



California Public
Utilities Commission

Reply Comments on Draft Resolution SPD-37

September 9, 2025

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

September 9, 2025

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SUMMARY OF RECOMMENDED CHANGES

In response to other parties' opening comments, TURN revises its Summary of Recommended Changes as follows (additions are shown in *italics*):

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 clear that 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, *other than costs in excess of the cost caps determined under Condition One, as modified by the Third-Party Funding addressed in Condition Two.*
- *If the Commission nevertheless determines that the utility should have an opportunity to seek recovery, via the memorandum account, of costs that failed to meet certain Conditions for Approval of Plan Costs (referred to as Phase 2 Conditions), SPD-37 should clearly specify those particular conditions and that the utility must overcome a presumption against recovery in its Phase 3 application. Further, the Commission should specify certain core Conditions for Approval of Plan Costs, which at a minimum should include Conditions Three, Four, and Five (based on the numbering in the Attachment A CPUC Guidelines),¹ for which costs that fail to satisfy those conditions are not eligible for recovery via the memorandum account.*

Additional Phase 2 Approval Conditions and Application Requirements

- The First New Phase 2 Condition (*Condition 5*) should be revised to require comparison of all reasonable alternative mitigations *that are available for that project.*² *TURN would not oppose removing the words “by a certain threshold value”, provided that this clarification is made.*

TURN clarifies its Memorandum Account Cap recommendation, as follows:

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, *as reduced by the Third-Party Funding addressed in Condition Two*). 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.

Otherwise, TURN's Summary of Recommended Changes is unchanged from TURN's opening comments.

¹ See Draft SPD-37, Attachment A, *SB 884 Program: CPUC Guidelines With Appendices*, p. 12.

² The word “available” for that project was included in TURN's opening comments but inadvertently excluded from TURN's Summary of Recommendations.

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

The Utility Reform Network (TURN) submits these reply comments on Draft Resolution SPD-37 (Draft SPD-37) pursuant to the August 15, 2025, cover letter accompanying Draft SPD-37. These comments focus on responding to the opening comments of Pacific Gas and Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E). Space limitations preclude responding to all points raised in the utilities' opening comments. Accordingly, TURN's silence should not be viewed as agreement with the point in question.

1. The Commission Should Reject the Utilities' Proposed Changes to the Cost Benefit Ratio Calculation Guidelines

PG&E and SDG&E raise various objections to the Cost Benefit Ratio (CBR) Guidelines. First, they object to the requirement to use unscaled consequence values to calculate CBRs, claiming that the use of unscaled values is inconsistent with D.22-12-027.³ However, they do not mention that a successor decision to D.22-12-027 requires utilities to provide unscaled values in their Data Templates for RAMP and GRC applications.⁴ Moreover, the utilities fail to appreciate that allowing each utility to calculate CBRs using its own preferred and subjective scaling function defeats the goal of the guidelines to create uniform guidelines that facilitate a more streamlined audit and review process for balancing account costs. An auditor is not in a position to adjudicate the reasonableness of a utility's chosen scaling function.

Second, PG&E objects to the requirement to calculate reliability consequences on a more granular basis — breaking down the calculations by customer class (residential/non-residential) and location (HFTD/non-HFTD) — instead of allowing the single average value that PG&E prefers.⁵ PG&E's objection — that all customers pay the same rate — completely misses the point that there are significant variations in consequence dollar values based on location of the risk event and affected customer type, such that SPD's more granular calculations yields far more accurate results than PG&E's average-based approach.

Third, PG&E and SDG&E argue that the utility should be able to choose to include secondary cost savings resulting from a mitigation in the CBR denominator, rather than in the numerator as Draft SPD-17 requires.⁶ The CPUC should reject these arguments. It is entirely consistent with the current RDF framework to recognize all benefits from a mitigation, including any secondary cost savings that are reasonably forecast. Such cost savings are not appropriate to

³ PG&E Op. Cmts., pp. 7-8; SDG&E Op. Cmts., pp. 3-4.

⁴ D.25-08-032, pp. 121-122.

⁵ PG&E Op. Cmts., p. 8.

⁶ PG&E Op. Cmts., pp. 8-9; SDG&E Op. Cmts., pp. 2-3.

reflect in the costs of the mitigation in the CBR denominator, which as Draft SPD-37 states, could confusingly lead to negative CBRs.⁷

Finally, the Commission should reject PG&E's alternative proposal, in the event PG&E's requested changes are not made, to "pause" adoption of CBR Calculation Guidelines in favor of a further process including written proposals, workshops and comments.⁸ The issues addressed in the CBR Guidelines were among the subjects of the April 8, 2025, workshop (including pre- and post-workshop questions) and were addressed in stakeholders April 25, 2025 comments. A re-do is not warranted just because PG&E does not like the results.

2. The Commission Should Reject Utility Proposals to Gut Condition Five Requiring a Showing that Undergrounding Is More Cost-Effective Than Alternatives

PG&E and SDG&E seek the removal of Condition 5 (First New Condition),⁹ which would require the utility to show that the undergrounding project has a higher CBR than the alternatives.¹⁰ The Commission should firmly reject this request. Draft SPD-37 correctly finds that this condition is necessary to "ensure that the optimal mitigation is selected for reducing risk in the most cost efficient manner."¹¹ This condition is consistent with SB 884's focus on a project-by-project examination of undergrounding's cost-effectiveness compared to the alternatives.¹² Notably, even SDG&E agrees that it is appropriate to require the undergrounding project's CBR to be greater than its alternatives.¹³

The Commission should also reject PG&E's alternative proposal, which would render the CBR comparison meaningless and replace it with PG&E's self-designated "net benefit" measure.¹⁴ Measuring cost-effectiveness by the ratio of risk reduction benefits divided by cost has been the Commission's approved measure since adopting the D.18-12-014 settlement, *to which PG&E was a signatory*.¹⁵ Despite PG&E's subsequent efforts, no Commission decision has endorsed net

⁷ Draft SPD-37, pp. 32-33.

⁸ PG&E Op. Cmts., pp. 9-10.

⁹ Draft SPD-37 lists the New Phase 2 Conditions on page 19 and provides a full list of the Phase 2 Conditions ("Conditions for Approval of Plan Costs") in Attachment A, *SB 884 Program: CPUC Guidelines With Appendices*, p. 12.

¹⁰ PG&E Op. Cmts., p. 11; SDG&E Op. Cmts., p. 6.

¹¹ Draft SPD-37, p. 20.

¹² TURN April 25, 2025 Comments, pp. 1-2, citing Public Utilities Code Sections 8388.5(c)(4) and 8388.5(e)(1)(A).

¹³ SDG&E Op. Cmts., p. 6 (recommendation re Condition 5).

¹⁴ PG&E Op. Cmts, pp. 10-11. Under PG&E's proposal, the CBR of an undergrounding project need only be within 50% of the CBR of the alternative, in which case, the net benefits measure would become the controlling comparison.

¹⁵ In D.18-12-014, the ratio was called Risk Spend Efficiency (RSE). In D.22-12-027, RSE was replaced with the monetized version, CBR.

benefits as a replacement for the ratio of benefits divided by cost. PG&E claims that the net benefit measure takes into account long-term lifetime benefits,¹⁶ but fails to acknowledge that the numerator of the CBR does the same.

TURN does not object to the utilities' proposal to remove the phrase "by a certain threshold value" from Condition 5, provided that the Commission adopts TURN's recommended clarifications to ensure that the CBRs of the most reasonable alternatives available to the utility are considered.¹⁷

3. The Variance Conditions (Six and Seven) Serve an Important Purpose and Should Be Retained

PG&E and SDG&E seek the removal of new conditions that require the CBR and unit cost of approved projects not to exceed a variance percentage that will be determined in the Phase 2 decision.¹⁸ The Commission should reject these recommendations. As Draft SPD-37 recognizes, the CPUC is required, within a nine-month period, to decide which if any undergrounding projects should be approved based on the estimates provided by the utility in its application.¹⁹ It is reasonable and consistent with SB 884's cost control objectives to condition balancing account recovery on limiting the variance in a project's unit costs and CBR to a prescribed percentage.

PG&E exaggerates the "recovery risk" associated with these two conditions by assuming that *all* of the costs of a project that fails to satisfy these conditions would not be recoverable via the balancing account.²⁰ Instead, as TURN understands these conditions, only the *incremental costs that exceed the variance percentages* would be non-recoverable. Interpreted this way, the utility is only at risk of the costs that exceed the variances found reasonable by the CPUC in Phase 2.

TURN's primary position, stated in its opening comments, is that the memorandum account should not be an opportunity to gain relief from conditions such as these. However, if the Commission determines that the utility should have an opportunity to justify project costs that exceed the variance thresholds in Phase 3, TURN would not oppose such an outcome, provided that the utility is required in Phase 3 to overcome a presumption against recovery of costs that exceed the prescribed variance amounts and the Commission imposes a tight cap on memorandum account costs. TURN continues to oppose allowing recovery via the memorandum account of the

¹⁶ PG&E Op. Cmts., p. 11.

¹⁷ TURN Op. Cmts., pp. 10-11. Note that this concession moots the concern PG&E expresses in the example in Table 1 on p. 14, as there would be no threshold by which the undergrounding CBR would need to exceed the CBR of reasonable and available alternatives.

¹⁸ PG&E Op. Cmts., pp. 12-13; SDG&E Op. Cmts., p. 6.

¹⁹ Draft SPD-37, p. 21.

²⁰ PG&E Op. Cmts., pp. 14-15.

costs of any projects that fail to satisfy what TURN views as the core conditions, Conditions Three, Four, and Five.²¹

4. The Commission Should Reject PG&E's Efforts to Bar Intervenor from Commenting on Audit Results, Which Will Be Key Inputs into Whether Utility Rates Are Found Just and Reasonable

PG&E seeks to exclude intervenors from the review of the audit results, claiming that this is contrary to standard audit practice.²² The CPUC should reject this request. PG&E fails to acknowledge that, in this case, the purpose of the audit will include assessing whether the costs recovered via the balancing account meet the requirements necessary to satisfy Section 451's just and reasonable standard. Contrary to PG&E's unsupported contention, TURN submits that it is standard practice in CPUC ratesetting matters to allow intervenors to review and comment upon audit findings, whether the auditor is overseen by the utility or the CPUC.²³ Under well-established Commission practice and consistent with Section 454, intervenors are always given an opportunity to participate in proceedings, both informal and formal, to determine whether the just and reasonable standard has been met.

5. The Commission should also find no merit in PG&E's criticisms of the requirement for the utility to include in its Phase 2 application a proposed audit methodology for determining whether costs meet the Phase 2 conditions and secondary objections.²⁴ Because all parties will have an opportunity to respond to the utility proposal, this requirement ensures that the Commission will have a full and transparent record to determine the audit methodology. PG&E's proposal is another effort to exclude public input from the audit process, which the CPUC should soundly reject. The Commission Should Reject PG&E's New and Speculative Arguments Seeking Special Treatment for Rebuilding Costs

PG&E seeks special rules for rebuild costs,²⁵ a position that PG&E does not appear to have addressed in its April 25, 2025, comments. PG&E bases this request on the counterintuitive assertion that undergrounding in rebuild areas often costs more than in other locations. PG&E's sole citation for the claim of higher costs is its own recent testimony in the pending 2027 test year

²¹ Conditions numbers are based on the numbering of conditions in the Attachment A, SB 884 Program: CPUC Guidelines With Appendices, p. 12.

²² PG&E Op. Cmts., p. 18.

²³ As just one of many numerous examples, in A.23-06-008, a pending PG&E cost recovery request, intervenors were given the opportunity to address in their testimony and briefs the results of audits performed by an auditor retained by PG&E and another auditor retained by the CPUC.

²⁴ PG&E Op. Cmts., pp. 17-18.

²⁵ PG&E Op. Cmts., p. 19.

GRC, testimony that has not yet been tested in the record of that case. At this point, it is entirely speculative whether additional rebuild projects will be warranted, and, if so, whether the unit costs of those projects will necessarily exceed the unit costs of the other projects in PG&E's plan. If PG&E's concerns come to fruition, PG&E is free to submit a petition for modification of the Phase 2 decision seeking relief based on changed circumstances.

6. The Commission Should Give No Weight to PG&E's Unsupported and Speculative Claims About the Impact of Draft SPD-37 on PG&E's Undergrounding Plans

PG&E's comments include statistical claims not previously presented at the April 8, 2025, workshop or in PG&E's comments about the supposed impact on PG&E's undergrounding plans if Draft SPD-37 is adopted.²⁶ The Commission should not give these claims any weight. PG&E fails to provide any explanation of how it determined the impacts it cites, preventing the Commission and parties from assessing the accuracy of those claims. For example, as noted in Section 3, PG&E seems to assume that *the entirety of a project* with costs that exceed the variance conditions (Conditions 6 and 7) would be completely ineligible for the program, whereas TURN's understanding is that only the costs in excess of the prescribed variance percentages would be ineligible. Because PG&E did not show its work, there is no way to assess the extent to which PG&E's results are based on unreasonable assumptions and calculations.

Moreover, just because PG&E had hoped to include certain projects in its SB 884 request in order to meet its financial goals and please investors, does not mean that those projects were reasonable and deserving of ratepayer funding. The real question is whether the Draft SPD-37 requirements are reasonable and ensure that only just and reasonable costs are added to rates. PG&E's unsupported statistics do nothing to advance that inquiry and should be disregarded. Instead, the Commission should base its final decision on the merits of the parties' proposed changes to Draft SPD-37. Based on that metric, as discussed in the preceding sections, TURN believes that PG&E's recommended modifications are contrary to the intent and goals of SB 884, and the just and reasonable requirement, and should therefore be rejected.

Dated: September 9, 2025

Respectfully submitted,

By: _____/s/_____
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²⁶ PG&E Op. Cmts., p. 1, asserting, e.g., that 95% of its EUP-eligible miles would become ineligible for undergrounding under Draft SPD-37.



September 9, 2025

VIA ELECTRONIC SERVICE

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Subject: Public Advocates Office's Reply 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 reply 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 yours,

/s/ Iain Fisher

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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 reply 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 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 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).⁴

The cover letter for Draft Resolution SPD-37 invited interested persons to file opening comments by September 4, 2025 and reply comments by September 9, 2025.⁵ Several parties timely filed comments on Draft Resolution SPD-37, including Cal Advocates,⁶ Pacific Gas and Electric Company (PG&E),⁷ San Diego Gas & Electric Company (SDG&E),⁸ The Utility Reform Network (TURN),⁹ and the Mussey Grade Road Alliance (MGRA).¹⁰

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 Public Utilities (Pub. Util.) Code Section 8385 and Section 8388.5.

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

⁴ 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).

⁵ SPD, Cover Letter and Certificate of Service for SPD-37, August 15, 2025.

⁶ *Public Advocates Office’s Comments on Draft Resolution SPD-37*, September 4, 2025 (Cal Advocates’ Opening Comments).

⁷ *Pacific Gas and Electric Company’s Opening Comments on Draft Resolution SPD-37*, September 4, 2025 (PG&E’s Opening Comments).

⁸ *San Diego Gas & Electric Company’s Comments on Draft Resolution SPD-37*, September 4, 2025 (SDG&E’s Opening Comments).

⁹ *Comments of the Utility Reform Network (TURN) on Draft Resolution SPD-37 Implementing SB 884*, September 4, 2025 (TURN’s Opening Comments).

¹⁰ *Mussey Grade Road Alliance Comments on Draft Resolution SPD-37 and the Staff Guidelines for the SB 884 Program*, September 4, 2025 (MGRA’s Opening Comments).

II. DISCUSSION

A. PG&E incorrectly asserts that the cost-benefit ratio thresholds established in Draft Resolution SPD-37 are unfair and biased.

Draft Resolution SPD-37 states that a utility may record the costs of an undergrounding project to the one-way balancing account only if the forecasted cost-benefit ratio (CBR)¹¹ of the undergrounding project exceeds the forecasted CBR of *all* alternative mitigations by a certain threshold value.¹²

PG&E asserts that the CBR threshold described above is “at odds with the CPUC’s goals of protecting ratepayer’s interests” and “unfairly prejudices undergrounding.”¹³ Yet, PG&E’s own arguments contradict this point. PG&E first asserts that the threshold may require “a utility to select a mitigation other than undergrounding when undergrounding has the most favorable CBR,” in the event that the CBR for undergrounding exceeds alternative mitigations, but does not do so by the required threshold value.¹⁴ In the next paragraph, PG&E states that Energy Safety’s guidelines “require a utility to provide CBR values for undergrounding and alternative mitigations...but do not prohibit...the selection of undergrounding when its CBR is not the highest.”¹⁵

In the first sentence, PG&E argues that a CBR threshold will, in some cases, prohibit the use of the mitigation with the highest CBR; immediately after, PG&E states that it is allowed to implement undergrounding even when it does *not* have the highest CBR.

PG&E proposes that SPD change the CBR threshold to state that undergrounding may be selected if its CBR is within 50 percent of the highest CBR alternative.¹⁶ Under this proposal, an undergrounding project could have a CBR of half that of alternatives, and result in *half* the material risk reduction for every dollar spent compared to more cost-effective alternatives. It is not in the interests of the ratepayer to pay more for less, especially here, where intervenors have demonstrated that alternatives to undergrounding can be completed at substantially lower costs and in substantially less time than undergrounding, thereby reducing more risk in less time and for less money than

¹¹ To remain consistent with the language of Draft Resolution SPD-37, Cal Advocates uses the terms “cost-benefit ratio” and “CBR” in these comments. However, as discussed in Cal Advocates’ Opening Comments at 8, the more appropriate terms are “benefit-cost ratio” and “BCR.”

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

¹³ PG&E’s Opening Comments at 10.

¹⁴ PG&E’s Opening Comments at 10.

¹⁵ PG&E’s Opening Comments at 10.

¹⁶ PG&E’s Opening Comments at 11.

undergrounding.¹⁷ This is particularly critical where undergrounding has a CBR below one, meaning the benefits delivered to customers (in terms of reduced wildfire and outage risk) are *lower* than the cost of implementation.¹⁸

In order to maximize the benefits to ratepayers while minimizing the cost of SB 884 undergrounding plans, SPD should reject PG&E’s recommendations to allow the CBR of undergrounding to be lower than alternative mitigations.

B. The utilities’ requests for risk-averse scaling are inappropriate and inconsistent with Commission decisions and EUP guidelines.

Draft Resolution SPD-37 requires utilities to use unscaled or risk-neutral values in CBR calculations.¹⁹ Both PG&E and SDG&E request that SPD remove this requirement and allow utilities to use a “risk averse scaling function” in calculating CBRs.²⁰ PG&E acknowledges that Energy Safety’s guidelines direct utilities to use unscaled values to determine Key Decision-Making Metrics,²¹ yet argues that a risk scaling function is appropriate in CBR calculations because CBR is calculated following the “approach adopted in the CPUC’s Decision 22-12-027 (as modified by any subsequent decision).”²²

Decision 22-12-027 (issued in Phase 2 of the Risk-Based Decision Making Framework (RDF) proceeding, R.20-07-013) defines a CBR as “calculated by dividing the dollar value of Mitigation Benefit by the Mitigation cost estimate.”²³ Energy Safety’s SB 884 Guidelines define seven Key Decision-Making Metrics (KDMMs), among which are Ignition Risk and Outage Program Risk,²⁴ both of which are key terms used in CBR calculations in Draft Resolution SPD-37.²⁵ If Energy Safety

¹⁷ “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.

¹⁸ Draft Resolution SPD-37 appropriately sets a minimum CBR of 1 for undergrounding projects: “The Application shall only include undergrounding projects that have a forecasted CBR greater than or equal to 1,” Revised SB 884 Guidelines at 10.

¹⁹ Revised SB 884 Guidelines, Appendix 1 at A1-5 through A1-7.

²⁰ PG&E’s Opening Comments at 6-10. SDG&E’s Opening Comments at 3-4.

²¹ PG&E’s Opening Comments at 7. Energy Safety, *10-Year Electrical Undergrounding Plan Guidelines*, February 20, 2025 (Energy Safety’s SB 884 Guidelines) at A-1.

²² PG&E’s Opening Comments at 7. Energy Safety’s SB 884 Guidelines at 31.

²³ Decision (D.) 22-12-027, Appendix A at A-3.

²⁴ Energy Safety’s SB 884 Guidelines at 31.

²⁵ Revised SB 884 Guidelines, Appendix 1 at A1-2.

intended CBRs to be scaled, it would have allowed the KDMMs of Ignition Risk and Outage Program Risk to be scaled. However, Energy Safety explicitly prohibits such scaling.

Furthermore, Energy Safety's SB 884 Guidelines specify that CBR calculation is to follow the approach "adopted in the CPUC's Decision 22-12-027 (*as modified by any subsequent decision*)."²⁶ Decision 24-05-064 (issued in Phase 3 of the RDF proceeding) modified the Risk-Based Decision Making Framework of Decision 22-12-027 to state, "If a utility chooses to...present Risk-Adjusted Levels by relying on a convex scaling function, then it must supplement its analysis by also presenting Risk-Adjusted Attribute Levels by relying on a linear scaling function."²⁷ Similarly, Decision 25-08-032 (issued in Phase 4 of the RDF proceeding) recognized the necessity of unscaled risk values and unscaled benefit-cost ratios.²⁸

Energy Safety's SB 884 Guidelines conform with Decision 22-12-027 and subsequent decisions²⁹ in stating that KDMMs such as Ignition Risk and Outage Program Risk must be calculated as unscaled values. Therefore, contrary to PG&E and SDG&E's assertions,³⁰ the requirement in Draft Resolution SPD-37 to use these unscaled KDMMs in calculating CBRs is neither inconsistent with Energy Safety's SB 884 Guidelines, nor inconsistent with the decisions in the RDF proceeding.

Both Cal Advocates and MGRA expressed support for the use of neutral risk scaling in Draft Resolution SPD-37 because neutral scaling provides "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,"³¹ and "ensures that ratepayers will only be asked to pay for projects where the dollar value of benefits exceeds the dollar value of costs."³²

SPD should reject PG&E's and SDG&E's recommendations to allow the use of risk-averse scaling functions in CBR calculations.

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²⁶ Energy Safety's SB 884 Guidelines at A-1 (emphasis added).

²⁷ D.24-05-064, Appendix C at A-8.

²⁸ "We agree with SPD staff that it is important to have unscaled risk values at the RRU level presented in the RAMP Data Template so that SPD staff and parties can properly understand the implications of selecting and prioritizing a proposed mitigation without the influence of scaled BCRs." D.25-08-032 at 121-122.

²⁹ D.24-05-064, Appendix C at A-8; D.25-08-032 at 121-122.

³⁰ PG&E's Opening Comments at 7. SDG&E's Opening Comments at 4.

³¹ MGRA's Opening Comments at 4.

³² Cal Advocates' Opening Comments at 6.

III. CONCLUSION

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

Respectfully submitted,

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September 9, 2025

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

Dear Mr. Bout,

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide Reply Comments on Draft Resolution SPD-37 (SPD-37). Our Reply Comments address issues raised in Opening Comments from: the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); Mussey Grade Road Alliance (MGRA); San Diego Gas and Electric Company (SDG&E); and The Utility Reform Network (TURN). Due to the Reply Comment page limitation, PG&E is unable to respond to every issue raised by other parties.

As indicated in our Opening Comments, PG&E recommends reverting to the SPD-15 undergrounding program guidelines. Reverting to SPD-15 at the September 18 Commission voting meeting is the only way PG&E may be able to file an EUP by the end of 2025. If the Commission does not revert to SPD-15 or adopt PG&E's other recommendations, PG&E supports delaying the decision on Resolution SPD-37 to give stakeholders an opportunity to participate in developing the CBR methodology and to discuss other relevant issues.

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



**Pacific Gas and
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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.18-10-00

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

A. Portfolio-Level Cost Recovery Requirements

PG&E strongly agrees with SDG&E's recommendation that the Commission return to the SPD-15 portfolio-level cost recovery requirements that: (1) established straightforward requirements for submitting a Phase 2 Application and reasonable conditions for portfolio-level cost recovery; (2) supported a cost benefit methodology that followed current practice in other Commission proceedings; and (3) were a reasonable balance between mitigating wildfire risk and managing affordability.¹ In our Opening Comments, we explained why this is critical for establishing a meaningful undergrounding program pursuant to SB884.²

If the CPUC does not return to SPD-15, we agree with SDG&E that Conditions for Approval Nos. 5, 6, and 7 should be removed from SPD-37³ as indicated in our Opening Comments.⁴

B. Role of the Memorandum Account

TURN misrepresents the language and intent of SPD-37 when it claims that SPD-37 expressly prohibits a utility from recording any costs to the Memorandum Account for projects that do not satisfy all Phase 2 Conditions and secondary objectives.⁵ TURN's proposal for a 10% cap on the amount that can be recorded to the Memorandum Account is also insufficient.⁶

The Commission should reject TURN's proposal for limiting costs recorded to the Memorandum Account because it misinterprets the function of the memo account as originally stated in SPD-15 and as currently stated in SPD-37. The Commission states that the Memorandum Account will be established to, "... potentially recover *any* EUP costs that fail to meet the conditions set forth by the Commission."⁷ In this statement, the Commission recognizes the challenge of forecasting costs and managing a complex, multi-year undergrounding program by providing a way for recovery of any EUP costs that fail to meet cost recovery conditions. The Commission states that, "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 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."⁸ The role of the memorandum account is clear and the Commission should not be swayed by TURN's attempt to alter the Commission's stated intent.

TURN's proposal introduces unreasonable cost recovery risk for utilities and unnecessarily discourages undergrounding. This proposal is unfounded and unfair and PG&E would not submit an EUP if adopted.

TURN's second proposal to establish a 10% cap on the Memorandum Account also misses the mark. The Memorandum Account cost cap must reflect the uncertainty inherent in the cost

¹ SDG&E Opening Comments, p. 6.

² PG&E Opening Comments, pp. 1-4.

³ SDG&E Opening Comments, p. 6.

⁴ PG&E Opening Comments, Critical Issue No. 2, pp. 10-11 and Critical Issue No. 3, pp.11-13.

⁵ TURN Opening Comments, pp. 4-5.

⁶ TURN Opening Comments, pp. 9-10.

⁷ SPD-37, p. 3 (emphasis added).

⁸ SPD-37, SB 884 Program: CPUC Guidelines, p.4.

forecasts that will be included in a utility's Phase 2 Application and the excessive and competing requirements a utility must meet to record costs to the Balancing Account. For example, as we explained in our Opening Comments, a utility may incur costs for wildfire rebuild work during the EUP period. Wildfire rebuild costs are at increased risk of exceeding established CBR and unit cost variance amounts, and it would be unreasonable to exclude them from the Memorandum Account if the 10% cap had already been reached.⁹

PG&E's recommended cost cap of 50%, with an exemption for wildfire rebuild work, is reasonable because it addresses the uncertainty in cost forecasting, the complex conditions for recovery, and the challenges of forecasting wildfire rebuild work. TURN's proposal does not consider these factors. For the reasons stated in our Opening Comments, PG&E supports a cost cap in SPD-37 but recommends 50% of the 10 years of cost caps placed on the one-way balancing account.¹⁰

C. CBR Calculations

Parties raised several issues related to the SPD-37 method for calculating a CBR: (1) aligning the SPD-37 to the method established in Decision (D.) 22-12-027 in the Risk-Based Decision-Making Framework (RDF); (2) capital and other costs included in the CBR calculation; (3) use of a scaling function; and (4) establishing CBR thresholds. As discussed in our Opening Comments,¹¹ PG&E strongly supports aligning the method for calculating a CBR in SPD-37 to D.22-12-027. Aligning SPD-37 to D.22-12-027 would then align SPD-37 to the method in the Energy Safety 10-Year Electrical Undergrounding Plan Guidelines (EUP Guidelines).¹²

1. Aligning The CBR Calculation Method in SPD-37 to the Method in D.22-12-027

SPD-37 has introduced a new, untested method for calculating a CBR¹³ that deviates from D.22-12-027 and the EUP Guidelines.¹⁴ SDG&E recommends that the Commission revise SPD-37 to be consistent with the methodology authorized in D.22-12-027.¹⁵ PG&E cannot overemphasize the criticality of this issue or how strongly it supports SDG&E's recommendation for the reasons provided in our Opening Comments.¹⁶

2. Capital and Other Costs Included in the CBR Calculation

The SPD-37 CBR Guidelines list and describe the key components of a CBR including capital costs and mitigation benefits.¹⁷ Parties identified issues with: (1) components of capital costs; (2) long-term O&M costs; (3) ancillary benefits; and (4) financing costs.

⁹ PG&E Opening Comments, Critical Issue No. 7, pp. 18-19.

¹⁰ PG&E Opening Comments, p. 15.

¹¹ PG&E Opening Comments, Critical Issue No. 1, pp. 6-10.

¹² The EUP Guidelines define 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). EUP Guidelines, p. A-1

¹³ SPD-37, Appendix 1: Cost Benefit Ratio Calculation Guidelines.

¹⁴ PG&E Opening Comments, Critical Issue No. 1, pp. 6-7.

¹⁵ SDG&E Opening Comments, Summary Index Recommendation of Changes No. 3, p. iii.

¹⁶ PG&E Opening Comments, Critical Issue No. 1, pp. 6-10.

¹⁷ SPD-37, Appendix 1, p. A1-2.

Components of Capital Costs

Cal Advocates asks the Commission 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.¹⁸ PG&E uses the method established in D.22-12-027 for calculating CBR that we interpret to require that the Present Value Rate of Return (PVRR).¹⁹ PVRR includes rate of return, taxes, cost of removal and depreciation costs, including negative salvage value.

Long-Term O&M Costs

PG&E strongly supports SDG&E's recommendation 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.²⁰ We took this position in our Opening Comments.²¹ If O&M savings are included in the numerator it could create the false impression of reduced risk, or even no risk, on a given project.

Cal Advocates notes that CBR Calculation Guidelines state that the costs (the denominator of CBR) include only the capital costs of the project. Cal Advocates argues that, "[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."²²

We explained the flaws in this position in our Opening Comments.²³ All costs that a utility incurs—costs ultimately paid by customers—must be included in the denominator of CBR for a fair and thorough evaluation of project costs. This should include not just the initial costs to install an asset but also the costs to operate and maintain it over its approximately 50-year life cycle.

Ancillary Benefits

Cal Advocates asserts that the SPD-37 definition of benefits prevents a utility from influencing CBR calculations by including "ancillary benefits" such as reduced public contact with energized electric equipment.²⁴ Reduced public contact with energized electric equipment is not an "ancillary benefit." Public contact with energized electrical equipment is a critical safety issue. California citizens have died in recent years due to contact with energized equipment, and addressing safety risks through undergrounding is a central tenet of Senate Bill (SB) 884.²⁵ Undergrounding significantly reduces the risk of public contact with energized electrical equipment when compared to overhead hardening²⁶ and those benefits should be included when analyzing the costs and benefits of undergrounding. Accordingly, we explained in our Opening

¹⁸ Cal Advocates Opening Comments, p. 8.

¹⁹ D.22-12-027, Appendix A, Row 25.

²⁰ SDG&E Opening Comments, p. 2.

²¹ PG&E Opening Comments, pp. 8-9.

²² Cal Advocates Opening Comments, p. 5

²³ PG&E Opening Comments, pp. 8-9.

²⁴ Cal Advocates Opening Comments, p. 5.

²⁵ Public Util. Code, §8388.5(c)(2).

²⁶ Overhead distribution assets represent 73 percent of the overall Public Contact with Energized Electrical Equipment (PCEEE) risk compared to undergrounding which represents 9 percent of the overall PCEE risk. A.24-05-008, pp. 3-5 to 3-6.

Comments why excluding public safety benefits from the CBR calculation is unreasonable and at odds with the requirements in D.22-12-027.²⁷

Cal Advocates' argument that utilities should not be allowed to include any newly determined benefits in the CBR during the EUP program is also unreasonable.²⁸ Utilities must have flexibility to adapt to changes over the 10-year EUP. It is impossible to predict what new important benefits the Commission might incorporate into the CBR calculation in the future.

Financing Costs

TURN argues that the SPD-37 definition of capital costs in the denominator, which excludes key elements such as rate of return, taxes, and other items, could significantly understate the total costs. TURN recommends that utilities 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.²⁹

PG&E uses the method established in D.22-12-027 for calculating CBR. We interpret this method to require that the Present Value Rate of Return (PVRR) be included in the CBR calculation.³⁰ Therefore, PG&E's CBR already includes PVRR which incorporates financing costs such as rate of return and other loaders. PG&E does not object to the Commission revising the definition in SPD-37 to clarify that the CBR calculation is based on the present value of the lifetime revenue requirements associated with a project's capital spending.

3. Use of a Scaling Function in CBR Calculations

PG&E is aligned with SDG&E's position that the CBR calculation methodology in D.22-12-027 and the EUP Guidelines allow utilities to incorporate a risk averse scaling function, and its proposal that the CBR methodology in SPD-37 should be revised to do the same.³¹ Accordingly, we disagree with both Cal Advocates³² and MGRA,³³ who support the use of a risk neutral function and argue that their approach aligns with requirements in the EUP Guidelines. As discussed in our Opening Comments, the EUP Guidelines do, in fact, allow utilities to use a risk-averse scaling function in calculating a CBR³⁴ and the EUP Guidelines do not establish this is a different category of risk application as MGRA and Cal Advocates argue.

4. Establishing CBR Thresholds

PG&E opposes Cal Advocates' recommendation to revise SPD-37 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.³⁵ PG&E makes mitigation decisions and reports risk reduction at the circuit-segment level. Dividing a circuit segment into subprojects is done in support of cost efficiency and constructability. Reporting CBRs at the subproject level will not

²⁷ PG&E Opening Comments, p. 8.

²⁸ Cal Advocates Opening Comments, p. 5.

²⁹ TURN Opening Comments, p. 11.

³⁰ D.22-12-027, Appendix A, Row 25.

³¹ SDG&E Opening Comments, p. 3.

³² Cal Advocates Opening Comments, pp. 5-6.

³³ MGRA Opening Comments, pp. 2-3.

³⁴ PG&E Opening Comments, pp. 6-8.

³⁵ Cal Advocates Opening Comments, p. 7.

provide new or useful data because the values reported would be a simple mathematical allocation of the total risk on the circuit segment to individual subprojects. The EUP Guidelines and SPD requirements already mandate detailed project-level reporting and traceability through all phases of the project lifecycle. Adding a subproject CBR would not provide more transparency or accountability.

TURN's recommendation that SPD-37 require the forecasted CBR of undergrounding to exceed the CBR of all *reasonable* alternative mitigations *available* for that project should also be rejected.³⁶ The EUP Guidelines are clear about the alternatives against which a utility must compare undergrounding. They allow for one additional mitigation that meets or exceeds the risk reduction of Alternative Mitigation 1 (covered conductor plus protective device settings).³⁷ Utilities should follow the EUP Guidelines for assessing mitigation alternatives.

D. One-Way Balancing Account Audit Provisions

PG&E objects to two recommendations TURN makes regarding the one-way balancing account audit provisions: (1) requiring a three business-day response³⁸ period for data requests;³⁹ and (2) changing the comment period on the audit report. Cal Advocates argues that balancing account audits should be performed without the appearance of direction or interference from the utility.⁴⁰

PG&E opposes TURN's recommendations to implement a three business-day response period for data requests and opposes changing the comment report period from 20/5 days to 42/7 days for opening/reply comments.⁴¹ PG&E strongly opposes the highly unusual SPD-37 proposal of opening the audit to stakeholders (eliminating this would negate the data response and opening/reply comment periods) and recommends that only the utility, the Commission, and the auditor be party to it.⁴²

PG&E addresses Cal Advocates' recommendation regarding utility participation in the balancing account audit in our Opening Comments.⁴³

E. Revenue Requirement

PG&E agrees with SDG&E's recommendation to require the use of a revenue requirement model, but the revenue requirement modeling should not be limited to the full RO model used in General Rate Cases.⁴⁴ A mini-RO Model is a standard, standalone model that is used for all separately funded cases that are incremental to PG&E's GRCs. A standard mini-RO Model is tailored to address the requirements of a specific Application and to highlight the incrementality of costs above the baseline established in a GRC.⁴⁵

³⁶ TURN Opening Comments, pp. 10-11. Emphasis in the original.

³⁷ EUP Guidelines, Section 2.7.10.

³⁸ Note, TURN also recommends a three business-day response time for data requests related to a utilities' progress report. PG&E supports a five business-day turnaround for all data requests.

³⁹ TURN Opening Comments, p. 9.

⁴⁰ Cal Advocates Opening Comments, p. 3.

⁴¹ TURN Opening Comments, p. 7.

⁴² PG&E Opening Comments, Critical Issue No. 6, pp. 17-18.

⁴³ PG&E Opening Comments, Critical Issue No. 6, pp. 17-18.

⁴⁴ SDG&E Opening Comments, p. 5.

⁴⁵ PG&E's responses to Questions for stakeholders Regarding the CPUC SB-884 Guidelines, November 12, 2024, p. 3.