Guidelines.~~

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- ~~36. The CBR Calculation Guidelines establishes a standardized and consistent methodology for evaluating and comparing the cost efficiency of undergrounding and alternative mitigations in SB 884-related applications.~~
- ~~37. The CPUC Guidelines contained in Attachment A herein are reasonable and necessary for the continued development of the Commission's SB 884 program.~~
- ~~38. The SB 884 Project Lists Data Requirements Preliminary were refined, revised, and finalized following a series of TWG meetings, as authorized by SPD-15, and are included for information only with this Resolution as the SB 884 Project List Data Requirements Guidelines in Appendix 2 of the CPUC Guidelines.~~
- ~~39. The SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template were issued by SPD on July 24, 2025.~~
40. Future updates and changes to the SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template may be necessary.
41. It is reasonable to authorize SPD to make future updates and changes to the **Appendix 1, SB 884 Project List Data Requirements-Preliminary** ~~SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template~~ after hosting at least one TWG meeting to present and discuss the changes.

THEREFORE, IT IS ORDERED THAT:

1. Resolution SPD-37 is ~~approved and adopted~~ **rejected in its entirety.**
2. **The Commission reaffirms Resolution SPD-15.**
- ~~3. The large electrical corporations shall demonstrate that the Phase 2 Conditions, including the Additional New Phase 2 Conditions, have been met in their six-month progress reports.~~
- ~~4. Costs recovered in the memorandum account shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account and according to the requirements established in the large electrical corporation's Phase 2 Decision.~~
- ~~5. An Electrical Undergrounding Plan Audit shall be conducted annually for undergrounding project costs recovered by the large electrical corporation through the one-way balancing account.~~
- ~~6. The primary objective of an Electrical Undergrounding Plan Audit is to verify Resolution whether the costs of the large electrical corporation's undergrounding projects recovered through the one-way balancing account meet the Phase 2 Conditions.~~
- ~~7. The secondary objectives of an Electrical Undergrounding Plan Audit are to verify that an undergrounding project is used and useful, verify the incrementality showing found in~~

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- ~~Application Requirement No. 2, and validate the methodology used to calculate a Cost-Benefit Ratio for a given project.~~
- ~~8. The Senate Bill 884 Program: California Public Utilities Commission Guidelines applicable to all large electrical corporations have been updated and appear as Attachment A hereto. They supersede the guidelines adopted in Resolution SPD15.~~
 - ~~9. Large electrical corporations shall comply with the Senate Bill 884 Program: California Public Utilities Commission Guidelines attached hereto as Attachment A.~~
 - ~~10. The large electrical corporations shall use the Cost-Benefit Ratio Calculation Guidelines when calculating the Cost-Benefit Ratio for Senate Bill 884 projects.~~
 - ~~11. The large electrical corporations must complete the SB 884 Project List Data Template¹¹⁷ according to the requirements found in the SB 884 Project List Data Requirements Guidelines and submit the completed SB 884 Project List Data Template with their Phase 2 Application and six-month progress reports.~~
 - ~~12. Parties may review, file and serve opening comments on the progress report in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after the progress report is filed and served by the large electrical corporation. Reply comments on the progress report may be filed and served in the Phase 2 Application docket no later than seven (7) days (or such period specified in the Phase 2 Decision) after the due date for opening comments.~~
 13. We authorize Safety Policy Division to make future updates and changes to **the Appendix 1, SB 884 Project List Data Requirements-Preliminary** ~~SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template~~ after hosting at least one technical working group meeting to present and discuss the changes

Alternative 2 – Aligned to PG&E's Primary Recommendations in the Comments⁶⁸

FINDINGS

1. **On March 8, 2024, the Commission voted out SPD-15 which detailed cost application requirements for a utility's Phase 2 EUP Application and ordered that it was reasonable to only make changes to SPD-15 to ... "align the preliminary CPUC SB 884 Project List Data Requirements and GIS data requirements with Energy Safety guidelines, adding any data elements necessary for Commission conditional approval purposes".**

⁶⁸ For simplicity, PG&E is not providing a third set of proposed changes associated with our secondary recommendations.

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2. On October 14, 2024, the Commission's Safety Policy Division (SPD) staff issued a list of "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" for stakeholder comment.
3. On November 12, 2024, responses to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" was received from stakeholders.
4. On February 20, 2025, Energy Safety issued its own SB 884 10-Year Electrical Undergrounding Plan Guidelines (Energy Safety Guidelines).
5. On April 8, 2025, SPD held a workshop to discuss potential modifications to the SPD-15 Guidelines following publication of the Energy Safety Guidelines.
6. On April 25, 2025, responses to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" were received from stakeholders.
7. On June 3, 2025, and June 10, 2025, SPD held technical working group (TWG) meetings on potential updates to the SB 884 Project List Data Requirements Guidelines.
8. On June 24, 2025, SPD held a TWG meeting to discuss the Interruption Cost Estimator Calculator (ICE 2.0) element of the SB 884 program.
9. The Energy Safety Guidelines do not require all projects submitted in an Electrical Undergrounding Plan (EUP) to pass through Screens 3 and 4 before being approved by Energy Safety.
10. The vast majority of undergrounding projects approved by Energy Safety through its Project Acceptance Framework may only be preliminarily scoped.
11. It is not until a project successfully passes Screen 3 and Screen 4 of the Energy Safety Guidelines that a project will be completely scoped.
12. A large electrical corporation will not be required to obtain Energy Safety approval of undergrounding projects it intends to construct after Energy Safety approves its EUP.
13. A large electrical corporation will provide new details about undergrounding projects in its six-month progress reports.
14. Because significant changes can be made to the economic metrics of an undergrounding project as it is more accurately scoped in Screens 3 and 4, the large majority of forecasted data available to the Commission at the time the Phase 2 Application is considered, and upon which its EUP cost approval conditions will be based, will not be sufficiently precise to provide the necessary cost containment controls.
15. In consideration of the Energy Safety Guidelines, the questions and responses from stakeholders, and feedback from the SPD workshop and TWG meetings, described above, it is reasonable to update and refine the guidelines adopted in Resolution SPD-15 issued March 8, 2024.
16. Updates and additions to the Phase 2 Application requirements are necessary to align programmatic information required by the Energy Safety Guidelines and CPUC

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Guidelines and to ensure the Commission has adequate undergrounding project cost information to determine whether cost recovery is reasonable.

17. Allowing undergrounding projects that have forecasted Cost-Benefit Ratios (CBR) below 1.0 to be included in a Phase 2 Application would be unreasonable, especially considering that undergrounding is the most capital-intensive grid hardening investment available.
18. After considering the results of the workshops and stakeholder feedback, and the Energy Safety Guidelines, additional Phase 2 Conditions in this resolution are necessary ~~to ensure the most cost-efficient undergrounding projects are implemented.~~
19. Staff proposed a maximum total cost cap for the memorandum account at the April 8, 2025, workshop and solicited written feedback in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," published on April 11, 2025.
20. Stakeholders generally agreed at the April 8, 2025, workshop that it may be valuable to include cost caps on the memorandum account, but setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed.
21. It is prudent to establish an upper bound on the total potential costs of an EUP by capping the total costs recovered from the memorandum account at a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account.
- ~~22. The percentage value of the memorandum account cost cap should be established in the Phase 2 Decision.~~
23. The EUP Guidelines require that a large electrical corporation report forecast CBR values for undergrounding and alternative mitigations.
24. The EUP Guidelines do not require a large electrical to select the mitigation alternative with the highest CBR value, nor do they require a CBR for undergrounding to exceed the CBR for alternative mitigations by a threshold value.
25. Requiring the forecasted CBR of the undergrounding project to exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value conflicts with the project selection requirements in the EUP Guidelines.
26. It is reasonable to eliminate the CBR threshold requirement, Conditions for Approval of Plan Costs Number 5, to align SPD-37 to the EUP Guideline requirements.
27. The EUP Guidelines do not prohibit a large electrical corporation from reporting comparative metrics in addition to CBR values.
28. A CBR measures the cost efficiency of a mitigation, and a Net Benefit represents the absolute gain or loss of a project.
29. Allowing a large electrical corporation to provide CBR and Net Benefit values for mitigation comparison is aligned with the EUP Guidelines.

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30. It is reasonable to modify Approval of Plan Costs Number 5 to allow a large electrical corporation to consider other comparative metrics such as Net Benefit when evaluating mitigations to align SPD-37 to the EUP Guideline requirements.
31. The Phase 2 Decision will establish a threshold by which the percentage difference of the recorded CBR for an undergrounding project must be within, when compared to the forecast CBR.
32. The Phase 2 Decision will establish a threshold by which the percentage difference of the recorded unit cost for an undergrounding project must not exceed the forecast unit cost.
33. A large electrical corporation will provide forecasted CBR values and forecasted unit costs for each project in its Phase 2 Application.
34. CBR and unit cost forecasts developed during the scoping phase of the project lifecycle are preliminary estimates that are refined through the project lifecycle.
35. There are often large differences between preliminary CBR and unit cost estimates developed during project scoping and recorded CBR and unit cost values.
36. It is reasonable to eliminate Conditions for Approval of Plan Costs Numbers 5 and 6 because project-level CBR and unit cost percentage variance thresholds are unnecessary in-light of the Conditions for Approval of Plan Costs Numbers 3 and 4, the portfolio-level conditions for recording costs to the one-way balancing account.
37. The EUP Guidelines require a large electrical corporation to establish Project-Level Standards that determine the necessary level of risk reduction needed for an Undergrounding Project to be considered to merit inclusion in the EUP without considering other EUP projects.
38. Undergrounding projects must meet or exceed the applicable Project-Level Standard(s) in the large electrical corporation's EUP approved by Energy Safety for costs to be recorded to the one-way balancing account.
39. SPD-37 does not include a method for demonstrating how a subproject meets a Project-Level Standard.
40. It is reasonable to eliminate Conditions for Approval of Plan Costs Number 8 because there is no method for demonstrating compliance with it.
41. Wildfire rebuild work can be included in an EUP if it meets the eligibility criteria set forth in the EUP Guidelines.
42. Wildfire rebuild work is aligned to a large electrical corporation's obligation to serve its customers.
43. Wildfire rebuild work often costs more than planned undergrounding work.
44. A large electrical corporation cannot include cost forecasts that represent the true costs for wildfire rebuild work in its Screen 2 analysis because it is impossible to predict where a wildfire will occur.

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45. Because wildfire rebuild work often costs more than planned undergrounding work, wildfire rebuild projects are less likely to achieve the CBR and unit cost variance targets.
46. If a large electrical corporation were to meet the Memorandum Account cost cap prior to completing wildfire rebuild work, it would not be able to record the costs to the Memorandum Account and would not be able to recover the costs for that work.
47. It is reasonable to add a provision to the Memorandum Account exempting wildfire rebuild work from counting against the Memorandum Account cost cap to provide a large electrical corporation the ability to recover costs for wildfire rebuild work.
48. The primary objective of the EUP Audit is to determine if the costs recorded into the one-way balancing account met the Phase 2 Conditions.
- ~~49. An EUP Audit of the one-way balancing account should occur annually.~~
50. SPD-15 provided clear audit requirements and objectives that required performance of periodic audits of the established balancing account to ensure the costs booked to the balancing account meet the conditions established by the Phase 2 Decision.
51. It is reasonable to revert back to the SPD-15 audit requirements to simplify and streamline the audit requirements set forth in SPD-37.
- ~~52. The secondary objectives of the EUP Audit include verifying that an undergrounding project is used and useful, verifying the incrementality showing found in Application Requirement No. 2, and validating the methodology used to calculate a CBR for a given project.~~
53. Additional primary and/or secondary objectives for an EUP Audit may be included in the Phase 2 Decision.
54. The EUP Audit should begin no later than 60 days (or such period specified in the Phase 2 Decision) after the due date for reply comments on the second six-month progress report in a given calendar year.
55. The large electrical corporation should not have input into the direction, focus, or outcome of the EUP Audit that goes beyond the input afforded to other Parties to the Commission's SB 884 proceeding or process.
56. The large electrical corporation should provide access to all information requested by the auditor and SPD to carry out the audit within five days (or such period specified in the Phase 2 Decision) of each data request.
57. The large electrical corporation should make personnel available for interviews on five days' notice (or such period specified in the Phase 2 Decision) if the auditor seeks substantive information, and a custodian of records for questions about the location and content of requested information.
58. In the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," issued on April 11, 2025, Staff solicited stakeholder input on whether the

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Commission should provide additional guidance for CBR calculations made in the context of SB 884.

59. Guidance on how to calculate CBRs is necessary to ensure projects achieve wildfire risk reduction without undue expense and provide a means for equitable comparison against potential alternative mitigations.
- ~~60. The CBR Calculation Guidelines requirement for backcasting is reasonable and allows for greater alignment with the Energy Safety Guidelines.~~
- ~~61. The CBR Calculation Guidelines establishes a standardized and consistent methodology for evaluating and comparing the cost efficiency of undergrounding and alternative mitigations in SB 884-related applications.~~
- ~~62. The CPUC Guidelines contained in Attachment A herein are reasonable and necessary for the continued development of the Commission's SB 884 program.~~
63. The method for calculating a CBR in the EUP Guidelines is aligned to D.22-12-027, the Phase II Decision in the Risk-Based Decision-Making proceeding.
64. Adopting the method for calculating a CBR in SPD-37 that is described in D.22-12-027 will ensure a standardized and consistent methodology for evaluating and comparing the cost-efficiency of undergrounding and alternative mitigations in SB 884-related applications.
65. It is reasonable to eliminate the Cost Benefit Ration Calculation Guidelines and adopt the method for calculating a CBR in SPD-37 that is described in D.22-12-027 so as to avoid conflicting requirements among SPD-37, the EUP Guidelines, and relevant proceedings.
66. The SB 884 Project Lists Data Requirements-Preliminary were refined, revised, and finalized following a series of TWG meetings, as authorized by SPD-15, and are included for information only with this Resolution as the SB 884 Project List Data Requirements Guidelines in Appendix 2 of the CPUC Guidelines.
67. The SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template were issued by SPD on July 24, 2025.
68. Future updates and changes to the SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template may be necessary.
69. It is reasonable to authorize SPD to make future updates and changes to the SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template after hosting at least one TWG meeting to present and discuss the changes.

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THEREFORE, IT IS ORDERED THAT:⁶⁹

1. Resolution SPD-37 is approved and adopted.
2. The large electrical corporations shall demonstrate that the Phase 2 Conditions, including the Additional New Phase 2 Conditions, have been met in their six-month progress reports.
3. Costs recovered in the memorandum account shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account and according to the requirements established in the large electrical corporation's Phase 2 Decision.
4. An Electrical Undergrounding Plan Audit shall be conducted annually for undergrounding project costs recovered by the large electrical corporation through the one-way balancing account.
5. The primary objective of an Electrical Undergrounding Plan Audit is to verify whether the costs of the large electrical corporation's undergrounding projects recovered through the one-way balancing account meet the Phase 2 Conditions.
6. The secondary objectives of an Electrical Undergrounding Plan Audit are to verify that an undergrounding project is used and useful, verify the incrementality showing found in Application Requirement No. 2, and validate the methodology used to calculate a Cost-Benefit Ratio for a given project.
7. The Senate Bill 884 Program: California Public Utilities Commission Guidelines applicable to all large electrical corporations have been updated and appear as Attachment A hereto. They supersede the guidelines adopted in Resolution SPD-15.
8. Large electrical corporations shall comply with the Senate Bill 884 Program: California Public Utilities Commission Guidelines attached hereto as Attachment A.
9. The large electrical corporations shall use the **cost benefit calculation method that is described in D.22-12-027**~~Cost-Benefit Ratio Calculation Guidelines~~ when calculating the Cost-Benefit Ratio for Senate Bill 884 projects.
10. The large electrical corporations must complete the SB 884 Project List Data Template according to the requirements found in the SB 884 Project List Data Requirements Guidelines and submit the completed SB 884 Project List Data Template with their Phase 2 Application and six-month progress reports.
11. Parties may review, file and serve opening comments on the progress report in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after the progress report is filed and served by the large electrical corporation. Reply comments on the progress report may be filed and served in the Phase 2

⁶⁹ The Alternative 2 Ordering Paragraphs assume that all PG&E's recommended changes to the Findings of Fact under Alternative 2 have been incorporated.

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Application docket no later than seven (7) days (or such period specified in the Phase 2 Decision) after the due date for opening comments.

12. We authorize Safety Policy Division to make future updates and changes to the SB 884 Project List Data Requirements Guidelines and SB 884 Project List Data Template after hosting at least one technical working group meeting to present and discuss the changes.



September 4, 2025

VIA ELECTRONIC FILING

Daniel Bout, Director, Safety Policy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
SB884@cpuc.ca.gov

Subject: Public Advocates Office's Comments on Draft Resolution SPD-37

Dear Director Bout,

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) respectfully submits the following comments on Draft Resolution SPD-37 for the SB 884 Program.

Please contact Iain Fisher (Arthur.Fisher@cpuc.ca.gov), Program Manager, or Holly Wehrman (Holly.Wehrman@cpuc.ca.gov), Program and Project Supervisor, with any questions relating to these comments.

We respectfully urge the Commission to adopt the recommendations discussed herein.

Sincerely,

/s/ Iain Fisher

IAIN FISHER

Program Manager, Safety Branch

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I. INTRODUCTION

Pursuant to Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby submits these comments on Draft Resolution SPD-37, which adopts updated and revised guidelines for the Senate Bill (SB) 884 Program.

Senate Bill (SB) 884, codified as Public Utilities (PU) Code section 8388.5, went into effect on January 1, 2023. This statute directs the Commission to establish a program for long-term utility distribution undergrounding plans, and authorizes large electrical corporations (utilities) to participate in that program.^{1, 2} On March 8, 2024, the Commission adopted Resolution SPD-15, which established the process and requirements for the Commission's review of the utilities SB 884 program applications.³ The guidelines adopted in Resolution SPD-15 established three phases for a utility's SB 884 program: Phase 1 covers review of the Plan by the Office of Energy Infrastructure Safety (Energy Safety); Phase 2 provides for review of the utility's plan (in an application proceeding) by the Commission; and Phase 3 pertains to construction of the projects and recovery of costs recorded in the balancing account and the memorandum account.⁴

On August 15, 2025, the Safety Policy Division (SPD) served Draft Resolution SPD-37, which updates and revises the process and requirements for the Commission's review of the utilities SB 884 program applications (Revised SB 884 Guidelines).⁵

The comment letter for Draft Resolution SPD-37 invites interested persons to file opening comments by September 4, 2025 and reply comments by September 9, 2025. Comments are limited to twenty pages in length.⁶

¹ Many of the Public Utilities Code requirements relating to wildfires apply to "electrical corporations." See, e.g., Public Utilities Code section 8388.5. These comments use the more common term "utilities" to refer to the entities that must comply with the wildfire safety provisions of the Public Utilities Code.

² PU Code section 8385 and section 8388.5.

³ Attachment 1 to Resolution SPD-15, March 8, 2024.

⁴ Attachment 1 to Resolution SPD-15, March 8, 2024 at 4.

⁵ SPD, Draft Resolution SPD-37, August 15, 2025 (Draft Resolution SPD-37) and Attachment A, *SB 884 Program: CPUC Guidelines With Appendices* (Revised SB 884 Guidelines).

⁶ SPD, Comment letter and Certificate of Service for SPD-37, August 15, 2025.

II. ACCOUNTABILITY AND RATEPAYER PROTECTIONS

A. Cal Advocates supports provisions in Draft Resolution SPD-37 that improve utility accountability and ratepayer protections in Phase 2 applications.

Draft Resolution SPD-37 revises the Commission's SB 884 program guidelines to, among other things, improve utility accountability and provide ratepayer protections.⁷ The Revised SB 884 Guidelines include a cap on the memorandum account for excess costs, establish an auditing program for the balancing accounts, and ensures only cost-effective undergrounding projects will be approved in Phase 2.⁸ Several of these provisions partially or wholly resolve issues Cal Advocates previously identified in prior versions of the Commission's SB 884 program guidelines. Cal Advocates supports the revisions listed below and urges the Commission to adopt Draft Resolution SPD-37 with these provisions intact.

1. The cap on the memorandum account protects ratepayers from large cost overruns.

The Revised SB 884 Guidelines state that utilities will record approved costs to a one-way balancing account, and may record any additional costs (i.e. those that do not meet the conditions approved in Phase 2) to a memorandum account.⁹ Cal Advocates has previously expressed concern that allowing utilities to record additional costs in a memorandum account would allow utilities to spend unlimited amounts on their undergrounding programs, which would effectively circumvent any cost caps established as part of the conditional approval decision and ultimately fail to protect ratepayers from excessive costs.¹⁰

The Revised SB 884 Guidelines partially resolve this concern by establishing a cap on the memorandum account:¹¹

The total cumulative costs recovered via the memorandum account throughout the duration of an EUP shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way

⁷ Attachment A to Draft Resolution SPD-37, August 15, 2024 (Revised SB 884 Guidelines).

⁸ Revised SB 884 Guidelines.

⁹ Revised SB 884 Guidelines at 13.

¹⁰ *Public Advocates Office's Comments on Draft Resolution SPD-15 and the Staff Proposal for the SB 884 Program*, December 28, 2023 at 4.

¹¹ Revised SB 884 Guidelines at 13.

balancing account. The percentage value of the memorandum account cost cap will be established in the Phase 2 Decision.

The Revised SB 884 Guidelines do not predict or provide a range of percentages that may be used to establish the cap on the memorandum account, and therefore Cal Advocates remains concerned that significant cost overruns may be unduly passed on to ratepayers. However, the establishment of any cap is an improvement over the previous uncapped memorandum account, and will prevent utilities from recovering costs from ratepayers when utility expenses greatly exceed the forecasts in their Phase 2 applications.

2. Annual audits of the balancing account ensure utilities only recover costs that are just and reasonable.

Cal Advocates has previously raised concern that the Commission's SB 884 guidelines did not provide for a review of costs recorded to the balancing account to ensure that costs are just and reasonable.¹²

The Revised SB 884 Guidelines state that an annual audit of the balancing account will occur during the period of the undergrounding program.¹³ This audit will verify that recorded costs comply with all Phase 2 conditions, and that the utility has calculated cost-benefit ratios (CBRs) in accordance with the methodology established in the Revised SB 884 Guidelines.¹⁴ The Revised SB 884 Guidelines additionally specify that utilities "shall not have input into the direction, focus, or outcome" of these audits.¹⁵ The audits of the balancing account may involve the review of tens of billions of dollars; it is critical that such audits are performed without the appearance of direction or interference from the utility.

¹² *Public Advocates Office's Comments on Draft Resolution SPD-15 and the Staff Proposal for the SB 884 Program*, December 28, 2023, at 3.

¹³ Revised SB 884 Guidelines at 15-17.

¹⁴ Revised SB 884 Guidelines at 16; Appendix 1 to Revised SB 884 Guidelines (CBR Calculation Guidelines).

¹⁵ Revised SB 884 Guidelines at 17.

3. Limitations on cost-benefit ratios will ensure ratepayers are receiving the most cost-effective benefit from the program.

The Revised SB 884 Guidelines prohibit a utility from including undergrounding projects with a cost-benefit ratio (CBR) below 1 in its Phase 2 Application.¹⁶ Additionally, for costs to be approved, the CBR of a given undergrounding project must exceed the CBR of *all* alternative mitigations considered for that project.¹⁷

These two provisions are reasonable and will prevent ratepayers from being charged for inefficient system hardening. A CBR threshold of 1 ensures that the predicted benefits of a project will *at least* outweigh the costs, requirement regarding alternative mitigations will ensure that undergrounding (an expensive and often slow mitigation¹⁸) will not be chosen over a faster and more cost-efficient mitigation measure. These provisions are also consistent with the intent of the law, which states that underground projects should be prioritized based on “wildfire risk reduction, public safety, cost efficiency, and reliability benefits.”¹⁹

III. GUIDANCE ON COST-BENEFIT RATIOS

A. Cal Advocates supports the clarity provided in the new guidelines for CBR calculations.

The Revised SB 884 Guidelines include clear direction on how utilities are to calculate CBRs for undergrounding and alternative mitigations.²⁰ The CBR Calculation Guidelines define CBR as the present value of risk reduction and other benefits divided by the present value of capital costs (however, as discussed in Section IV.B of these comments, it is not clear that the “capital costs” includes the full costs to ratepayers).²¹ These guidelines define what information a utility may include, and what information must be excluded, from CBR calculations. This

¹⁶ Revised SB 884 Guidelines at 10.

¹⁷ Revised SB 884 Guidelines at 12 (emphasis added).

¹⁸ “Overhead hardening...is three times as fast to install and less than one-fourth as costly as undergrounding.” *Comments of the Public Advocates Office on PG&E’s 2025 Wildfire Mitigation Plan Update*, May 7, 2024 at 19.

¹⁹ Public Utilities Code Section 8388.5(c)(2).

²⁰ Appendix 1 to Revised SB 884 Guidelines (CBR Calculation Guidelines).

²¹ CBR Calculation Guidelines at A1-9.

clarity will allow Energy Safety, the Commission, and stakeholders to reliably review and compare CBRs between projects.

1. Strict definition of benefits and costs will prevent utilities from artificially inflating CBRs.

The CBR Calculation Guidelines state that the benefits (the numerator of CBR) may include only the benefits of avoided wildfire ignition risk, the benefits of avoided outage program risk, and net operations and maintenance savings compared to a no-build baseline.²² This definition prevents a utility from influencing CBR calculations by including ancillary benefits such as reduced public contact with energized electric equipment, or including newly-determined benefits in CBRs part of the way through the ten-year program.

The CBR Calculation Guidelines additionally state that the costs (the denominator of CBR) includes only the capital costs of the project.²³ A utility may not reduce the projected cost by incorporating operations and maintenance savings, or other theoretical future cost savings. This, again, prevents a utility from attempting to influence CBR calculations by artificially lowering the projected costs of an undergrounding project.

These strict definitions on what may be included as benefits and costs in CBR calculations will ensure utilities calculate CBRs consistently between undergrounding and alternatives, and that the methodology for CBR calculations will not vary during the duration of the program. This will allow Energy Safety, the Commission, and stakeholders to review and compare CBRs across projects, across years, and across different utilities.

2. The use of neutral risk scaling allows comparison of CBRs across different projects.

The CBR Calculation Guidelines direct utilities to use unscaled or risk-neutral values in CBR calculations.²⁴ Intervenors have previously raised concerns that risk scaling functions can

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²² CBR Calculation Guidelines at A1-5 through A1-7.

²³ CBR Calculation Guidelines at A1-7 through A1-8.

²⁴ CBR Calculation Guidelines at A1-5.

result in inflated benefits and therefore inflated CBRs.²⁵ The use of risk-neutral scaling ensures that ratepayers will only be asked to pay for projects where the dollar value of benefits exceeds the dollar value of costs, and will ensure comparability between utilities that may use different risk scaling functions. Furthermore, as the CBR Calculation Guidelines state, the use of risk-neutral scaling is consistent with Energy Safety’s SB 884 Guidelines.²⁶

IV. CLARIFICATIONS

A. SPD should revise Draft Resolution SPD-37 to clarify how and whether CBR requirements will apply to subprojects.

The Revised SB 884 Guidelines adopt the definitions for “project” and “subproject” that are used in Energy Safety’s SB 884 Guidelines.²⁷ Per Energy Safety, a project is equivalent to an isolatable circuit segment,²⁸ which may be divided into one or more subprojects during the scoping process.²⁹ The Revised SB 884 Guidelines require utilities to report substantial information for each RRU (risk reduction unit), which may be defined as either a project or a subproject.³⁰

While the Revised SB 884 Guidelines include important ratepayer protections such as a requirement that undergrounding projects have a forecasts CBR greater than or equal to one,³¹ it is unclear whether this requirement applies at the project or circuit segment level, or whether it applies to all subprojects that constitute a project.

²⁵ “There is a strong perverse incentive for PG&E to artificially amplify its risk estimates. Nearly \$1 billion in proposed capital improvements (approximately \$100 in additional profits for PG&E) are from its proposed undergrounding of secondary lines and service drops. Without the 7.5X risk multiplier, these have a CBR significantly less than 1.0, and therefore are not justifiable from a cost-benefit perspective.” Application A.24-05-008, *Mussey Grade Road Alliance Comments on the Safety Policy Division Report and Pacific Gas and Electric Company’s Ramp Filing*, December 6, 2024 at 5.

²⁶ CBR Calculation Guidelines at A1-5; Energy Safety, *10-Year Electrical Undergrounding Plan Guidelines*, February 20, 2025 (Energy Safety’s SB 884 Guidelines) at 31.

²⁷ Appendix 2 to Revised SB 884 Guidelines (SB 884 Project Data Requirements) at A2-5.

²⁸ Energy Safety, *10-Year Electrical Undergrounding Plan Guidelines*, February 20, 2025 (Energy Safety’s SB 884 Guidelines) at 3.

²⁹ Energy Safety’s SB 884 Guidelines at 14.

³⁰ “If the utility submits a Phase 2 Application that does not use Subprojects, then the Commission requires that the granularity of the RRU be identical to that of the Project as defined in the Energy Safety Guidelines (see Figure 1). If the utility submits a Phase 2 Application that uses Subprojects the Commission requires that the granularity of the RRU be identical to that of the Subproject once detailed Subproject data is available.” SB 884 Project Data Requirements at A2-5.

³¹ Revised SB 884 Guidelines at 10.

Circuit segments vary in length,³² and a long circuit segment may traverse both low-risk and high-risk areas. Aggregated over the length of the circuit segment, the costs and benefits may balance to result in a CBR above one, however it is possible that individual subprojects could have CBRs both well below and well above one.

It is not in the ratepayer's interest to pay for undergrounding in low-risk areas, nor for that information to be masked by setting a minimum CBR only at the project level. In order to ensure utilities are only employing undergrounding when it is cost effective to do so, SPD should revise its guidelines to state that the CBR minimum of one applies to RRUs, rather than to projects. Similarly, the SPD should revise the Guidelines to state that the requirement for forecasted CBRs of undergrounding to exceed the CBR of all alternatives will apply to RRUs, rather than to only the project level.

B. SPD should revise Draft Resolution SPD-37 to clarify what elements of Capital Costs to Ratepayers should be included in the CBR.

The Revised SB 884 Guidelines refers to capital costs as the summation of total nominal capital costs of projects for the years the project is being built,³³ and requires large electrical corporations to only include capital costs in the denominator of a CBR calculation, noting that capital costs are capital expenditures (Labor, Materials, Permits, and Others).³⁴ The Revised SB 884 Guidelines further states that net salvage values shall not be incorporated into the capital costs and present value of capital costs used in CBR calculations.³⁵ However, CBRs are at risk of being distorted to favor capital-intensive projects unless capital costs used in the CBR calculation includes the *full* costs to ratepayers. In order to adequately evaluate the costs and benefits of projects, and to understand the impact that these mitigations would have on customer rates, the full costs of mitigations, including those capital related costs to ratepayers, must be included in the cost-benefit analysis of mitigations.

³² “The riskiest 8,000 miles in PG&E’s territory represent approximately 50 percent of the total wildfire risk (according to WDRM v4). These 8,000 miles consist of 744 circuit segments with a median length of 7 miles and a maximum length of 74 miles.” *Comments of the Public Advocates Office on PG&E’s 2025 Wildfire Mitigation Plan Update*, May 7, 2024 at 39.

³³ Appendix 1 to Revised SB 884 Guidelines (Cost Benefit Ratio Calculation Guidelines) at A1-7.

³⁴ Appendix 1 to Revised SB 884 Guidelines (Cost Benefit Ratio Calculation Guidelines) at A1-8.

³⁵ Appendix 1 to Revised SB 884 Guidelines (Cost Benefit Ratio Calculation Guidelines) at A1-8.

Furthermore, the formula to calculate CBRs is calculated by dividing the dollar value of total mitigation benefit by the present value of the capital costs.³⁶ Should the total benefit of a mitigation project be used to calculate CBR, the total cost of a mitigation project, including all capital related costs to customers, should be used in the CBR calculation to fully understand the costs and benefits of a project. SPD should revise Draft Resolution SPD-37 to clarify that capital costs include all costs paid for by ratepayers, including but not exclusive to rate of return, taxes, asset retirement costs, and depreciation costs, including negative salvage value.

C. SPD should revise Draft Resolution SPD-37 to ensure that it is consistent with RDF Phase 4 Proposed Decision.

Given that the formula to calculate CBRs is by dividing the dollar value of total mitigation benefit by the present value of the capital costs,³⁷ the Commission finds that it is more appropriately called the Benefit-Cost Ratio (BCR).³⁸ In the recent Phase 4 Proposed Decision in the Risk-Based Decision-Making Framework Rulemaking (R.) 20-07-013 that was adopted on August 28, 2025, the term CBR has been replaced with BCR.^{39, 40} In order to ensure consistency with the RDF and across various filings, SPD should revise Draft Resolution SPD-37 to replace the term CBR with BCR.

V. CONCLUSION

Cal Advocates respectfully requests that the Commission adopt the recommendations discussed herein.

Respectfully submitted,

/s/ Iain Fisher

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³⁶ Revised SB 884 Guidelines at 2, fn. 2.

³⁷ Revised SB 884 Guidelines at 2, fn. 2.

³⁸ R.20-07-013, *Phase 4 Decision* (RDF PD), July 25, 2025, at 89.

³⁹ RDF PD at 89.

⁴⁰ RDF PD Conclusions of Law 39 at 115.

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September 4, 2025

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RE: San Diego Gas & Electric Company's Comments on Draft Resolution SPD-37

Dear Mr. Bout,

In accordance with Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), San Diego Gas & Electric Company (SDG&E) respectfully submits these comments on Draft Resolution SPD-37 (Draft Resolution) issued on August 15, 2025. The Draft Resolution refines and updates the Commission's Senate Bill (SB) 884 expedited undergrounding program guidelines previously adopted in Resolution SPD-15. SDG&E's comments focus on the shift in cost benefit methodology presented in SPD-37, specifically, the departure from the current Commission precedent on calculating Cost Benefit Ratios (CBRs). SDG&E also discusses several issues related to the Results of Operation Model (RO Model), the Memorandum Cost Cap, and the newly added conditions of approval.

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SUBJECT INDEX RECOMMENDATION OF CHANGES

Pursuant to Rule 14.3(b) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following Subject Index of Recommended Changes in support of its opening comments:

- The Commission should return to the portfolio-level cost recovery requirements established in SPD-15 because SPD-15 provided utilities with regulatory certainty, addressed ratepayer protection, and included numerous provisions for ensuring that the rates associated with undergrounding via SB 884 are just and reasonable.

If the Commission does not adopt SDG&E’s recommendation to revert to portfolio-level cost recovery in SPD-15, SDG&E makes the following recommendations:

1. Align SPD-37 guidelines with the RDF by allowing flexibility in how utilities model net long-term O&M savings. This flexibility should reflect each utility’s optimization strategies aimed at achieving risk reduction, rather than imposing a one-size-fits-all approach. Such alignment would ensure consistency with the RDF’s safety-focused objectives and support utility-specific cost-benefit evaluations.
2. In the event that Net O&M cost savings were to be captured as a Benefit, certain terms used in the proposed CBR formulation should be renamed for clarity. Specifically, references to “Net O&M Costs” with “Net O&M Benefit” should be renamed and replaced while maintaining the same formulaic definition in Equation. 1, i.e.:

$$\text{Net O\&M Benefit} = \text{O\&M Cost Savings} - \text{New O\&M Costs}$$

The replacement of “Costs” with “Benefit” is reasonable considering that a positive result from the current formulation would be a net benefit due to the subtraction of costs from

savings. Adopting this change could also avoid potential confusion from including an item labeled as a “Cost” in the evaluation of the Total Mitigation Benefit.

3. The Commission should revise SPD-37 to permit the use of risk-averse scaling functions in CBR calculations, consistent with the methodology authorized in D.22-12-027. Additionally, the Commission should clearly distinguish between KDMMs, which are appropriately calculated using risk-neutral values, and CBRs, which should retain flexibility for risk-weighted evaluation. This distinction is essential to maintaining consistency with the RDF and ensuring that utilities can accurately reflect their risk management strategies in mitigation planning.
4. The Commission should incorporate flexibility in the evaluation of bundled undergrounding projects, recognizing that certain lower-mileage segments, particularly those located upstream or downstream of higher-priority segments, may be essential to achieving comprehensive risk reduction and implementation efficiency. Including these segments within a broader project scope can enhance operational feasibility, reduce construction complexity, and support more cohesive mitigation strategies that align with long-term safety objectives.
5. Draft Resolution SPD-37 should be revised to require the use of a revenue requirement model but not limit the revenue requirement modeling to be performed in the RO model.
6. The Commission should remove the requirement that the CBR threshold value of an underground project must exceed an alternative mitigation by an as yet to be determined value. An underground project should only need to show a CBR that is greater than alternative mitigations.
7. The threshold value may limit or discourage the continuation of challenging underground projects but those may be the most beneficial for risk reduction. Therefore, the Commission should incorporate flexibility in post-implementation reviews to account for such exceptions, allowing for a more holistic evaluation that balances cost considerations with safety outcomes.
8. The Commission should implement a portfolio level cost cap. A portfolio level cost cap would ensure cost control over undergrounding projects in aggregate while allowing for more flexibility between projects as long as the portfolio level cap was not exceeded.
9. The cost cap on the memorandum account should be removed given that (1) the one-way balancing account is already capped, (2) a cap on a memorandum account does not recognize that just and reasonable unforeseen costs may arise, and (3) a cap is not needed to protect the utility or ratepayers as the CPUC can ultimately deny costs, above or below any cap, for inclusion in rates.

1) INTRODUCTION

SDG&E is concerned about the change in cost benefit methodology from the approval of SPD-15 in March 2024 to the current proposal in SPD-37. SPD-37 was billed as a “refinement” of SPD-15 in order to align with the Office of Energy Infrastructure Safety (Energy Safety) guidelines, which were finalized in February 2025. SPD-37 is not a “refinement” of its predecessor but is instead a radical shift from the fundamental findings in SPD-15, designed ostensibly to discourage Electrical Corporations (EC’s) from availing themselves of the only process in which to reasonably seek funding for undergrounding. SPD-15 established straightforward requirements for submitting a Phase 2 Application and a reasonable set of conditions for portfolio-level cost recovery. It also supported a cost benefit methodology that followed current practice in other Commission proceedings such as the General Rate Case (GRC) and Risk Assessment Mitigation Phase (RAMP). SPD-15 was a reasonable balance between mitigating wildfire risk and managing long term affordability of that goal. It bears mentioning that the genesis for these resolutions is Senate Bill 884 (SB 884), which was enacted as an expedited pathway for undergrounding that balanced wildfire risk and affordability. Nothing in SPD-37 bears any resemblance to that original legislative intent.

For these reasons, SDG&E requests that the Commission revert back to SPD-15 for the requirements of a Phase 2 Application and that SPD-37 be withdrawn. If the Commission does not align with that request, SDG&E offers several issues that must be resolved in SPD-37 in order to align with current Commission guidance in other proceedings and to allow for significant wildfire risk reduction balanced with affordability.

2) COMMENTS

a) Ensuring Alignment Between SPD-37 and Risk-Based Decision-Making Framework: Net O&M Cost Considerations

SDG&E supports the Commission’s ongoing commitment to enhancing transparency and analytical rigor in the assessment of long-term mitigation projects, particularly through the application of Benefit-Cost Ratios (BCRs). The initiative reflected in Draft Resolution SPD-37 (SPD-37)¹ to refine the framework and promote consistency across utility filings, particularly in cases where similar projects may be evaluated, is essential to ensuring that mitigation investments are both effective and equitable and that ratepayer resources are allocated based on clear, consistent, and data-driven methodologies.

SPD-37 also marks meaningful progress in recognizing the importance of accounting for long-term operations and maintenance (O&M) costs. SDG&E emphasizes that the inclusion of long-term O&M considerations in the cost-benefit framework is a critical step toward more accurate and comprehensive project evaluations, particularly for mitigation projects with extended

¹ CPUC, *RESOLUTION SPD-36 Update and Revision of Senate Bill 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations*, available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/draft-comment-resolution-spd37-update-and-revision-of-senate-bill-884-program-cpuc-guidelines-progra.pdf>

lifespans (i.e., 55 years), where O&M costs play a critical role in shaping the overall economic viability of the alternatives.

While SDG&E recognizes the intent of including the Net O&M Costs savings as a mitigation benefit to be included in BCR evaluations, SDG&E notes that the formulation presented in SPD-37 would conflict with the current Office of Energy Infrastructure Safety Electrical Undergrounding Plan (EUP) Guidelines² as well as Decision (D.) 25-08-032 (Phase 4 Decision) adopted in Rulemaking (R.) 20-07-013 (Risk-Based Decision-Making Framework OIR). Specifically, the current EUP Guidelines require evaluation of a “CPUC CBR” defined as “the cost-benefit ratio produced by the cost-benefit approach adopted in the California Public Utilities Commission (CPUC) Decision 22-12-027 (as modified by any subsequent decision)”.³ Currently, the Phase 4 Decision specifies that “[t]he Benefit-Cost Ratio calculation should be calculated by dividing the dollar value of Mitigation Benefit by the Mitigation cost estimate”⁴ and defines “Benefit” in terms of risk reduction alone, as measured by changes in Attribute (Safety, Reliability, and Financial) levels.⁵ The conflicts between SPD-37, the current EUP Guidelines, and the Risk-Based Decision-Making Framework (RDF) require resolution to maintain consistent CBR calculations.

SDG&E recommends that long-term O&M costs, whether representing savings or increases, be reflected as a cost adjustment within the denominator of the Benefit-Cost Ratio in alignment with the definitions and methodologies established under the RDF. These definitions and methodologies were developed through extensive stakeholder engagement, including workshops and collaborative discussions, and have been formally adopted in recent Commission decisions. The primary objective is maximizing public safety and risk reduction rather than prioritizing economic returns or financial optimization. In addition, by incorporating long-term O&M costs, whether savings or increases, into the cost denominator of the Benefit-Cost Ratio, the RDF offers a more precise reflection of the true value (long-term risk reduction) and intent behind long-term mitigation investments.

SDG&E acknowledges that the cost-benefit formulation proposed in SPD-37 may align with methodologies used in other sectors, such as the Department of Transportation (DOT). However, it is important to note that other entities include O&M costs within the denominator of the Benefit-Cost Ratio formula.^{6,7,8} The objectives guiding the DOT’s Benefit-Cost Analysis (BCA)

² Office of Energy Infrastructure Safety, *10-Year Electrical Undergrounding Plan Guidelines* (February 20, 2025), available at: <https://energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/https-energysafety-ca-gov-what-we-do-electrical-infrastructure-safety-undergrounding-and-culture-division-sb-884/>

³ *Id.* at A-1.

⁴ D.25-08-032 at A-19, Line 25.

⁵ *Id.* at A-3.

⁶ FERC, *Risk-Informed Decision Making (RIDM), Chapter 2 Risk Analysis*, at 2-54, available at: <https://www.ferc.gov/sites/default/files/2020-04/chapter-2.pdf>

⁷ California Department of Transportation, *California Life-Cycle Benefit/Cost Analysis Model (CAL-B/C)*, at 7, available at: <https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/new-state-planning/transportation-economics/cal-bc/2022-cal-bc/guides/cal-bc-81-sketch-instructions-v1-a11y.pdf>

⁸ Federal Aviation Administration, *FAA Airport Benefit-Cost Analysis Guidance* (September 16, 2000), at 57, available at:

framework differ significantly from objectives of the RDF. The DOT's BCA is primarily designed to compare a wide range of projects, often with diverse goals and originating from various regions, to determine eligibility for discretionary grant funding. These evaluations are not necessarily centered on maximizing public safety or risk reduction, but rather on identifying projects that offer the greatest economic efficiency or return on investment within a competitive funding environment. In contrast, the RDF adopted by the Commission is explicitly focused on prioritizing public safety and reducing risk.

Finally, stakeholders were not afforded the opportunity to participate in development of the proposed Cost-Benefit Ratio (CBR) formulation outlined in SPD-37. This stands in contrast to the collaborative and transparent process that shaped the RDF, which involved extensive stakeholder engagement through workshops, public comments, and iterative refinements. Inclusive participation is essential to ensuring that regulatory methodologies reflect the diverse perspectives and operational realities of affected entities, and the Commission should consider a similar collaborative approach in future refinements to the CBR framework.

Recommendations:

- Align SPD-37 guidelines with the RDF by allowing flexibility in how utilities model net long-term O&M savings. This flexibility should reflect each utility's optimization strategies aimed at achieving risk reduction, rather than imposing a one-size-fits-all approach. Such alignment would ensure consistency with the RDF's safety-focused objectives and support utility-specific cost-benefit evaluations.
- In the event that Net O&M cost savings were to be captured as a Benefit, certain terms used in the proposed CBR formulation should be renamed for clarity. Specifically, references to "Net O&M Costs" with "Net O&M Benefit" should be renamed and replaced while maintaining the same formulaic definition in Equation. 1, i.e.:

$$\text{Net O\&M Benefit} = \text{O\&M Cost Savings} - \text{New O\&M Costs}$$

The replacement of "Costs" with "Benefit" is reasonable considering that a positive result from the current formulation would be a net benefit due to the subtraction of costs from savings. Adopting this change could also avoid potential confusion from including an item labeled as a "Cost" in the evaluation of the Total Mitigation Benefit.

b) Ensuring Alignment Between SPD-37 and the Risk-Based Decision-Making Framework: Inclusion of Risk Aversion in Benefit-Cost Ratios

SDG&E recommends that the proposed methodology in SPD-37 for calculating Cost-Benefit Ratios (CBRs) be revised to align with the approach adopted in D.22-12-027 and the Office of Energy Infrastructure Safety's Electrical Undergrounding Plan (EUP) Guidelines, both of which explicitly allow utilities to incorporate risk-averse scaling functions in CBR calculations.

https://www.faa.gov/sites/faa.gov/files/regulations_policies/policy_guidance/benefit_cost/FAA_Airport_Benefits_Guidance.pdf

SPD-37 currently proposes that utilities use only risk-neutral values in CBR evaluations, asserting that this approach ensures closer alignment with the EUP Guidelines. SDG&E respectfully disagrees with this interpretation. While the EUP Guidelines require Key Decision-Making Metrics (KDMMs) to be calculated without risk weighting, they also define CBRs as those produced under the CPUC's cost-benefit approach adopted in Decision 22-12-027, which permits the use of risk-averse scaling functions.

California Utilities have consistently used risk-averse scaling functions in their Risk Assessment Mitigation Phase (RAMP), Wildfire Mitigation Plan (WMP), and General Rate Case (GRC) filings. These functions reflect a risk management philosophy focused on minimizing the likelihood and impact of catastrophic events, rather than simply optimizing for economic efficiency.

Requiring utilities to use only risk-neutral values in SPD-37 would result in conflicting CBR values for similar projects across different proceedings, undermining consistency and comparability. It would also dilute the safety-first intent of the RDF, which prioritizes risk reduction over cost-efficiency.

Recommendation:

The Commission should revise SPD-37 to permit the use of risk-averse scaling functions in CBR calculations, consistent with the methodology authorized in D.22-12-027. Additionally, the Commission should clearly distinguish between KDMMs, which are appropriately calculated using risk-neutral values, and CBRs, which should retain flexibility for risk-weighted evaluation. This distinction is essential to maintaining consistency with the RDF and ensuring that utilities can accurately reflect their risk management strategies in mitigation planning.

c) Balancing Cost Efficiency and Risk Reduction: A Challenge to the CBR Threshold in SPD-37

The strict exclusion of projects (i.e., feeder-segments) with forecasted CBRs below 1.0 may inadvertently limit the effectiveness of the broader portfolio strategy. Undergrounding is inherently capital-intensive, and risk modeling simulations may determine certain feeder segments, especially those with low mileage, have low risk due to statistical dilution. However, these segments often face unique operational, permitting, or construction constraints that make it impractical to isolate them from adjacent segments.

In practice, integrating lower-mileage feeder segments with adjacent upstream or downstream segments that have CBRs above 1.0 can yield significant advantages, including economies of scale, construction and operational efficiencies, and increased Public Safety Power Shutoff (PSPS) risk reduction. Excluding these segments based on their standalone CBR, without considering their strategic role within the broader mitigation plan, risks undermining the overall effectiveness of the investment and may lead to fragmented or inefficient project execution.

Furthermore, a rigid application of the 1.0 CBR threshold fails to account for the operational and

strategic value of bundling multiple feeder segments into a unified undergrounding effort. Completing such bundled projects can improve system reliability, streamline operations, and deliver long-term safety benefits that are not fully captured in initial CBR calculations.

Recommendation:

The Commission should incorporate flexibility in the evaluation of bundled undergrounding projects, recognizing that certain lower-mileage segments, particularly those located upstream or downstream of higher-priority segments, may be essential to achieving comprehensive risk reduction and implementation efficiency. Including these segments within a broader project scope can enhance operational feasibility, reduce construction complexity, and support more cohesive mitigation strategies that align with long-term safety objectives.

d) The Requirement to use a Results of Operation Model Should be Modified to allow the use of Other Revenue Requirement Models

SPD-37 requires utilities to use their Results of Operation (RO) models to perform SB 884-related analysis,⁹ however, such analysis should not be limited to the RO model.

The RO model is a specific model used for GRCs. Its purpose is to calculate a total company revenue requirement for the GRC's test year. SDG&E's current RO model therefore does not have the functionality to calculate a single project revenue requirement over a project's useful life.

The GRC is not the only CPUC proceeding for which revenue requirement is calculated. In other proceedings and instances, SDG&E uses other revenue requirement models to calculate the revenue requirement associated with a particular project over the useful life of the assets, which may span multiple years. These revenue requirement models have been used in regulatory proceedings and the underlying revenue requirements have been adopted by the CPUC.¹⁰

Recommendation:

Draft Resolution SPD-37 should be revised to require the use of a revenue requirement model but not limit the revenue requirement modeling to be performed in the RO model.

e) Conditions for Approval of Plan Costs 5, 6, and 7

i) Proposed Condition For Approval 5 Should be Removed

Condition 5 is in addition to the condition that any underground project submitted in the EUP must have a CBR greater than or equal to 1. This unfairly stacks the odds against an underground project. The additional requirement for an underground project to exceed an as yet to be determined CBR threshold is not merited. The goal is to ensure a mitigation is the best choice to provide wildfire risk reduction in a cost-effective manner. Although the intent of adding this threshold requirement may be to help find the most affordable alternative, it may result in the selection of a mitigation that not only does not have the best CBR but also is not the best choice for

⁹ Draft Resolution at 13.

¹⁰ See e.g., D.18-08-008.

reducing risk.

Recommendation:

The Commission should remove the requirement that the CBR threshold value of an underground project must exceed an alternative mitigation by an as yet to be determined value. An undergrounding project should only need to show a CBR that is greater than alternative mitigations.

ii) Proposed Condition of Approval 6 Should be Removed

Verifying an underground project has provided the forecasted CBR value once it becomes used and useful helps ensure the proper project value was achieved. However, underground projects have a unique set of challenges that could impede the original project scope. For example, terrain, permitting, or easement challenges may limit how many miles can be undergrounded. Therefore, some key exceptions that could prevent the achievement of a forecasted CBR should be considered. This will allow for reasonable review and determination of cost overruns.

In some instances, a difficult permitting process may result in costs that exceed the forecasted CBR threshold. However, it may be beneficial to proceed with an undergrounding project due to substantial risk reduction and long-term safety benefits. Strict adherence to a predefined CBR threshold could discourage the continuation of undergrounding projects that, despite being more costly, offer substantial mitigation benefits.

Recommendation:

The threshold value may limit or discourage the continuation of challenging underground projects but those may be the most beneficial for risk reduction. Therefore, the Commission should incorporate flexibility in post-implementation reviews to account for such exceptions, allowing for a more holistic evaluation that balances cost considerations with safety outcomes.

iii) Proposed Condition of Approval 7 Should be Removed

Condition 7 could result in choosing lower risk undergrounding projects. For example, one project that is projected to achieve higher risk reduction but may exceed its cost cap can be offset by one or more projects that are not at risk for exceeding their cost caps but have small potential for risk reduction. While monitoring unit costs is necessary, there needs to be flexibility to make the right risk informed decisions.

Recommendation:

The Commission should implement a portfolio level cost cap. A portfolio level cost cap would ensure cost control over undergrounding projects in aggregate while allowing for more flexibility between projects as long as the portfolio level cap was not exceeded.

f) The Memorandum Account Cost Cap Should be Removed

In accordance with Resolution SPD-15, a utility may establish a one-way balancing account and a memorandum account to record excess costs upon CPUC approval of their EUP.¹¹ Resolution SPD-37 proposes to implement a cap on the memorandum account, which is unnecessary.

First, one-way balancing accounts provide revenues up to a cap. In this situation, the authorized revenue requirement is provided to the utility up front, and the utility manages its actual spending up to the cap. After a utility reaches the cap, there is typically no additional revenues afforded to the utility in the one-way balancing account. Memorandum accounts, however, do not typically record revenue, but rather record utility spending on a particular program. Unlike a balancing account, in a memorandum account the utility spends the money up front and only after spending, files a reasonableness review to seek cost recovery of the accumulated costs. Thus, costs in memorandum accounts represent spending that the utility is financing until it is reimbursed. Because the utility is knowingly spending the money up front, the utility recognizes that cost recovery is not guaranteed and must go through a regulatory process. Accordingly, a cap on a memorandum account is unnecessary as there is no presumption of cost recovery. Instead, a cap on a memorandum account would limit a utility's ability to accurately track costs associated with the given program.

Second, to recover the costs in a memorandum account, the utility must make a showing and receive a determination by the CPUC that the costs are just and reasonable. In accordance with Public Utilities (P.U.) Code Section (§) 451,¹² costs that are just and reasonable are eligible to be recovered in rates. Costs that are above a memorandum account cap may have been prudently incurred. Therefore, a cap on a memorandum account does not recognize that unforeseen costs may arise that are just and reasonable and should be eligible for rate recovery and may unjustly punish utilities for circumstances outside of their control. Even though a utility may record costs to a memorandum account, as mentioned above, cost recovery requires regulatory action and CPUC approval to put those costs in rates. Through the regulatory process, the CPUC can deny costs it does not determine are just and reasonable. Thus, a cap is not needed to protect the utility or ratepayers as the CPUC can ultimately deny costs, above or below any cap, for inclusion in rates.

Recommendation:

The cost cap on the memorandum account should be removed given that (1) the one-way balancing account is already caped, (2) a cap on a memorandum account does not recognize that just and reasonable unforeseen costs may arise, and (3) a cap is not needed to protect the utility or ratepayers as the CPUC can ultimately deny costs, above or below any cap, for inclusion in rates.

¹¹ Draft Resolution at 2-3

¹² P.U. Code § 451 states that "All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable."

3) CONCLUSION

SDG&E appreciates the CPUC's consideration of these comments on the Draft Resolution, and requests that the CPUC take these recommendations into account in further refining the CPUC's SB 884 Program Guidelines.

Respectfully submitted,

/s/ Clay Faber

Director – Regulatory Affairs

cc: Amin Emrani, Safety Policy Division, Amin.Emrani@cpuc.ca.gov
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SB-884 Notification List
Service Lists for A.25-05-009, A.23-05-010, A.22-05-016, and R.18-10-007

APPENDIX

Proposed Findings of Facts

16. Allowing undergrounding projects that have forecasted Cost-Benefit Ratios (CBRs) below 1.0 to be included in a Phase 2 Application would be unreasonable **in most instances**, especially considering that undergrounding is the most capital-intensive grid hardening investment available. **Certain exceptions may be necessary (i.e. allowing upstream segments to be included even with a CBR below 1.0 to ensure that PSPS risk is eliminated on the entire circuit). If a utility includes undergrounding projects that have a forecasted CBR below 1.0, the utility must justify its rationale.**
19. **Although S**stakeholders generally agreed at the April 8, 2025, workshop that it may be valuable to include cost caps on the memorandum account, **a cost cap on a memorandum account is unnecessary as there is no presumption of cost recovery. but setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed.** Even though a utility may record costs to a memorandum account, cost recovery requires regulatory action and CPUC approval to put those costs into rates. Through the regulatory process, the CPUC can deny costs it does not determine are just and reasonable. Thus, a cap is not needed to protect the utility or ratepayers as the CPUC can ultimately deny costs, above or below any cap, for inclusion in rates.
20. It is **not** prudent to establish an upper bound on the total potential costs of an EUP by capping the total costs recovered from the memorandum account at a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account.
- ~~21. The percentage value of the memorandum account cost cap should be established in the Phase 2 Decision.~~
39. ~~It is reasonable to require that the Phase 2 Application include a revenue requirement model for that portion of its revenue requirement that relates to the undergrounding cost recovery it seeks, with Energy Division oversight and a non-disclosure agreement in place, that demonstrates how the large electrical corporation calculated the revenue requirement provided.~~
40. ~~It is reasonable to eliminate the CBR threshold requirement (Conditions for Approval of Plan Costs Number 5, 6 and 7) to align SPD-37 to the EUP Guideline requirements.~~
41. ~~Requiring the forecasted CBR of the undergrounding project to exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value conflicts with the project selection requirements in the EUP Guidelines.~~
42. ~~It is reasonable to have a cost cap at the portfolio level but not unit cost cap as that may produce undesirable outcomes by not prioritizing high risk segments.~~
43. ~~Adopting the method for calculating a CBR in SPD-37 that is described in D.22-12-027 will ensure a standardized and consistent methodology for evaluating and comparing the cost-efficiency of undergrounding and alternative mitigations in SB 884-related applications.~~

44. It is not reasonable for the Phase 2 Decision to establish a threshold by which the percentage difference of the recorded CBR for an undergrounding project must not exceed the forecast CBR as the forecasted CBR can be affected by various unmitigable permitting and construction issues.
45. Allowing for risk aversion or risk scaling to be an option for inclusion in the CBR calculations, ensures risk assessment standardization and transparency and shows consistent methodologies applied in all proceedings.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

September 4, 2025

Via Electronic Service

Rachel Peterson, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
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**Re: MUSSEY GRADE ROAD ALLIANCE COMMENTS ON DRAFT RESOLUTION SPD-37 AND
THE STAFF GUIDELINES FOR THE SB 884 PROGRAM**

Dear Executive Director Peterson,

The Mussey Grade Road Alliance (MGRA or Alliance) respectfully submits the following comments on Draft Resolution SPD-37 for the SB 884 Program. Comments have been prepared by Alliance Expert Witness Joseph W. Mitchell, Ph.D.

We respectfully urge the Commission to adopt the recommendations discussed herein.

Respectfully submitted,

/s/ Diane Conklin

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Dated: September 4, 2025

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1. INTRODUCTION

Draft Resolution SPD-37¹ along with accompanying Cover Letter² was served by SPD to stakeholders on August 15, 2025. The Cover Letter specifies that all comments on this resolution are due by September 4, 2025, should be less than 20 pages, and be served on the service lists for A.25-05-009, A.23-05-010, A.22-05-016, R.18-10-007, and the SB-884 Notification List. These comments conform and are submitted timely.

1.1. History

Senate Bill 884 (SB 884) was introduced in the summer of 2022 in order to expedite the long term planning of utility undergrounding and hardening projects.³ MGRA and others immediately saw potential issues in the proposed bill that would risk both safety and affordability in the state. MGRA's expert wrote a letter to the governor opposing the bill in September of 2022. After the bill was adopted as Public Utilities Code § 8388.5, MGRA has participated in workshops and meetings with OEIS, SPD, and stakeholders as regulations and guidelines for implementing the law have been discussed and developed.

MGRA participated in some phases of the process leading to Resolution SPD-15⁴ which was served on March 8, 2024. SPD then initiated a process of seeking comments from stakeholders and holding workshops in the period between October 14, 2024 and July 24, 2025.⁵ MGRA has reviewed the Proposed Resolution and provides the following comments.

¹ PUBLIC UTILITIES COMMISSION; DRAFT RESOLUTION SPD-37 Update and Revision of Senate Bill 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations; August 15, 2025. (PR)

² PUBLIC UTILITIES COMMISSION TO: STAKEHOLDERS TO SB 884 PROGRAM GUIDELINES ELECTRICAL CORPORATION'S 10-YEAR UNDERGROUNDING PLANS; August 15, 2025.

³ https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB884

⁴ Resolution SPD-15; March 8, 2024.

⁵ PR; p. 9.

2. MGRA COMMENTS ON ISSUES

2.1. MGRA Supports Using Neutral Risk Scaling for EUP Evaluation

The PR notes that “*When commenting on the CBR threshold, MGRA noted that allowing the large electrical corporations to introduce a scaling function to make decisions as part of the SB 884 program would effectively allow them to skew the CBR. The Commission agrees that it is imperative that CBRs represent an objective assessment of cost efficiency, and only a neutral scaling function should be used for this kind of evaluation. Moreover, requiring the large electrical corporations to present unscaled (i.e., risk-neutral) risk values in the CBR calculations will ensure closer alignment with the Energy Safety Guidelines.*”⁶

As the PR correctly states, MGRA strongly supports the use of a neutral risk function for the sake of SB 884 evaluation. The goal of the processes around EUP is not to determine an axiological decomposition of the utility’s request for undergrounding, but rather to determine costs and benefits in an objective and transparent manner. Risk scaling, which so far has been allowed into RAMP proceedings in order to capture utility attitudes (and utility-claimed public attitude) regarding risk, which is another way of saying how much the utility or the public would spend to reduce a certain risk to a certain level. So far PG&E has presented a risk aversion function in its 2024 RAMP filing, in its 2026-2028 WMP, and in its May 2025 GRC filing. Likewise, SDG&E has presented its own risk scaling function in its WMP and May 2025 RAMP filing. These are radically different approaches that both lead to a large but similar multiplier on high risk wildfire events.

While it may be acceptable to the Commission for a utility to express its risk attitude via a scaling function,⁷ EUPs fall into a different category because they need the cleanest and most accurate definitions of cost and benefit that can be obtained to ascertain whether it is in the public interests to let an undergrounding project go forward, that the benefit of an underground project is more than its cost, and that its benefit / cost ratio compared to other mitigations is at least comparable.

⁶ PR; p. 33.

⁷ D.24-05-064.

As the PR also notes, the use of neutral risk scaling also makes the process consistent with Energy Safety’s approach. As cited in the PR, Energy Safety defines Key Decision Making Metrics (KDMMs) with a number of requirements, including:

*“i. Overall Utility Risk: A combined measure of Ignition Risk and Outage Program Risk that measures the total risk of wildfires and Outage Program Events related to wildfire risks. This is computed as the inner product of the likelihoods of adverse events and their consequences. This is an unweighted and unscaled calculation.”*⁸

MGRA agrees with Energy Safety and the PR that risk measurements evaluated in the EUP should be unscaled.

3. CONCLUSION

MGRA supports the Proposed Resolution in its current form and in particular its correct decision to require neutral scaling for Benefit/Cost analyses and comparisons of mitigations.

Respectfully submitted this 4th day of September, 2025,

By: /S/ **Diane Conklin**

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⁸ OEIS; 10-YEAR ELECTRICAL UNDERGROUNDING PLAN GUIDELINES; February 20, 2025; TN15386_20250220T170351_10Year_Electrical_Undergrounding_Plan_Guidelines

**COMMENTS OF THE UTILITY REFORM NETWORK (TURN)
ON DRAFT RESOLUTION SPD-37 IMPLEMENTING SB 884**

September 4, 2025

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SUMMARY OF RECOMMENDED CHANGES

Costs that May Not Be Recovered

- Clarify that costs that do not satisfy the Phase 2 Conditions and secondary objectives may not be recovered via the one-way balancing account and *shall* be refunded if previously recovered in rates.
- Draft SPD-37 should be revised to make it clear the memorandum account (if adopted) is not a second chance to recover costs that are found not to meet Phase 2 Conditions or secondary objectives.
-

Audit and Refund Process

- Costs found by the audit report to have not satisfied the Phase 2 Conditions or secondary objectives will be refunded to ratepayers through a Commission Resolution based on the audit report.
- TURN continues to urge the up-front process for review and approval of costs booked to the one-way balancing account described in its April 25, 2025 Comments, pages 10-12. The following recommendations are alternatives in the event this up-front review process is not adopted.
- The opening/reply comment period for comments on the audit report should be changed from 20/5 days to 42/7 days.
- The Draft Resolution's refund process should be modified to allow a more timely and streamlined process to issue refunds, when warranted, via an Audit Refund Resolution, using the following procedure:
 - Based on its review of the audit reports and the comments thereon, the Commission Staff should issue a Draft Audit Refund Resolution ordering any refunds determined to be warranted based on that review. Parties should have 20/5 days for opening and reply comments. After consideration of the comments, which could lead to revisions to the Draft Resolution, the Commission would vote and adopt a final Audit Refund Resolution, which would order any refunds found to be warranted and specify the mechanism for making those refunds to customers.

- The petition for modification (PFM) option would continue to be available to a party that believes the Audit Refund Resolution did not order sufficient refunds, such as, for example, because of an omission in the auditor's review. In addition, as a matter of fairness, the utility would have the opportunity to submit a PFM if it believes the Audit Refund Resolution ordered excessive refunds. Any such petition would be required to satisfy the Commission's rules and requirements regarding such submissions, including any additional requirements that may be specified in the Phase 2 Decision.
- The Commission should retain its discretion to reopen the Phase 2 decision on its own motion if it believes other issues not addressed in the Audit Refund Resolution warrant additional refunds.
- The Commission should specify a three-business-day response period for data requests to utilities regarding: (1) the six-month progress reports; and (2) issues raised by the audit report.

Memorandum Account Cap

- If the memorandum account is adopted, it should be limited to costs that exceed the annual cost cap amounts (Phase 2 Condition One). TURN recommends imposing a cap on the memo account of 10% of the total sum of the 10 years of cost caps placed on the one-way balancing account.

Additional Phase 2 Approval Conditions and Application Requirements

- The First New Phase 2 Condition should be revised to require comparison of all reasonable alternative mitigations.
- The CBR Calculation Guidelines should be modified to require utilities to provide an alternative CBR based on the estimated present value of the lifetime revenue requirements associated with capital spending for a given project.

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Comments of The Utility Reform Network (TURN) On Draft Resolution SPD-37 Implementing SB 884

The Utility Reform Network (TURN) submits these comments on Draft Resolution SPD-37 (Draft SPD-37) pursuant to the August 15, 2025, cover letter accompanying Draft SPD-37.

1. Introduction and Summary

TURN appreciates the CPUC's efforts to implement Senate Bill (SB) 884 in a way that is faithful to the complex structure and provisions of that legislation. Draft SPD-37 includes several improvements in the form of ratepayer protections as compared to SPD-15. In particular, the additional audit objectives and Phase 2 Application Requirements and Conditions adopted in Draft SPD-37 strengthen Commission oversight. TURN also appreciates the efforts to develop uniform requirements for calculating Cost Benefit Ratios and generally supports the *CBR Calculation Guidelines* in Appendix 1. However, there are several aspects of Draft SPD-37 that warrant reconsider as they inhibit the Commission's mission to ensure just and reasonable rates and thus violate P.U. Code Section 451. These comments recommend several changes to Draft Resolution SPD-37 to correct legal and factual errors and to set the Electric Undergrounding Plan (EUP) process up for success from a ratepayer perspective and to prevent structural incentives for the utilities to pursue or continue imprudent projects.

Appendix A to these comments includes a mark-up of the Findings of Fact and Appendix B includes a mark-up of Attachment A to Draft SPD-37, the SB 884 Program Guidelines, to show TURN's recommended changes.

2. Draft Resolution SPD-37 Should Be Revised to Clarify that Costs that Do Not Satisfy One or More of the Phase 2 Conditions or the EUP Audit Secondary Objectives Will Not Be Recoverable

Draft SPD-37 affords utilities two opportunities to add costs of undergrounding projects to rates if a utility's Phase 2 application for conditional approval of plan costs is approved: (1) via a one-way balancing account to recover costs up to annual capped amounts; and (2) via a Phase 3 cost recovery application to recover costs that are recorded to a memorandum account. Draft SPD-37 states that the amount of EUP costs that will be authorized to recover in rates via the balancing account will be contingent on the utilities meeting nine minimum conditions for conditional

approval, which the Draft SPD-37 refers to as “Phase 2 Conditions”.¹ The DR also adopts three “secondary objectives” that will be verified during the EUP Audit of costs recorded to the one-way balancing account and notes that a Phase 2 Decision may add additional objectives.²

Even though the Phase 2 Conditions are presented as ratepayer protections that *must* be satisfied for costs to be recovered in rates, Draft SPD-37 contains language that is at odds with this principle. First, with respect to costs in the one-way balancing account, Draft SPD-37 says only that costs that violate the Phase 2 Conditions or secondary objectives “may” -- not “shall” -- be refunded to ratepayers.³ Second, Draft SPD-37 would allow costs that run afoul of the Phase 2 Conditions or secondary objectives to be booked to the memorandum account and potentially recovered in Phase 3.⁴ As discussed below, the result is an internally contradictory Draft Resolution that must be modified to make clear that the Phase 2 Conditions and secondary objectives will be consistently enforced in order to satisfy the just and reasonable requirement of P.U. Code Section 451.

2.1. Draft SPD-37 Should Be Modified to Make Clear that One-Way Balancing Account Costs that Fail to Satisfy the Phase 2 Conditions or Secondary Objectives ‘Shall’ Be Refunded Via the Audit Process

The structure and intent of SPD-15 and Draft SPD-37 appear to be that costs that fail to satisfy the Phase 2 Conditions or secondary objectives⁵ are not recoverable in rates. For example, Draft SPD-37 includes the following passage:

The Phase 2 Conditions are a central feature of the guidelines. These conditions provide direction to large electrical corporations on the amount of EUP costs that will be authorized to recover in rates via the balancing account, while ensuring ratepayer interests are protected. The conditions provide regulatory clarity and certainty for large electrical

¹ Draft Resolution (DR) SPD-37, pp. 2-3, stating that recovery of costs in the one-way balancing account will be “contingent on the satisfaction of conditions placed on approval.” Consistent with SPD-15, Draft SPD-37 states that the Phase 2 decision may add additional Phase 2 Conditions. *Id.*, Attachment A (CPUC Guidelines), p. 13, item 9.

² DRSPD-37, pp. 27-28.

³ DR SPD-37, p. 29, and Attachment A (CPUC Guidelines), p. 4.

⁴ DR SPD-37, p. 13 and Attachment A (CPUC Guidelines), p. 4.

⁵ Particularly, with respect to the secondary objectives, the “used and useful” and incrementality requirements. DR SPD-37, p. 28.

corporations while ensuring EUP costs borne by ratepayers are just and reasonable. Under the SPD-15 framework, an audit and refund process is necessary for the one-way balancing account. The large electrical corporation initially asserts that EUP project costs have met the Phase 2 Conditions upon recording in the one-way balancing account. It is only during the audit process that the Commission verifies whether the Phase 2 Conditions were met (Primary Objectives).⁶

This passage correctly states that adherence to the Phase 2 Conditions is essential to “ensure” ratepayer interests are protected and the just and reasonable requirement is satisfied. The CPUC Guidelines similarly state that the Commission will authorize recovery of costs via the one-way balancing account “[o]nly if” costs meet the Phase 2 Conditions.⁷ Furthermore, in discussing the secondary objectives, the Commission states, “(a)dditional safeguards are necessary for the audit to ensure that ratepayers only bear costs that the auditor finds meet the Phase 2 Conditions and secondary objectives.”⁸

Given Draft SPD-37’s seeming conviction regarding the need to limit rate recovery to costs that satisfy the Phase 2 Conditions and secondary objectives, it is puzzling that the Guidelines waffle on this point: “If an audit demonstrates any costs recorded to the one-way balancing account did not meet the Phase 2 Conditions, subject to Commission review and determination, such costs *may* be subject to refund.”⁹ The Draft Resolution does not explain the use of the word “may” in this context or suggest situations in which one-way balancing account costs that fail to satisfy the Phase 2 Conditions or secondary objectives would nevertheless be recoverable. Instead, as noted, the structure and intent of Draft SPD-37 seems clear that such costs are not recoverable and shall be refunded in previously recovered in rates.

Accordingly, to ensure that the final Resolution is consistent with the purpose and intent of the Phase 2 Conditions and secondary objectives – and Section 451’s just and reasonable requirement -- Draft SPD-37 should be revised to clarify that one-way balancing account costs that are found to not satisfy the Phase 2 Conditions and secondary objectives “shall” be refunded to

⁶ DR SPD-37, p. 11.

⁷ DR SPD-32, Attachment A (CPUC Guidelines), p. 4.

⁸ DR SPD-37, p. 26.

⁹ DR SPD-37, Attachment A (CPUC Guidelines), p. 4 (emphasis added).

ratepayers. In Appendix B, TURN recommends changes to the CPUC Guidelines to effectuate this clarification.

2.2. Draft SPD-37 Should Be Modified to Not Allow Utilities to Use the Memorandum Account to Gain Recovery of Costs that Fail to Satisfy the Phase 2 Conditions or Secondary Objectives

As currently written, Draft SPD-37 would allow utilities to use the memorandum account as a vehicle to seek recovery of costs that do not meet the Phase 2 Conditions.¹⁰ Draft SPD-37 never explains why the Phase 2 Conditions, which are described as a “central feature” of the CPUC Guidelines and an essential ratepayer protection to ensure compliance with Section 451’s just and reasonable requirement, should be allowed to be circumvented in Phase 3. Nor does Draft SPD-37 offer any standards that would justify recovery of such costs.

Instead, as discussed in the previous section, the structure and apparent intent of Draft SPD-37 is for costs that fail to satisfy the Phase 2 Conditions to *never* be recoverable. Further supporting this point is the provision in Draft SPD-37 that, if the Commission directs a utility to refund costs because of failure to satisfy the Phase 2 Conditions, the utility “shall not seek to recover such costs through any other means.”¹¹

The Commission should revise Draft SPD-37 to make it clear that the memorandum account is not a second chance to recover costs that are found not to meet Phase 2 Conditions or secondary objectives. Otherwise, there is little incentive for the utility to book only compliant costs to the one-way balancing account. Draft SPD-37 itself recognizes this risk, noting the Commission “must prevent the memorandum account from becoming a structural incentive to continuing work on imprudent projects.”¹² The best and only real way to prevent the memorandum account from becoming an incentive to the utilities to continue to pursue undergrounding projects that are imprudent and non-compliant with the Phase 2 Conditions and secondary objectives is to revise

¹⁰ DR SPD-37, p. 13 and Attachment A (CPUC Guidelines), p. 4.

¹¹ DR SPD-37, p. 29 and Attachment A (CPUC Guidelines), p.18.

¹² DR SPD-37, p. 22.

Draft SPD-37 to expressly prohibit the utility from recording any costs to the account for projects that do not satisfy the Phase 2 Conditions and secondary objectives.

In Appendix B, TURN recommends changes to the CPUC Guidelines to reflect this recommendation

3. The Draft Resolution’s Audit and Refund Process Should Be Revised to Require Refunds Based on the Audit Findings, Without Requiring Ratepayers to Wait for the Disposition of a Petition for Modification Process

The Draft Resolution would adopt a process that allows the utility to defer refunds of costs found by the auditor to violate Phase 2 Conditions or secondary objectives until the resolution of a petition for modification (PFM) process of uncertain duration and procedural complexity.¹³ Even if an auditor clearly documents costs that should be refunded, the Draft Resolution does not require that such findings be promptly implemented in a refund order. As discussed below, the process should be modified to require more timely refunds of such costs via an Audit Refund Resolution.

3.1. An Audit Refund Resolution Would Allow for More Timely and Streamlined Refunds of Costs that Fail to Meet Phase 2 Conditions or Secondary Objectives

Under the Draft Resolution, a utility could impose unduly high rates on its customers for years before being required to refund costs improperly recovered via the one-way balancing account. Although SPD-15 and Draft SPD-37 have yet to explain how a utility will recover costs booked to the one-way balancing account,¹⁴ it appears that the utility would be allowed to initially make its own determination of whether costs are eligible for rate recovery, a process that TURN continues to oppose as blatantly contrary to SB 884.¹⁵ Draft SPD-37 states, “(T)he large electrical

¹³ Draft Resolution, p. 29, providing that a party seeking refunds based on the audit report must either file a PFM of the Phase 2 decision or wait for the Commission to reopen the Phase 2 proceeding on its own motion.

¹⁴ Draft SPD-37 (p. 4, fn. 4) makes clear that “costs can only be recovered once the undergrounding project is considered used and useful.” This means, that unlike a decision in a GRC, rates and revenue requirement will not be changed based on the Phase 2 decision, but instead must await a project becoming used and useful. However, Draft SPD-37 does not explain the process that utilities will be required to use to move costs of used and useful projects into rates.

¹⁵ As TURN explained in its April 25, 2025 comments (pp. 10-11), P.U. Code Section 8388.5(e)(1) directs the commission to authorize recovery of “recorded” costs, *i.e.*, costs recorded to the one-way balancing account, only if *the Commission* has “determined” that they are just and

corporation initially asserts that EUP project costs have met the Phase 2 Conditions upon recording in the one-way balancing account. It is only during the audit process that the Commission verifies whether the Phase 2 Conditions were met (Primary Objectives).”¹⁶ Accordingly, the Audit will play a crucial role in evaluating whether the Phase 2 Conditions or secondary objectives have been satisfied.

Yet, under Draft SPD-37, the utility would keep those funds even after an independent auditor found that costs failed to satisfy one or more Phase 2 Conditions or secondary objectives, violating the statutory requirement in P.U. Code Section 451 that rates be just and reasonable. A ratepayer representative organization would be required to take the additional step of submitting a PFM of the Phase 2 decision to gain refunds of costs identified by the auditor as improperly added to rates. Under Commission procedure, there is no timetable for resolution of a PFM, which can often take 12 months or longer. Because it is unknown what procedures would be followed in a reopened proceeding, the utility could seek and obtain significant additional procedural hurdles to postpone refunds. At a minimum, intervenors would need to devote some of their limited resources to opposing such hurdles.

Thus, the structure of the Draft Resolution is to enable utilities to retain funds that they *self-determined* to be appropriate for inclusion in rates and to force ratepayer representatives to use a PFM process of an uncertain duration and procedural complexity to attempt to gain refunds, even after an auditor found that the utility should never have included the costs in rates.¹⁷ Such a one-sided, protracted process is unfair to ratepayers, particularly those who paid the excessive rates and are no longer customers when refunds are finally issued. In addition, Draft SPD-37 could encourage the utility to take up-front recovery of costs that have no chance of satisfying the relevant conditions and requirements. Although presumably any costs ultimately refunded would include

reasonable. The Commission cannot make such a determination without independently assessing whether the costs satisfy the Phase 2 conditions and other requirements. Accordingly, TURN continues to recommend adoption of the process for determining satisfaction with the Phase 2 Conditions and other requirements described at pages 11-12 of TURN’s April 25, 2025 comments.

¹⁶ Draft SPD-37, p. 11.

¹⁷ The Draft Resolution (p. 29) states that the Commission may also reopen the Phase 2 proceeding based on its own review, but no timelines are provided for such a process.

interest (the refund interest requirements have yet to be addressed in SPD-15 or Draft SPD-37), if the interest rate were lower than the utility's weighted average cost of capital, the utility could exploit its captive customers to gain significant cash flow benefits from improperly booking costs to the one-way balancing account.

The Commission should not adopt such an unfair and protracted process for customers to be able to gain refunds of costs they never should have paid. Nor should the Commission provide an incentive for a utility to include excessive costs in its one-way balancing account. If the Commission continues to reject TURN's recommendation to undertake an expedited process to assess satisfaction with the Phase 2 Conditions and other requirements before allowing rate recovery, the Draft Resolution should at least be modified to require a more timely and streamlined refund process.

TURN's recommendation is thus that Draft SPD-37's audit and refund process be modified to implement via a Commission Resolution any audit-based refunds the Commission finds to be warranted. Based on the auditor report and opening and reply comments from the parties on that report, the Commission should issue an Audit Refund Resolution to order refunds of any costs found to have violated a Phase 2 Condition or secondary objective. The Audit Refund Resolution should include an explanation of any determination not to order refunds of costs recommended for refund in the audit report. While the PFM process would still be available, the need to resort to such a process will likely be reduced or eliminated under TURN's recommendation.

The following are the details of the changes TURN recommends to Draft SPD-37's audit and refund process, which are reflected in TURN's proposed revisions to the CPUC Guidelines, found in Appendix B to these comments.

- To allow sufficient time for parties to review and provide meaningful comments on the audit report, the comment period on the audit report should be changed from 20/5 days to 42/7 days for opening/reply comments.¹⁸ In addition, as discussed below, to ensure comments are based on accurate information, parties should be allowed a three-business-day turnaround on data requests to utilities regarding issues raised by the auditor report.

¹⁸ TURN's recommended comment intervals conform to Draft SPD-37's intervals for comments on the six-month progress reports. Attachment A to Draft SPD-37, p. 14.

- Based on its review of the audit reports and the comments thereon, the Commission Staff should issue a Draft Audit Refund Resolution ordering any refunds determined to be warranted based on that review. Parties should have 20/5 days for opening and reply comments. After consideration of the comments, which could lead to revisions to the Draft Resolution, the Commission would vote and adopt a final Audit Refund Resolution, which would order any refunds found to be warranted and specify the mechanism for making those refunds to customers.
- The PFM option would continue to be available to a party that believes the Audit Refund Resolution did not order sufficient refunds, such as, for example, because of an omission in the auditor's review. In addition, as a matter of fairness, the utility would have the opportunity to submit a PFM if it believes the Audit Refund Resolution ordered excessive refunds. Any such petition would be required to satisfy the Commission's rules and requirements regarding such submissions, including any additional requirements that may be specified in the Phase 2 Decision.
- The Commission would retain its discretion to reopen the Phase 2 decision on its own motion if it believes other issues not addressed in the Audit Refund Resolution warrant additional refunds.

TURN notes that Draft SPD-37 states that its audit process would “reduc[e] the time and effort needed to determine if the [utility] should issue ratepayer refunds.”¹⁹ TURN fully supports this goal but believes that TURN's recommended approach would further reduce the time and effort needed to implement refunds of excessive rates. TURN's approach provides a more certain and streamlined path to refunds, while still allowing parties to make informed comments on the refund issues raised by the audit report.

3.2. Three-Business-Day Discovery Turnaround Is Warranted for Data Requests to Utilities Regarding the Six-Month Progress Reports and for Issues Raised by the Audit Reports

The Draft Resolution includes a requirement for utilities to respond to discovery requests within five business days.²⁰ While TURN supports this rule as a general matter, TURN

¹⁹ Draft Resolution SPD-37, p. 27.

²⁰ Attachment A to Draft Resolution SPD-37 (CPUC Guidelines), p. 5.

recommends a shorter three-business-day response period in two instances: (1) for data requests to the utility related to the six-month progress reports; and (2) for data requests to the utility regarding issues raised by the audit reports. In Appendix B to these comments, TURN has recommended corresponding revisions to the CPUC guidelines.

In these instances, parties will have a limited time to provide comments, 42 days for opening comments in the case of the six-month progress reports and under TURN's recommended process for comments on the audit reports.²¹ With such a short comment period, a reduced response time is needed to enable parties to conduct the necessary two to three rounds of discovery (which includes follow-up on prior responses) and then to analyze those responses for incorporation, as appropriate, in comments. The result will be a better record for the Commission's determinations regarding whether refunds are warranted, and in what amounts. A three-day response period is now common practice for parties seeking discovery regarding Wildfire Mitigation Plans submitted to OEIS, where parties have a similarly short period for submitting comments.

Accordingly, TURN recommends that Draft SPD-37 be modified to specify a three-business-day response period for data requests to utilities in these two limited instances.

4. The Memorandum Account Cost Cap Should be 10% of the Total Sum of the 10 Years of Annual Cost Caps

The Commission's discussion of the memorandum account cap determines "it is prudent to include a cost cap on the memorandum account but defers establishment of the specific amount of the cap to the Phase 2 Application proceeding."²² TURN strongly agrees that, if the memorandum account is adopted, it is prudent to have a firm cost cap on the amount that can be recorded to the memorandum account and urges the Commission to set the upper bounds of the cap now. If the memorandum account in DR SPD-37 is retained, then it should be limited to costs that exceed the annual cost cap amounts (Phase 2 Condition One) and, as discussed in Section 2.2 above, exclude costs that fail to satisfy the Phase 2 Conditions or secondary objectives. TURN recommends

²¹ As discussed in the previous section, TURN recommends that Draft SPD-37's intervals for opening/reply comments on the audit report be changed from 20/5 days to 42/7 days, the same intervals as apply to the six-month progress report comments.

²² DR SPD-37, p. 23.

imposing a cap on the memo account of 10% of the total sum of the 10 years of annual cost caps placed on the one-way balancing account.²³

5. TURN's Recommended Modifications to the Additional Application Requirements and Phase 2 Conditions for Approval

Draft SPD-37 adopts additional application requirements to “(1) align programmatic information required by the Energy Safety Guidelines and CPUC Guidelines, (2) clarify the procedure for an audit, (3) add new data reporting requirements pursuant to SPD-15’s directive, and (4) provide additional information needed to ensure the Commission can effectively assess cost recovery for EUPs.”²⁴ TURN commends the work that has gone into these additional application requirements and supports them. Draft SPD-37 also adopts additional Phase 2 Conditions, including a condition requiring the forecasted CBR of a proposed undergrounding project to exceed the CBR of alternatives to that project.²⁵ TURN supports these additional conditions and applauds the Commission’s recognition that undergrounding projects must be more cost-effective than feasible alternatives. The following suggested revisions are intended to strengthen the requirements, not to criticize them.

The first new Phase 2 Condition is a vital safeguard. It requires that “[t]he forecasted CBR of the undergrounding project . . . exceed the forecasted CBR of all alternative mitigations considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision.”²⁶ As currently phrased, however, it introduces ambiguity into the process and may permit a utility to exclude reasonable alternatives simply by not “considering” them. The language should instead require that “the forecasted CBR of the undergrounding project must exceed the

²³ TURN maintains its position that no memorandum account should be allowed because a memorandum account violates the cost control requirements of SB 884. TURN April 25, 2025 Comments, pp 2-5. This section provides an alternative recommendation if the memorandum account is adopted.

²⁴ DR SPD-37, p. 12.

²⁵ DR SPD-37, p. 19.

²⁶ DR SPD-37, p.19.

forecasted CBR of all *reasonable* alternative mitigations *available* for that project. . . .” In Appendix B, TURN recommends revisions to the CPUC Guidelines to reflect this change.

TURN also appreciates the Staff’s efforts to develop uniform requirements for calculating CBRs and generally supports the CBR Calculation Guidelines. However, as TURN understands Section 2.5 of those CBR Guidelines, with respect to calculating capital costs for the denominator of the CBR, the utility need only provide the present value of the *direct capital costs*, not the present value of the *lifetime revenue requirements associated with capital spending*. As a result, the costs would exclude key elements such as rate of return, taxes, and other loaders and could significantly understate the total costs that ratepayers would be required to pay. Utilities should therefore be required to provide an alternative CBR calculation based on the estimated present value of the lifetime revenue requirements associated with a project’s capital spending. The Commission has clear authority under Pub. Util. Code § 739.15 to require such estimates, and good-faith projections — even if based on assumptions — would provide a far more accurate representation of total costs than direct capital costs alone. Because utilities will eventually calculate the revenue requirement impacts when they seek recovery, it is feasible to include those estimates at the application stage. Transparency on full lifetime revenue requirements will significantly improve the Commission’s ability to assess whether projects are just and reasonable.

In sum, TURN appreciates the Commission’s efforts to strengthen oversight of undergrounding project applications through new Phase 2 Application Requirements and Phase 2 Conditions. By tightening the comparison standard for alternatives and closing the memorandum account loophole, the Commission can ensure that undergrounding investments are evaluated transparently and approved only when demonstrably cost-effective and just and reasonable.

The following are the details of the changes TURN recommends to Draft SPD 37’s Additional Application Requirements and Phase 2 Approval Conditions:

- The First New Phase 2 Condition should be revised to require comparison of all reasonable and available alternative mitigations.
- The CBR Calculation Guidelines should be modified to require utilities to provide an alternative CBR based on the estimated present value of the lifetime revenue requirements associated with capital spending for a given project.

6. Conclusion

For the reasons set forth above, Draft SPD-37 should be revised as described in these comments and in Appendices A and B.

Dated: September 4, 2025

Respectfully submitted,

By: _____/s/_____
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THE UTILITY REFORM NETWORK

APPENDIX A

TURN Redline of Recommended Changes to Findings of Fact

(Additions are in *italics* and deletions are shown by ~~strikeout~~)

11. A large electrical corporation will not be required to obtain Energy Safety approval of undergrounding projects it intends to construct *during the EUP period* after Energy Safety approves its EUP.

19. Stakeholders generally agreed at the April 8, 2025, workshop that it may be valuable to include cost caps on the memorandum account, *but some parties argued* setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed.

20. It is prudent to establish an upper bound on the total potential costs of an EUP by capping the total costs recovered from the memorandum account at ~~a 10 percentage~~ of the total sum of the 10 years of cost caps placed on the one-way balancing account.

~~21. The percentage value of the memorandum account cost cap should be established in the Phase 2 Decision.~~

25. Additional primary and/or secondary objectives for an EUP Audit may be included in the Phase 2 Decision. *Costs recorded to the balancing account that do not satisfy the Phase 2 conditions and/or secondary objectives of the EUP Audit shall be refunded to ratepayers.*

Insert the following Finding after Finding 29:

29A. It is reasonable for the Commission to order refunds of previously recovered costs, when warranted, in an Audit Refund Resolution, based on the audit report and comments on that report.

APPENDIX B

TURN Redline of Recommended Changes to Attachment A of Draft SPD-37

SB 884 Program: CPUC Guidelines

Summary of TURN's Recommended Revisions to Draft Resolution SPD-37 Attachment A

SB 884 Program: CPUC Guidelines

Description of TURN's Revisions	Location of Proposed Revisions ¹
Clarify that the audit will assess whether costs satisfy the Phase 2 conditions <i>and the secondary objectives listed on page 16</i> .	- Pages 4-5
Make clear that costs that do not meet any of the Phase 2 Conditions or secondary objectives that were booked to the one-way balancing account and added to rates <i>shall</i> be refunded.	- Pages 4-5
Increase the time for opening and reply comments on the audit report from 20/5 days to 42/7 days.	- Page 17, first paragraph
Costs found by the audit report to have not met any of the Phase 2 Conditions or secondary objectives will be ordered refunded to ratepayers in an Audit Refund Resolution based on the audit report and the comments thereon. The proposed revisions address the Audit Refund Resolution process.	- Page 4, second paragraph - Page 17, first paragraph
Parties who disagree with the Audit Refund Resolution may seek, via a Petition for Modification (PFM) of the Phase 2 decision, either: (1) a decision ordering additional refunds or (2) a decision finding that the refunds ordered in the Audit Refund Resolution were excessive and ordering an offsetting addition to rates.	- Page 4, first paragraph - Page 17, first paragraph
Make clear that the memorandum account is limited to costs that exceed the annual cost caps determined in Phase 2 Condition Number 1, as adjusted by external costs in accordance with Phase 2 Condition Number 2.	- Page 4, second paragraph - Page 4, third paragraph - Page 14, first paragraph under heading "Phase 3 – Review of . . ."

¹ TURN converted the *SB 884 Program: CPUC Guidelines* portion of the Draft Resolution to Word in order to track TURN's proposed changes in redline. This resulted in some pagination changes. The page numbers referenced here refer to the version of the SB 884 Program: CPUC Guidelines attached to TURN's comments and may not align with the page numbers in the version included with the Draft Resolution.

Make clear that the Commission may, based on its own review, reopen the Phase 2 proceeding to order refunds in addition to those ordered in the Audit Refund Resolution.	<ul style="list-style-type: none"> - Page 17
Make clear that the memorandum account may not be used to recover costs that do not satisfy all of the Phase 2 Conditions (other than Condition 1, as adjusted by Condition 2) and all of the secondary objectives.	<ul style="list-style-type: none"> - Page 4, second paragraph - Page 4, third paragraph - Page 14, first paragraph under heading “Phase 3 – Review of . . .” - Page 15, first paragraph under first heading
Utilities shall respond to discovery requests related to their six-month progress reports within three (3) business days.	<ul style="list-style-type: none"> - Page 5, first full paragraph - Page 16, first full paragraph
Utilities shall respond to discovery requests related to issues raised by the audit report within three (3) business days.	<ul style="list-style-type: none"> - Page 5, first full paragraph - Page 17, first full paragraph
Make clear that Condition 4 requires the utility to compare the CBR of the undergrounding projects to the CBR of all reasonable alternative mitigations that are available to the utility.	<ul style="list-style-type: none"> - Page 13, Item 5 under Conditions for Approval of Costs



California Public
Utilities Commission

SB 884 Program: CPUC Guidelines

SAFETY POLICY DIVISION

August 15, 2025

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Purpose:

These *Guidelines*, and the adopting Commission Resolution, satisfy the Commission’s statutory obligation, pursuant to Public Utilities Code Section 8388.5(a), to establish an expedited utility distribution infrastructure undergrounding program consistent with Senate Bill (SB 884.)¹ These Guidelines address the process and requirements for the Commission’s review of any large electrical corporation’s 10-year distribution infrastructure undergrounding plan (as defined below) and related costs.

¹ McGuire; Stats. 2022, Ch. 819

Background:

SB 884, effective January 1, 2023, authorizes electrical corporations with 250,000 or more customer accounts within the state (i.e. large electrical corporations) to participate in an expedited utility distribution infrastructure undergrounding program.

To participate in the program, the large electrical corporation must submit a 10-year distribution infrastructure undergrounding plan (hereafter, “Plan” or “EUP”), including, among other requirements, the undergrounding projects to be constructed as part of the Plan, to the Office of Energy Infrastructure Safety (Energy Safety). Energy Safety is required to review and approve or deny the Plan within nine months of submission. Energy Safety may require the large electrical corporation to modify the Plan before approving it. Energy Safety may only approve the Plan upon finding it will achieve, at least, both of the following:²

- 1) Substantially increase reliability by reducing use of public safety power shutoffs, enhanced powerline safety settings, de-energization events, and other outage programs.
- 2) Substantially reduce wildfire risk.

The large electrical corporation must submit to the Commission, within 60 days of Energy Safety’s approval, a copy of the Plan and an application requesting review and conditional approval of the Plan’s costs (hereafter, “Application”). However, prior to formally filing the Application with the Commission, the large electrical corporation shall provide a copy of the Application it intends to file to the Commission’s Safety Policy Division (SPD) for a completeness review to identify any obvious omissions or errors in the intended Application. SPD will conclude its completeness review within 10 business days of receipt and issue a report noting any deficiencies that should be corrected before the Application is officially submitted and filed with the Commission.

On or before nine months after the Application’s official filing date, the Commission shall review and conditionally approve or deny the Application. The Commission may, however, require the large electrical corporation to (i) modify or (ii) modify and resubmit the Application prior to conditional approval. As further explained below, if the Commission or staff determines that minor corrections or clarifications are needed for the filed Application, the large electrical corporation may be required to modify the Application and provide corrections or clarifications within five (5) business days after being noticed. If the Commission or staff determines the filed Application 1) omits material information required pursuant to the Commission Resolution adopting these *Guidelines*, 2) omits material information deemed necessary to process the Application within nine months, or 3) omits information otherwise required by SB 884, the Commission or staff may then require the large electrical corporation to modify and resubmit the Application, and such resubmission will restart the nine-month timeline for Commission review.

If the Plan is approved by Energy Safety and the Application requesting review and conditional approval of the Plan’s costs is approved by the Commission, the large electrical corporation must file progress reports with the Commission and Energy Safety every six months, include ongoing work plans and progress in its annual wildfire mitigation plan submissions, hire an independent monitor (selected by Energy Safety) to

² Energy Safety has issued guidelines detailing the requirements for submission and review of undergrounding Plans. See <https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58006&shareable=true>

review and assess its compliance with the Plan, apply for all available federal, state, and other non-ratepayer moneys throughout the duration of the approved Plan, and use those non-ratepayer moneys to reduce the Plan's costs to its ratepayers.

The independent monitor must annually produce and submit a report to Energy Safety no later than December 1 of each year over the course of the Plan.³ The independent monitor's report will identify any failure, delays, or shortcomings in the large electrical corporation's compliance with the Plan and provide recommendations for improvements. After consideration of the independent monitor's report and whether the large electrical corporation has corrected the deficiencies identified therein, Energy Safety may recommend penalties to the Commission. The Commission may assess penalties on a large electrical corporation that fails to substantially comply with the Commission decision approving its Plan pursuant to Public Utilities Code, Section 8388.5(i)(2).

Figure 1 below shows an overview of the timelines, events, and responsible parties for implementation of the SB 884 program.

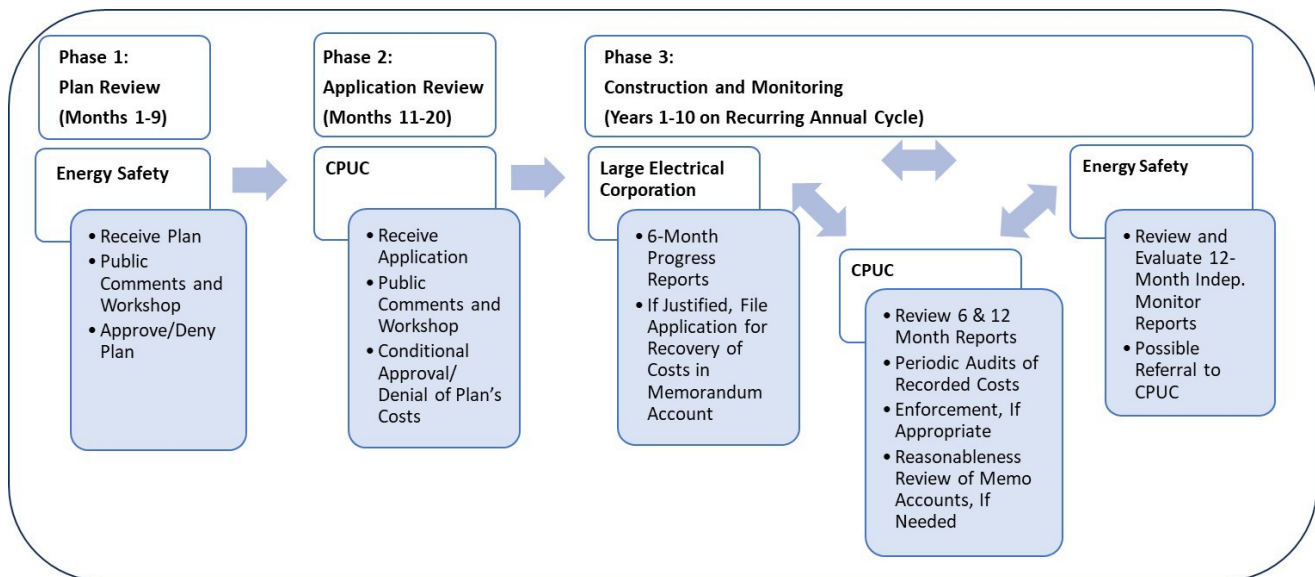


Figure 1: SB 884 Plan, Application, Reporting, and Cost Recovery Timeline

³ Pursuant to Public Utilities Code, Section 8388.5(h), Energy Safety is required to publish these reports on its website.

SB 884 Program Process and Requirements:

The SB 884 Program will be executed in up to three phases:

- 1) Phase 1: Energy Safety Plan review and approval/denial
- 2) Phase 2: Application submitted to Commission for review and conditional approval.
- 3) Phase 3: Construction and periodic audits of costs recorded in the one-way balancing account, as well as just and reasonableness reviews of recorded costs in the memorandum account described below.

If Energy Safety approves the large electrical corporation's Plan, Phase 2 will commence with the large electrical corporation's submission of an Application for Commission consideration and conclude with the Commission's disposition of such Application (i.e., conditional approval or denial) via a Phase 2 Decision. The Commission will review the costs submitted in any Application. Only if costs⁴ meet certain conditions (Phase 2 Conditions), will the Commission authorize their recovery via a one-way balancing account, which shall remain subject to audit. If an audit demonstrates any costs recorded to the one-way balancing account did not meet the Phase 2 Conditions and secondary objectives described below, the Commission by an Audit Refund Resolution will order such costs to be refunded to ratepayers. Parties may seek modification to such refund amounts by a Petition for Modification process described below. subject to Commission review and determination, such costs may be subject to refund. The Phase 2 Conditions for recovering costs via the one-way balancing account will include those listed in the "Conditions for Approval of Plan Costs" section herein, as well as any other conditions the Commission deems appropriate in the relevant Application's proceeding. If the Commission approves cost recovery in the one-way balancing account, the Commission will also authorize the large electrical corporation to record, in a memorandum account, any Plan costs in excess of the annual cost caps (Condition 1, adjusted by Condition 2) that were not booked to the one-way balancing account. Costs that fail to meet the Phase 2 Conditions, other than the annual cost caps, or secondary objectives may not be recovered via the memorandum account.

If the Commission conditionally approves the large electrical corporation's Application, Phase 3 will commence upon the Commission's issuance of the Phase 2 Decision. During Phase 3, the large electrical corporation will execute its undergrounding Plan in accordance with the Resolution adopting these Guidelines, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to the SB 884 program. The large electrical corporation shall also report on its progress and begin booking costs to the one-way balancing account established in Phase 2, subject to periodic audits and refunds if the Commission so orders. In Phase 3, given the inherent uncertainties with planning across a 10-year period and certain costs being unforeseeable during Phase 2, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for implementation costs in excess of the annual costs caps that satisfy the Phase 2 Conditions (other than Condition 1, adjusted by Condition 2) that do not meet the Phase 2 Conditions, and were recorded in the designated memorandum account up to a cap determined in the Phase 2 Decision. During Phase 3, the Commission will review any Phase 3 Applications for recovery of costs recorded in the memorandum account to determine whether such costs were just and reasonable, including satisfying the Phase 2 Conditions and secondary objectives and incremental to any other costs approved by the Commission. When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be found to be just and reasonable before being authorized for recovery. Phase 3 will conclude with the Commission's disposition of the last cost recovery application associated with the memorandum account, or the final independent monitor report, whichever is last.

Given the importance of the Phase 2 Conditions and the requirement that any costs recorded in the one-way balancing account must meet the Phase 2 Conditions and secondary objectives, these *Guidelines* include a process to assess whether the recorded costs meet such conditions and secondary objectives. Accordingly, periodic audits of the established balancing account will be performed to ensure the costs booked to the balancing account meet the Phase 2 Conditions established by the Phase 2 Decision (e.g., unit cost caps, CBR thresholds, etc.) and secondary objectives. If the audit demonstrates that costs were incorrectly recorded or failed to meet the Phase 2 Conditions and secondary objectives, the Commission shall may order a refund. If the Commission directs a large electrical corporation to issue a refund, the large electrical corporation shall not seek to recover such costs through any other means.

Due to the SB884 Program's expedited schedule, unless otherwise directed by the Commission, large electrical corporations shall respond to discovery requests within five (5) business days in either Phase of the SB 884 Program, except that large electrical corporations shall respond to party discovery requests regarding their six-month progress reports and the auditor report within three (3) business days.

⁴ Costs can only be recovered once the undergrounding project is considered used and useful.

Application Conditional Approval, Denial, or Modification & Resubmittal:

On or before nine months after the Application's filing date, the Commission shall review and conditionally approve or deny the Application. Before conditionally approving or denying the Application, the Commission or staff may require the large electrical corporation to (i) modify or (ii) modify and resubmit the Application.⁵ If the Commission or staff determines that minor corrections or clarifications are needed for the Application, then the Commission or staff may require the large electrical corporation to modify the Application and such minor corrections or clarifications shall be provided within five (5) business days of notice. If the Commission or staff determines that the Application 1) omits material information required pursuant to the Commission Resolution adopting these *Guidelines*, 2) omits material information deemed necessary to process the Application within nine months, or 3) omits information otherwise required by SB 884, then the Commission or staff may require the large electrical corporation to modify and resubmit the Application, and such resubmission will restart the nine-month timeline for the Commission's review.

Pre-Submission Application Completeness Review:

Before submission of the Application, the large electrical corporation shall provide a copy of the intended Application to Commission's Safety Policy Division (SPD)⁶ for a completeness review. The pre-submission process is a precursor to and separate from the Commission's Application review process. The intent of the completeness review will be to identify any obvious omissions or errors and avoid unnecessary delays resulting from post-submittal modification of the Application for such omissions or errors, given the expedited schedule for review. SPD will conclude its completeness review within 10 business days of receipt and issue a report noting any deficiencies that should be corrected in the submitted Application.

Accordingly, it is the large electrical corporation's responsibility to provide SPD with a copy of the intended Application with sufficient time to conduct the completeness review (i.e., 10 business days) while ensuring that the 60-day deadline for Application submission, following Energy Safety's approval of the Plan, is met pursuant to Public Utilities Code, Section 8388.5(e)(1). SPD's report is solely for completeness review; it is not a substantive review or disposition of the Application and does not limit the Commission's or staff's ability to require the large electrical corporation to otherwise modify or resubmit the Application.

⁵ Public Utilities Code, Section 8388.5(e)(5).

⁶ Pre-submission of the Application for completeness review shall be submitted to SB884@cpuc.ca.gov.

Phase 2 – Application Submission and Review:

These *Guidelines* recognize that Plans approved by Energy Safety will have been found to show that implementation of the Plan will substantially increase reliability and substantially reduce wildfire risk, as required in Public Utilities Code, Section 8388.5(d)(2). The Commission will then review such Plans and either conditionally approve or deny the costs, as presented in the subsequent Application.

Application Submission Requirements:

Applications submitted to the Commission seeking conditional approval of Plan costs shall meet all the following requirements.

Submission Deadline:

Applications for Commission review, and conditional approval or denial of the Plan's costs, as such conditional approval is described herein, must be submitted to the Commission within 60 days following Energy Safety's approval of the Plan.

Application Type:

Applications shall be submitted according to the Commission's Rules of Practice and Procedure and any other requirements set forth in the Commission Resolution adopting these *Guidelines*.⁷ Each section of the Application shall indicate the person who sponsors the section and would serve as a witness if evidentiary hearings are required.

Application Submission:

The Application shall be filed and served with the Commission's Docket Office, with a copy to the Commission's Chief Administrative Law Judge, the service list for the large electrical corporation's most recent general rate case (GRC), the SB 884 notification list linked here,⁸ as updated, SB884@cpuc.ca.gov, and any other service lists, as determined by the large electrical corporation, that will cause the Application to broadly reach interested parties. A copy of the application should also be sent to each communications company that has equipment on poles where undergrounding is planned.

Application Requirements:

For the purposes of these *Guidelines*, all program and project costs reported in the Application shall include the standard project costs including, but not limited to, program management, project execution, design, estimating, mapping, construction, internal labor, contracted labor, parts, tools, materials, overhead, and

⁷ Rules of Practice and Procedure: California Code of Regulations Title 20, Division 1, Chapter 1. Article 3, Rule 3.2.

⁸ The SB 884 notification list is periodically updated and uploaded to CPUC SB 884 webpage: <https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/risk-assessment-and-safety-analytics/electric-undergrounding-sb-884>.

permitting. In addition, all ratepayer impacts shall be shown by all ratepayer classifications (e.g., residential, agricultural, commercial, etc.) to the extent such information is available.

All cost and Cost-Benefit Ratio (CBR) data, required as described below, shall be supported by workpapers and Excel worksheets included with the Application submission.

The following are required contents of all Applications:

- 1) The Application shall present both capital and operating expense cost forecasts for each year of the 10-year Application period, consistent with the cost targets presented in the Plan approved by Energy Safety.
- 2) The Application shall clearly identify all undergrounding targets (*e.g.*, miles to underground together with their conversion rate⁹) and cost forecasts¹⁰ in the Plan that overlap with undergrounding targets and any and all related targets and cost forecasts either approved or under consideration in the large electrical corporation's most recent GRC or any other cost recovery venues. Furthermore:
 - a) Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts approved in the most recent GRC or other cost recovery venue, such undergrounding targets and costs shall be clearly identified and associated costs will be excluded from consideration for recovery in the Application.
 - b) Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts still under consideration in a GRC or other cost recovery venue, the Application shall specify which overlapping targets and costs are under consideration and identify the proceeding or advice letter in which the Commission is considering them. The Application shall propose in which venue the Commission should consider the overlapping costs. Both costs and the corresponding mileage must be paired and presented for consideration in a single venue.
 - c) The Application shall include a detailed description of the controls the large electrical corporation will implement to ensure that undergrounding costs related to execution of the Plan are incremental to any other costs approved by the Commission.
- 3) The Application shall include the large electrical corporation's best estimate, including all underlying assumptions, of the proposed annual revenue requirements and proposed ratepayer impacts for each year that the large electrical corporation proposes will be necessary for rate recovery of the Application's forecasted annual costs.
- 4) The Application shall include a Results of Operation (RO) Model for that portion of its revenue requirement that relates to the undergrounding cost recovery it seeks, with Energy Division

⁹ As used in this context, "conversion rate" means the ratio of underground mileage required to replace the equivalent overhead lines. Given prior evaluation of undergrounding requests in other Commission proceedings, it is known that a mile of undergrounding corresponds to replacement of less than one mile of overhead assets.

¹⁰ For clarity, the term cost forecasts is used in place of the term cost targets that are discussed in PUC 8838.5 (3)(1).

oversight and a non-disclosure agreement in place,¹¹ that demonstrates how the large electrical corporation calculated the revenue requirement provided.¹²

- 5) The Application shall identify, for each year of the 10-year Application period, any forecast wildfire mitigation costs that will be reduced, deferred, or avoided because of implementing the proposed undergrounding Plan (e.g., vegetation management), collectively “savings,” and how spending on such programs or areas of work will be affected, including any cost reductions, deferrals, or avoidances that are expected to continue beyond the 10-year Application period and the time period for which such cost reductions, deferrals, or avoidances are expected to continue beyond the 10-year period.¹³
 - a) The Application shall distinguish between forecast costs already approved by the Commission for recovery and forecast costs that have not yet been the subject of a request for recovery.
 - b) For forecast costs already approved by the Commission for recovery, the Application shall identify any accounts used to track such costs; the amounts in each such account; and the Commission decision(s) authorizing recovery.
 - c) The application shall explain the proposed disposition of all identified savings and explain the methodology by which the Commission can ensure that all identified savings are passed on to ratepayers.
- 6) The Application shall include cost forecasts for each year of the 10-year Application period that, at a minimum, result in feasible and attainable cost reductions as compared to the large electrical corporation’s historical undergrounding costs.
 - a) Cost forecasts shall be provided for each projected year in the 10-year Plan.
 - b) Annual historical undergrounding unit costs shall be provided for the previous 10 years, with separate categories for Rule 20 projects, other undergrounding projects, and wildfire mitigation projects, as available.
 - c) Comparisons between the Plan’s unit cost targets and historical undergrounding unit costs shall be provided using the average historical wildfire mitigation undergrounding costs for the previous three years (before the Plan’s first year). The comparison shall include a statement of how the targeted cost reductions are feasible and attainable compared to historical costs.
- 7) The Application shall include an explanation of how the cost forecasts are expected to decline over time due to cost efficiencies and economies of scale.
- 8) The Application shall include a description of a strategy for achieving cost reductions over time per Public Utilities Code, Section 8388.5(e), which may include factors other than cost efficiencies or

¹¹ The non-disclosure agreement shall ensure that the large electrical corporation personnel in charge of the RO modeling will not disclose changes to the RO Model requested by the Commission to the personnel working on the Phase 2 Application and related matters.

¹² See also D.00-07-050 at 11-12 and D.20-01-002 at 65-67.

¹³ For examples of cost benefits that may be appropriate to include, refer to the Lawrence Berkeley National Laboratory white paper. Peter H. Larsen, “A method to estimate the costs and benefits of undergrounding electricity transmission and distribution lines” in *Energy Economics* Vol. 60, 2016 pp. 47-61. Please note that this methodology is referenced for illustrative purposes only. Different methodologies and/or cost categories may be appropriate to include.

economies of scale such as, but not limited to, identifying, developing, and deploying new technologies.

- 9) The Application shall present the forecasted average Cost-Benefit Ratio (CBR) across all projects expected to be completed in each of the 10 years of the Application period, broken out by year and for the total Application period. Cost and Benefits must be calculated as defined in Commission Decision (D.)22-12-027¹⁴ or its successor. The calculated annual and total benefits must relate to the mitigation of overhead line miles, not miles of undergrounding.¹⁵ The costs and benefits of any projects that will include secondary lines and service drops must also be included.
- 10) The Application shall include the forecasted CBRs across all projects, by year and for the total Application period, for each alternative wildfire mitigation hardening method considered, in place of undergrounding, including forecasted CBRs for combinations of non-undergrounding hardening mitigation measures. The calculated annual and total benefits must relate to the mitigation of overhead line miles, including any secondary lines and service drops, not miles of undergrounding.
 - a) The large electrical corporation shall use reasonable and comparable assumptions in its calculations of forecasted CBRs for both undergrounding and each alternative wildfire mitigation method considered, including combinations thereof.
- 11) The Application shall include a description of any substantial improvements in safety risk and reduction in costs compared to other hardening and risk mitigation measures over the duration of the Plan.
 - a) Substantial improvements in safety risks shall be substantiated using the above required benefits calculations by comparing undergrounding benefits to alternative hardening and risk mitigation measures, including combinations of alternative measures.
 - b) Reduction in costs shall be substantiated using the same cost calculations as required above by comparing undergrounding costs to alternative hardening and risk mitigation measures, including combinations of alternative measures.
- 12) For each project included in the Application, the large electrical corporation shall provide, at a minimum, all data listed in the SB 884 Project List Data Requirements Guidelines in tabular format. This information shall be provided as both a Microsoft Excel file and searchable pdf file¹⁶ to supplement the Application. The large electrical corporation shall provide the latest version of the data required by the SB 884 Project List Data Requirements Guidelines at the time of its Application submission.
- 13) The Application shall include the latest data associated with the list of all projects (SB 884 Project List Data Requirements Guidelines) as required by Screen 2 of the Energy Safety Guidelines. The large electrical corporation shall provide a forecasted scope of all projects in the approved 10-year EUP and included in the Undergrounding Projects List, as an output from Screen 2 of the *Energy Safety Guidelines*.

¹⁴ CBR is calculated by dividing the dollar value of Mitigation Benefit by the Mitigation cost estimate. See D.22-12-027 Phase II Decision Adopting Modifications, Risk-Based Decision-Making Framework, Appendix A, p. A-3.

¹⁵ Based on information provided in PG&E's wildfire mitigation plans and current general rate case, the overhead to underground conversion rate is approximately 1.25. This means that it would require PG&E approximately 125 miles of underground circuit miles to convert 100 miles of overhead infrastructure to underground. As such, calculated benefits would relate to the 100 miles of overhead infrastructure undergrounded and not the 125 miles of undergrounding required to do so. The underground conversion rate will vary per large electrical corporation.

¹⁶ See Rules of Practice and Procedure: California Code of Regulations Title 20, Division 1, Chapter 1. Article 1, Rule 1.3(b) for complete submission requirements of pdf files.

- 14) The Application shall only include undergrounding projects that have a forecasted CBR greater than or equal to 1.
- 15) The Application shall only include undergrounding projects that have met one or more of the large electrical corporation's three Project-Level Thresholds.¹⁷
- 16) The Application shall include a detailed explanation of the necessity for any spans that extend beyond the HFTD boundary for any project included in the Application.
 - a) The Application shall only include undergrounding projects that have been designated as an In-Area circuit segment as required by Screen 1 in the *Energy Safety Guidelines*.¹⁸
- 17) The Application shall include:
 - a) The same Key Decision-Making Metrics (KDMMs) data for Commission review as was provided in the EUP approved by Energy Safety.
 - b) The KDMMs included in any six-month progress report submitted to Energy Safety during the nine-month period that the large electrical corporation's EUP is under review by Energy Safety.
- 18) For each project included in the Plan and Application, the large electrical corporation shall provide GIS data for all project boundaries in a Geodatabase or other suitable format.
 - a) The GIS data shall include the entire circuit within which projects are planned and indicate the locations of which segments will be undergrounded.
 - b) The GIS data shall identify the locations of circuit segments that will continue to support overhead transmission lines (if any) after distribution lines are undergrounded.
 - c) The GIS data shall indicate the locations of poles which have lease agreements with communications companies, and which are jointly owned.
- 19) The Application shall include a list of all non-ratepayer moneys (i.e., third-party funding) the large electrical corporation has applied for and/or received to minimize the Plan's costs on ratepayers. At a minimum, for each potential source of third-party funding, the list shall include:
 - a) The source of third-party funding;
 - b) The date when third-party funds were requested;
 - c) The amount of funding requested;
 - d) The status of the request, including funding already received;
 - e) Next steps, including timelines for processing of the funding request; and
 - f) The amount of funding granted/authorized (if any).
- 20) The Application shall include a description of how any net tax benefits associated with the third-party funding will be disposed of to the benefit of ratepayers.
- 21) The Application shall include a statement affirming costs, tax benefits, and tax liabilities associated with federal funding sources used to fund projects included in the Plan are being tracked consistent with Resolution E-5254.¹⁹
- 22) The Application shall include an attestation that the large electrical corporation will continue to search and apply for third-party funding to reduce the cost of the Plan to ratepayers throughout the duration of the Plan.

¹⁷ Energy Safety Guidelines at 42. The large electrical corporation indicates to Energy Safety whether a circuit segment falls into one of the mitigation eligibility categories in Table C.8 under the "risk_category" field.

¹⁸ Energy Safety Guidelines at 12. The large electrical corporation indicates to Energy Safety whether a circuit segment is designated as "In-Area" in Table C.6 under the "is_in_area" field.

¹⁹ Resolution E-5254 adopted procedural mechanisms for review and approval of electric and gas investor-owned utility cost recovery requests related to various federal funding and grant programs. Resolution E-5254 is available on the Commission's website at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M506/K016/506016078.PDF>.

- 23) The Application shall include a description of how the large electrical corporation plans to coordinate with communication companies to maximize benefits to California, including but not limited to:
- a) The ownership and use of existing utility poles where undergrounding projects are planned;
 - b) How the large electrical corporation will address the affected shared poles, including who will own and maintain the poles if the responsible communication provider opts not to concurrently underground their infrastructure;
 - c) The full array of currently offered or discussed proposals for how to add conduit for such communication companies in the large electrical corporation's trenches, including, wherever possible, the proposed unit costs associated with such offerings or proposals.
- 24) The Application shall include a plan of how and when the large electrical corporation will remove poles from its rate base whose ownership is transferred to a communications company.
- 25) The Application shall include workforce development cost forecasts for each year of the Plan.
- 26) The Application shall include a detailed description of the method that establishes how the auditor will validate whether the large electrical corporation has satisfied the primary and secondary objectives of the audit. For the primary objectives, this method must include an approach for:
- a) Verifying that the total annual costs did not exceed the approved cost cap for a given year of the EUP (Condition #1);
 - b) Verifying that any third-party funding obtained was applied to reduce the established cost cap for the specific year in which the third-party funding was obtained (Condition #2);
 - c) Determining that the average recorded unit cost for all projects completed in any given two-year period did not exceed the approved average unit cost cap (Condition #3);
 - d) Determining that the average recorded CBR for all projects completed in any given two-year period equals or exceeds the approved threshold CBR value. (Condition #4);
 - e) Determining whether the forecasted CBR of an alternative mitigation exceeds a certain threshold value above the forecasted CBR of an undergrounding project (Condition #5);
 - f) Verifying that a project did not exceed the approved CBR percentage difference threshold (Condition #6);
 - g) Verifying that a project did not exceed the approved unit cost percentage difference threshold (Condition #7); and
 - h) Verifying that the undergrounding project meets or exceeds the applicable Project-Level Standard in the large electrical corporation's EUP approved by Energy Safety (Condition #8).
- For the secondary objectives, this method must include an approach for:
- i) Verifying that a project is used and useful.
 - j) Verifying the incrementality showing found in Application Requirement No. 2.
 - k) Validating the methodology used to calculate a CBR for a given project, as found in the *CBR Calculation Guidelines* in Appendix 1 of these *Guidelines*.
- 27) The Application shall include a copy of the Plan approved by Energy Safety.

Public Workshop & Comments:

The Commission will facilitate a public workshop for presentation of the Application and take public comment for at least 30 days in accordance with Public Utilities Code Section 8388.5(e)(4). Formal comments from the workshop will be solicited by a ruling in the proceeding, and a workshop report provided by the parties who participated in the workshop may be ordered.

Conditions for Approval of Plan Costs:

Public Utilities Code, Section 8388.5(e)(1) specifies that an Application may request “conditional approval of the plan’s costs...” To protect ratepayers from unexpected and inefficient cost overruns, the Commission establishes the following conditions for any costs booked to the one-way balancing account established in Phase 2:

- 1) Total annual costs must not exceed a cap based on the approved cost cap for that specific year.²⁰
- 2) Third-party funding obtained, if any, shall be applied to reduce the established cost cap for the specific year in which the third-party funding is obtained, so that ratepayers receive the benefit. The large electrical corporation shall file an advice letter documenting which annual cost caps are reduced based on third-party funding received.
- 3) The average recorded unit cost for all projects completed in any given two-year period (the current year, and the prior year) must not exceed the approved average unit cost cap for the current year. The unit costs shall be calculated per mile of undergrounding performed, rather than per mile of overhead replaced, to focus on reduction of construction costs.
- 4) The average recorded CBR²¹ for all projects completed in any given two-year period (the current year, and the prior year) must equal or exceed the approved threshold CBR value²² for the current year.
- 5) The forecasted CBR of the undergrounding project must exceed the forecasted CBR of all reasonable alternative mitigations available considered for that project by a certain threshold value, which is to be determined in the Phase 2 Decision.
- 6) In all cases, when an undergrounding project becomes used and useful, if the value of its recorded CBR, as reported in the applicable six-month progress report, is less than the value of its forecasted CBR at the time of the Phase 2 Application submission, then the percentage difference between the two CBR values must not exceed the specified threshold value determined in the Phase 2 Decision.
- 7) In all cases, when an undergrounding project becomes used and useful, if the value of its recorded unit cost, as reported in the applicable six-month progress report, is greater than the value of its forecasted unit cost at the time of the Phase 2 Application submission, then the percentage difference between the two unit cost values must not exceed the specified threshold value determined in the Phase 2 Decision.
- 8) The undergrounding project must meet or exceed the applicable Project-Level Standard(s) in the large electrical corporation’s EUP approved by Energy Safety.²³
- 9) Any further reasonable conditions supported by the record of the proceeding and adopted by the Commission in the Phase 2 Decision.

²⁰ Any costs exceeding the cap shall be recorded in a memorandum account and are subject to review and approval as described in the Phase 3 section of these *Guidelines*.

²¹ The “recorded CBR” is the CBR calculated using recorded cost values, as opposed to cost forecasts.

²² The “threshold CBR value” will establish the minimum CBR that must be achieved for cost recovery.

²³ *Energy Safety Guidelines* at 17 and 43. The large electrical corporation indicates to Energy Safety whether an undergrounding project has met the Project-Level Standard(s) in Table C.12 of the *Energy Safety Guidelines* under the “fulfills_project_level_standard” field. The “applicable Project-Level Standard(s)” can be verified by how the utility completes the “risk_category” field in Table C.8 of the *Energy Safety Guidelines*. If the undergrounding project does not meet the applicable Project-Level Standard(s), the *Energy Safety Guidelines* still permit a large electrical corporation to record a justification for this project in Table C.12 under the “additional_justification” field, which can be reviewed as part of a Phase 3 Application to determine the just and reasonableness of the costs associated with a project that does not meet this condition.

Memorandum Account Cap:

The total cumulative costs recovered via the memorandum account throughout the duration of an EUP shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account. The percentage value of the memorandum account cost cap will be established in the Phase 2 Decision.

Phase 3 – Review of Memorandum Account Recorded Costs for Rate Recovery:

Phase 3 of the program will be initiated if the Commission conditionally approves a Phase 2 Application submitted by a large electrical corporation. During Phase 3, the large electrical corporation will execute its undergrounding Plan in accordance with the Resolution adopting these *Guidelines*, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to the SB 884 program, the large electrical corporation shall also report on its progress, and begin booking costs to the one-way balancing account established in Phase 2, which shall remain subject to periodic audits, and refund if the Commission so orders. In Phase 3, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for any implementation costs that exceed the costs caps established in Condition 1, as adjusted by Condition 2, and satisfy the Phase 2 conditions (other than Condition 1, as adjusted by Condition 2) and secondary objectives ~~do not meet the Phase 2 Conditions~~ and were recorded in the designated memorandum account. The large electrical corporation may only seek recovery for costs recorded in the memorandum account by filing a Phase 3 Application. The total cumulative costs recovered via the memorandum account throughout the duration of an EUP shall not exceed the cap established for such accounts in the Phase 2 Decision. The purpose of any Phase 3 Application will be to determine whether the costs recorded in the memorandum account satisfy the Phase 2 Conditions (other than Condition 1, as adjusted by Condition 2) and secondary objectives, and meet the additional conditions set forth in the “Conditions for Approval of Recorded Costs in Memorandum Account” section below. When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be just and reasonable. No more than one Phase 3 Application may be filed each year.

The elements of recorded costs must be consistent with the elements included in the costs presented in the Application, including but not limited to, program management, project execution, design, estimating, mapping, construction, internal labor, contracted labor, parts, tools, materials, overhead, and permitting.

The Phase 3 Application must include, at a minimum, all six-month progress reports and annual compliance reports submitted pursuant to this program, relevant information from wildfire mitigation plan filings and compliance reports, and the following program data presented in Table 1 for the requested recovery period.²⁴ The project data that supports the program recorded cost values requested for recovery shall be provided in tabular format in a sortable Excel spreadsheet. Additional data requirements for a Phase 3 Application may be included in the Phase 2 Decision.

²⁴ Recovery period means the period under consideration in the most recent Phase 3 Application filing.

Table 1: Conditionally Approved Target and Actual Recorded Cost Data

Conditionally Approved Targets for the Recovery Period	Actual Recorded Costs in the Recovery Period
Program Cost	Program Cost
Program CBR	Program CBR
Program Unit Cost	Program Unit Cost
	Project Data for the Recorded Projects

Additional Conditions for Approval of Recorded Costs in Memorandum Account:

Costs that do not satisfy the Phase 2 Conditions and secondary objectives may not be recovered via the memorandum account. To further protect ratepayers from unexpected and inefficient cost overruns:

- 1) The Commission will closely scrutinize any Phase 3 Application to determine whether the costs recorded were prudently incurred, incremental to other funding granted to the large electrical corporation, and just and reasonable.
- 2) When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be just and reasonable.
- 3) No costs recorded to the memorandum account established in the Commission's Phase 2 Decision shall be authorized for recovery unless and until the large electrical corporation has shown that it has applied all third-party funding previously received to reduce its relevant balancing account cost cap.
- 4) No costs recorded to the memorandum account established in the Commission's Phase 2 Decision shall be authorized for recovery unless such costs are consistent with the approved Plan.

Progress Reports:

Public Utilities Code Section 8388.5(f)(1) requires large electrical corporations with approved Plans and conditionally approved Applications to file progress reports every six months with both Energy Safety and the Commission. Accordingly, without affecting the required progress report elements specified by Energy Safety, these *Guidelines* require that the six-month progress reports shall include, but should not be limited to, the following:

- 1) Total recorded costs to date;
- 2) Third-party funds received, with an explanation of how third-party funding was used to reduce the burden on ratepayers;
- 3) Average recorded CBR for completed projects in any given two-year period;
- 4) Average recorded unit cost per mile of undergrounding for completed projects in any given two-year period;
- 5) Miles of overhead replaced by undergrounding by circuit segment;
- 6) Miles of undergrounding completed by circuit segment;
- 7) GIS data showing location and status of each project (in Geodatabases or other suitable format);
- 8) An updated list of all third-party funding the large electrical corporation has applied for, as specified in Application Requirements 19-21; and

- 9) Total and average avoided costs and workpapers showing calculation of avoided costs.
- 10) An updated dataset that follows the requirements of the SB 884 Project List Data Requirements *Guidelines*.

At a minimum, the six-month progress reports filed by a large electrical corporation shall include an update of the *SB 884 Project List Data Requirements Guidelines* in Appendix 2, as well as any other reporting requirements in the *Energy Safety Guidelines*, the Phase 2 Decision(s), and the Phase 2 Application Requirements listed above. Large electrical corporations shall file and serve the six-month progress reports in the applicable Phase 2 Application docket. Large electrical corporations shall respond to discovery requests regarding the six-month progress reports within three (3) business days. Parties may review, file, and serve opening comments on the progress report in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after the progress report is filed and served by the large electrical corporation. Reply comments on the progress report may be filed and served in the Phase 2 Application docket no later than seven (7) days (or such period specified in the Phase 2 Decision) after the due date for opening comments.

Audit of the One-Way Balancing Account:

An audit of the one-way balancing account shall occur annually (hereafter, EUP Audit). The EUP Audit shall begin no later than 60 days (or such period specified in the Phase 2 Decision) after the due date for reply comments on the second six-month progress report in a given 12-month period. Each EUP Audit shall review EUP projects that become used and useful during the 12-month period covered by the audit. Each EUP Audit may also review recorded costs of projects or portions of projects that are not used and useful and may recommend refunds.

The primary objective of an EUP Audit is to determine whether the costs recorded in the large electrical corporation's balancing account have met all nine²⁵ Phase 2 Conditions. The audit shall also verify whether the recorded costs have met the following secondary objectives set forth in SPD-37:

- 1) Verify that projects are "used and useful;"
- 2) Determine whether the recorded costs are incremental – and do not duplicate costs allowed through another decision, mechanism or received from a third party; and
- 3) Validate that the methodology used to calculate a CBR, and the CBR results for a given project comply with the *CBR Calculation Guidelines* (See Appendix 1).

A Phase 2 Decision may also add primary and/or secondary objectives for the Audits specific to that EUP.

In its Phase 2 Application, as required by Application Requirement #26, a large electrical corporation shall propose the methodology for the auditor to determine whether the costs of undergrounding projects recovered via the one-way balancing account meet the primary and secondary objectives. The Phase 2 Decision will include the Commission's determination on the appropriate methodology to be used by the auditor to determine whether the primary and secondary objectives are met. In addition, any data that should be reviewed by the auditor, beyond what is submitted to the Commission in six-month progress reports, will be determined in the Phase 2 Decision. The auditor may also request information and conduct interviews with large electrical corporation personnel, including custodians of records, to gather information for the audit.

²⁵ The EUP Audit scope will also include any Phase 2 Conditions adopted in the Phase 2 Decision beyond the nine listed herein.

The EUP Audit will result in an audit report that will be filed and served to the Phase 2 Application docket within five (5) days (or such period specified in the Phase 2 Decision) of its completion and approval. The audit report shall be completed within six months (or such period specified in the Phase 2 Decision) after it is initiated.²⁶ Large electrical corporations shall respond to discovery requests regarding issues raised by the audit report within three (3) business days. Parties may file and serve opening comments on the audit report in the Phase 2 Application docket no later than 20 42 days (or such period specified in the Phase 2 Decision) after the audit report is filed and served by the large electrical corporation. Reply comments on the audit report may be filed and served in the Phase 2 Application docket no later than seven five days (or such period specified in the Phase 2 Decision) after the due date for opening comments. The Commission Staff shall prepare a Draft Audit Refund Resolution regarding the auditor's findings and ordering refunds of any costs that do not satisfy the Phase 2 Conditions or secondary objectives. The Draft Audit Refund Resolution shall explain any determination not to order refunds of costs found by the auditor not to satisfy any of the Phase 2 Conditions or secondary objectives. Parties shall have 20 days for opening comments and five days for reply comments on the Draft Audit Refund Resolution. After consideration of the comments, the Commission will issue an Audit Refund Resolution with its determination of the refund amount based on the auditor report and party comments and an order to implement the refunds. If a Party believes the final Audit Refund Resolution determined either excessive or insufficient refund amounts a refund is necessary based on the audit report, they may file a petition for modification requesting to reopen the Phase 2 Application proceeding and set forth their ir recommendation of the modified amount of the refund and the reasons for it in the petition. The resulting decision may sustain the amount of refunds previously ordered and made pursuant to the Audit Refund Resolution, order additional refunds, or order an addition to rates to offset refunds determined to have been improperly ordered in the Audit Refund Resolution. The Commission may also determine the appropriateness of reopening the Phase 2 Application proceeding based on its own review as described below.

Following its review of the audit report, six-month progress reports, associated comments, and any petitions received, the Commission may reopen the Phase 2 Application proceeding to consider the need for additional refunds beyond the amount ordered in the final Resolution. If the Commission reopens the Phase 2 Application proceeding, for projects that do not meet the primary objectives and/or one or more of the secondary objectives, the Commission may direct the large electrical corporation to refund related project costs to ratepayers that are additional to the refunds ordered in the Resolution, in a subsequent decision. If the Commission directs a large electrical corporation to issue a refund either through the Resolution or through a decision in a reopened Phase 2 proceeding, the large electrical corporation shall not seek to recover such costs through any other means.

The large electrical corporation shall not have input into the direction, focus, or outcome of the EUP Audit that goes beyond the input afforded to other Parties to the Commission's SB 884 proceeding or process. The large electrical corporation shall provide access to all information requested by the auditor and SPD to carry out the audit within five days (or such period specified in the Phase 2 Decision) of each data request. The large electrical corporation shall also make personnel available for interviews on five days' notice (or such period specified in the Phase 2 Decision) if the auditor seeks substantive information and a custodian of records for questions about the location and content of requested information.

Wildfire Mitigation Plan Integration:

Public Utilities Code Section 8388.5(f)(2) requires large electrical corporations to include ongoing work plans and progress relating to their undergrounding plans in annual wildfire mitigation plan filings. Staff

understand that further guidance on incorporating this information into annual wildfire mitigation plan filings will be provided by Energy Safety.

Compliance Reports:

Public Utilities Code Section 8388.5(f)(3) requires a large electrical corporation with an approved Plan and conditionally approved Application to hire an independent monitor selected by Energy Safety. The independent monitor must assess whether the large electrical corporation's progress on undergrounding work is consistent with the objectives identified in its approved Plan.²⁷ For each year the Plan is in effect, the independent monitor must annually produce a compliance report detailing its assessment by December 1.28 The independent monitor's compliance report must also specify any failure, delays, or shortcomings of the large electrical corporation and provide recommendations for improvements to accomplish the objectives set forth in the approved Plan.²⁹ The large electrical corporation shall have 180 days to correct and eliminate any deficiency specified in the independent monitor's report.³⁰ Energy Safety shall consider the independent monitor's compliance report and whether the large electrical corporation cured the deficiencies identified therein when making its determination on whether to recommend penalties to the Commission.³¹

Penalties:

Pursuant to Public Utilities Code, Section 8388.5(i)(2), the Commission may assess penalties on a large electrical corporation that fails to substantially comply with a Commission decision approving its Plan.

²⁶ Staff are authorized to extend the deadline for the audit report should a determination be made that such an extension is necessary to adequately complete the audit.

²⁷ Public Utilities Code, Section 8388.5(g)(1).

²⁸ Public Utilities Code, Section 8388.5(g)(3).

²⁹ Public Utilities Code, Section 8388.5(g)(1).

³⁰ Public Utilities Code, Section 8388.5(g)(2).

³¹ Public Utilities Code, Section 8388.5(i)(1).