



California Public Utilities Commission

SB 884 Program: CPUC Guidelines¹

SAFETY POLICY DIVISION

March 2024

¹ This document was formerly called “Staff Proposal for SB 884 Program.” Its title has been updated to reflect that it now contains requirements binding on large electrical corporations along with those in Resolution SPD-15. All references in this document to “*Guidelines*” are intended to refer to this document as renamed “*SB 884 Program: CPUC Guidelines*”.

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Purpose:

These *Guidelines* and the Commission Resolution adopting these *Guidelines* will satisfy the Commission’s statutory obligation, pursuant to Public Utilities Code Section 8388.5(a), to establish an expedited utility distribution undergrounding program consistent with SB 884.² 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 its related costs.

² McGuire; Stats. 2022, Ch. 819

Background:

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

To participate in the program, the large electrical corporation must submit a 10-year distribution infrastructure undergrounding plan (hereafter, “Plan”), including, among other requirements, the undergrounding projects that it will construct 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. Before approving the Plan, Energy Safety may require the large electrical corporation to modify the Plan. Energy Safety may only approve the Plan if it finds that the electrical corporation’s Plan will achieve, at least, both of the following:³

- 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.

If Energy Safety approves the large electrical corporation’s Plan, 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 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. The intent of the completeness review will only be 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 explained further below, if the Commission or staff determines that minor corrections or clarifications are needed for the filed 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. Whereas, if the Commission or staff determines that 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, 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 clock for the Commission’s 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

³ Energy Safety plans to separately issue guidelines detailing the requirements for submission and review of undergrounding Plans.

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 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 over the course of the Plan.⁴ 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.

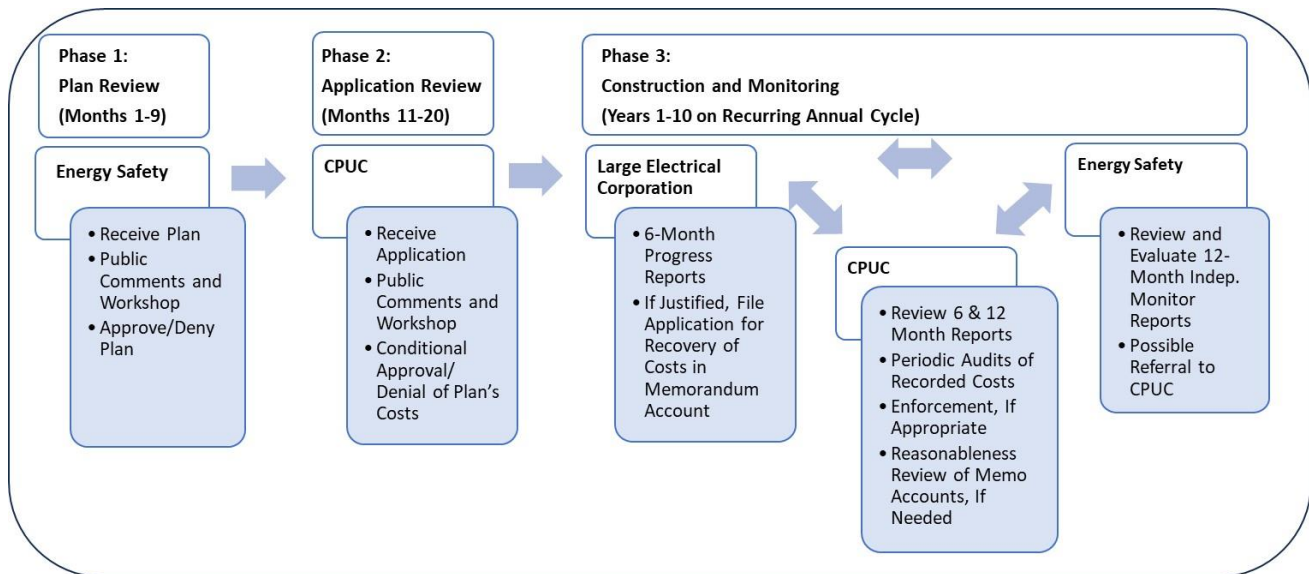


Figure 1: SB 884 Plan, Application, Reporting, and Cost Recovery Timeline

⁴ 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 submission and review for 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 costs⁵ 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, 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 that fail to meet the Phase 2 Conditions.

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, 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, given the inherent uncertainties with planning across a 10-year period and the fact that certain costs may have been unforeseeable during Phase 2, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for any implementation costs that do not meet the Phase 2 Conditions, and were recorded in the designated memorandum account. 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, 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 they are 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 comes 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, these *Guidelines* include a process to assess

⁵ Costs can only be recovered once the undergrounding project is considered used and useful.

whether the recorded costs meet such conditions. Accordingly, periodic audits of the established balancing account will be performed to ensure the costs booked to the balancing account meet the conditions established by the Phase 2 Decision (e.g., unit cost caps, CBR thresholds, etc.). If the audit demonstrates that costs were incorrectly recorded or failed to meet the Phase 2 Conditions, the Commission may order a refund. The details of this audit, including but not limited to who will perform it, content, frequency, venue, method for true-up and refund mechanism will be determined in a later order or decision.

Due to the SB 884 Program's expedited schedule, large electrical corporations shall respond to discovery requests within five (5) business days in either Phase of the SB 884 Program.

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.⁶ 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. 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 clock 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)⁷ 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 only 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 it in no way limits the Commission's or staff's

⁶ Public Utilities Code, Section 8388.5(e)(5).

⁷ Pre-submission of the Application for completeness review shall be submitted to SB884@cpuc.ca.gov.

ability to require the large electrical corporation to otherwise modify or modify and resubmit the Application.

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*.⁸ 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,⁹ 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

⁸ Rules of Practice and Procedure: California Code of Regulations Title 20, Division 1, Chapter 1. Article 3, Rule 3.2.

⁹ 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 broken out 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 is a list of required contents in 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 rate¹⁰) and cost forecasts¹¹ 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 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

¹⁰ 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.

¹¹ For clarity, the term cost forecasts is used in place of the term cost targets that are discussed in PUC 8838.5 (3)(1).

for which such cost reductions, deferrals, or avoidances are expected to continue beyond the 10-year period.¹²

- 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.
- 5) 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.
- 6) 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.
- 7) 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 economies of scale such as, but not limited to, identifying, developing, and deploying new technologies.
- 8) 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.)22-12-027¹³ or its successor. The calculated annual and total benefits must relate to the mitigation of overhead line miles, not miles of undergrounding.¹⁴ If projects will include secondary lines and service drops, those costs and benefits must be included.

¹² 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.

¹³ 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.

¹⁴ 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

- 9) The Application shall include the forecasted CBRs across all projects, broken out 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.
- 10) 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.
- 11) For each project included in the Plan and Application, the large electrical corporation shall provide, at a minimum, all data listed in Appendix 1 in tabular format.¹⁵ This information shall be provided as both a Microsoft Excel file and searchable pdf file¹⁶ to supplement the Application. The data listed in Appendix 1 is preliminary, and will be refined in consultation with Energy Safety, as it develops Plan requirements, to support uniformity where possible.
- 12) 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.¹⁷
 - 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.
- 13) 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;

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.

¹⁵ The data requirements in Appendix 1 will be aligned with data submission requirements for the Plan, as developed by Energy Safety.

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.

¹⁷ Further details on GIS data submission requirements are expected to be issued by Energy Safety in the establishment of Plan guidelines. The GIS data submission requirements for Application submission are considered preliminary and will align with such GIS data requirements established by Energy Safety.

- 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).
- 14) 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.
- 15) 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-5254.¹⁸
- 16) 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) 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.
- 18) 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.
- 19) The Application shall include workforce development cost forecasts for each year of the plan.
- 20) 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:

¹⁸ 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>.

- 1) Total annual costs must not exceed a cap based on the approved cost cap for that specific year.¹⁹
- 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 CBR²⁰ 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 value²¹ for the current year.
- 5) Any further reasonable conditions supported by the record of the proceeding and adopted by the Commission 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 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 purpose of any Phase 3 Application will be to determine whether the costs recorded in the memorandum account meet the 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.

¹⁹ 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*.

²⁰ The “recorded CBR” is the CBR calculated using recorded cost values, as opposed to cost forecasts.

²¹ The “threshold CBR value” will establish the minimum CBR that must be achieved for cost recovery.

The Phase 3 Application must include, at a minimum, all biannual 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.²² 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.

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

Conditions for Approval of Recorded Costs in 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 approved 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 approved 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. Because the progress reports are filed with multiple agencies and at the same time, these *Guidelines* anticipate that Energy Safety and Commission staff will collaborate to develop a singular set of requirements for these reports. Aligning the requirements for these progress reports may eliminate any unnecessary duplication of effort and optimize efficiency of available resources. However, it is possible that each agency will require distinct information in the progress report. Staff understand that Energy Safety

²² Recovery period means the period under consideration in the most recent Phase 3 Application filing.

plans to detail its requirements in a forthcoming set of guidelines. Accordingly, without affecting the required progress report elements specified by Energy Safety, these *Guidelines* require that the 6-month progress reports shall include, but should not be limited to, the following:²³

- 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 protection zone or isolatable circuit segment;
- 6) Miles of undergrounding completed by circuit protection zone or isolatable circuit segment;
- 7) GIS data showing location and status of each project (in Geodatabases or other suitable format);²⁴
- 8) An updated list of all third-party funding the large electrical corporation has applied for, as specified in Application Requirements 13-15; and
- 9) Total and average avoided costs and workpapers showing calculation of avoided costs.

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 understands 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.²⁵ For each year the Plan is in effect, the independent monitor must annually produce a compliance report detailing its assessment by December 1.²⁶ 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.²⁷

Changes to the Plan:

²³ Staff reserve the right to amend the below listed progress report requirements following consultation and coordination with Energy Safety.

²⁴ Data requirements to be aligned with those specified in Energy Safety guidelines.

²⁵ Public Utilities Code, Section 8388.5(g)(1).

²⁶ Public Utilities Code, Section 8388.5(g)(3).

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

The procedures for considering a large electrical corporation's request to change elements of its Plan will be determined by the Commission in coordination with Energy Safety in a subsequent process.

Penalties:

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

Appendix 1: SB 884 Project List Data Requirements-Preliminary²⁸

Field Name	Field Description
Order	Unique Project Order Number.
Category	Work Category Type. Possible values: <ul style="list-style-type: none"> • Base System Hardening • Community Rebuild • Fire Rebuild • Targeted UG • Other, see comment
Category Comment	Category type not listed in the options above. This field is required if Category is “Other, see comment”.
Program Identification Code	A unique Internal Program Identification code associated with the project and consistent with codes used in GRC and WMP filings to allow for tracking across filings (e.g., Maintenance Activity Type Code, Business Planning Element, etc.).
Status	Possible Values: <ul style="list-style-type: none"> • <u>Scoping</u>: Identifying the proposed route of undergrounding the electric distribution lines, which includes gathering base map data (i.e., Light Detection and Ranging (LiDAR) and survey data of the expected route) and identifying any long lead time dependencies (i.e., land acquisitions, environmental sensitivities and permits). Scoping includes breaking out planned circuit segments into smaller, more manageable projects. Scoping is the first step to providing visibility to the construction feasibility and possible execution timing. • <u>Designing/Estimating</u>: Designing the specific project to determine trench location, connection points, equipment details, materials needed, and related details, such as circuitry and pull boxes. The design also provides information about the land rights needed and produces the drawings that are submitted for permits. The project cost, including expected

²⁸ To be finalized in coordination with Energy Safety’s SB 884 guidelines.

Field Name	Field Description
	<p>labor and materials, is calculated at this stage.</p> <ul style="list-style-type: none"> • <u>Permitting/Dependency</u>: During this stage the large electrical corporation may need to obtain land rights, environmental permits, construction contracts, encroachment permits from local counties, state and/or federal agencies, order long-lead materials, finalize construction cost estimates, and determine the construction schedule. The two longest lead dependencies often include obtaining land rights and environmental permits. • <u>Ready for Construction</u>: Undergrounding project is ready for construction. • <u>Construction</u>: Executing the undergrounding takes place in two phases: (1) civil construction and (2) electric construction. Project schedules may be significantly impacted during civil construction due to unanticipated weather, discovery of hard rock, and/or detection of unmarked existing utility infrastructure. Once civil construction is complete with conduit and boxes installed, then electric construction resources pull the cable through the conduit, splice segments together and re-connect the customers to the new underground system. Customer input regarding the timing of re-connection, material availability, weather, and other risks can impact the electric construction schedule as well.
Division	Division of the service territory in which the project will take place.
Region	Region of the service territory in which the project will take place.
City	The city in which the project will take place.
County	The county in which the project will take place.
Applicable Risk Model	Name and Version of Project Risk Model used to calculate Cost-Benefit Ratio.
Circuit Protection Zone(s) or Isolatable Circuit Segment(s)	All Circuit Protection Zone(s) ²⁹ or Isolatable Circuit Segment(s) included in the project scope.

²⁹ A Circuit Protection Zone is a segment of distribution circuit between two protection devices.

Field Name	Field Description
Project Risk Rank ³⁰	Results of the applicable risk model where Projects are ranked on a 1 to N basis, where 1 is the highest risk Project, and N is the lowest risk.
HFTD Tier	CPUC High Fire Threat District Tier per D.17-01-009. Possible Values: <ul style="list-style-type: none"> • Tier 2 • Tier 3 • Fire Rebuild
Feasibility Score by Project ^{30,30}	Cost multiplier indicating the difficulty of undergrounding the Project based on presence of hard rock, water crossing, and gradient. The scale ranges from 1 to 3, with 3 being most challenging. The Phase 2 Application shall define each level of the scale.
Cost-Benefit Ratio	Cost-Benefit Ratio of the Undergrounding Project per D.22-12-027. Benefits must relate to the mitigation of overhead line miles not miles of undergrounding.
Risk Reduction	Risk Reduction of the Undergrounding Project per D.22-12-027.
Unit Cost per Underground Mile	Project Unit Cost per Mile of Undergrounding.
Unit Cost per Overhead Mile	Project Unit Cost per Mile of Overhead Exposure.
Total Cost	Total Undergrounding Project Cost.
Risk Tranche(s)	Risk tranches include a group of assets, a geographic region, or other grouping that is intended to have a similar risk profile such as having the same likelihood or consequence of risk events.
System Hardening Alternative - Cost Benefit Ratio ^{31,32}	System Hardening Alternative – Project Cost Benefit Ratio per D.22-12-027 for each mitigation, or combination of mitigations, considered in place of undergrounding.
System Hardening Alternative – Risk Reduction ^{32,32}	System Hardening Alternative – Project Risk Reduction per D.22-12-027 for each mitigation, or combination of mitigations, considered in place of undergrounding.
System Hardening Alternative – Unit Cost per Mile ^{32,32}	System Hardening Alternative Project Unit Cost per Circuit Mile for each mitigation, or combination of mitigations, considered in place of undergrounding.

³⁰ This information is optional pending whether the large electrical corporation has the necessary data.

³¹ Related to item 9 of the “Application Requirements” section.

³² Provide data for all four rows for each system hardening alternative.

Field Name	Field Description
System Hardening Alternative – Total Cost ^{32,32}	System Hardening Alternative Total Project Cost for each mitigation, or combination of mitigations, considered in place of undergrounding.
Customer Count	Number of customers served by project.
Total Planned UG Miles	Total Planned UG miles for the project.
UG 20XX Complete	Total UG miles completed for the project at the time the SB 884 Application is filed.
UG Year 1 Forecast	UG miles for Year 1 of Project.
UG Year 2 Forecast	UG miles for Year 2 of Project.
UG Year 3 Forecast	UG miles for Year 3 of Project.
UG Year 4 Forecast	UG miles for Year 4 of Project.
UG Year 5 Forecast	UG miles for Year 5 of Project.
UG Year 6 Forecast	UG miles for Year 6 of Project.
UG Year 7 Forecast	UG miles for Year 7 of Project.
UG Year 8 Forecast	UG miles for Year 8 of Project.
UG Year 9 Forecast	UG miles for Year 9 of Project.
UG Year 10 Forecast	UG miles for Year 10 of Project.

Appendix 2: Statutory Requirements Cross-Reference

Code Section	Statutory Language	Guidelines Section (Page Number)
8388.5(a)	The commission shall establish an expedited utility distribution infrastructure undergrounding program consistent with this section.	Purpose (p. 3), and Background (p.3)
8388.5(e)(1)	Upon the office approving a plan pursuant to paragraph (2) of subdivision (d), the large electrical corporation shall, within 60 days, submit to the commission a copy of the plan and an application requesting review and conditional approval of the plan’s costs and including all of the following:	Background (p.3), and Phase 2 - Application Submission and Review (p. 8)
8388.5(e)(1)(A)	Any substantial improvements in safety risk and reduction in costs compared to other hardening and risk mitigation measures over the duration of the plan.	Application Requirements (p. 10, 11)
8388.5(e)(1)(B)	The cost targets, at a minimum, that result in feasible and attainable cost reductions as compared to the large electrical corporation’s historical undergrounding costs.	Application Requirements (p. 10)
8388.5(e)(1)(C)	How the cost targets are expected to decline over time due to cost efficiencies and economies of scale.	Application Requirements (p. 10)
8388.5(e)(1)(D)	A strategy for achieving cost reductions over time.	Application Requirements (p. 9, 10)
8388.5(e)(3)	In reviewing an application submitted to the commission pursuant to paragraph (1), the commission shall consider not revisiting cost or mileage completion targets approved, or pending approval, in the electrical corporation’s general rate case or a commission-approved balancing account ratemaking mechanism for system hardening.	Application Requirements (p. 9)
8388.5(e)(4)	Upon the commission receiving an application pursuant to paragraph (1), the commission shall facilitate a public workshop for presentation of the plan and take public comment for at least 30 days.	Public Workshop & Comments (p. 12)
8388.5(e)(5)	On or before nine months, the commission shall review and approve or deny the application. Before approving the application, the commission may require the large electrical corporation to modify or modify and resubmit the application.	Background (p.3), and Application Conditional Approval, Denial, or Modification & Resubmittal (p. 7)

Code Section	Statutory Language	Guidelines Section (Page Number)
8388.5(e)(6)	The commission shall consider continuing an existing commission-approved balancing account ratemaking mechanism for system hardening for the duration of a plan, as determined by the commission, and shall authorize recovery of recorded costs that are determined to be just and reasonable.	SB 884 Program Process and Requirements (p. 6-7), Conditions for Approval of Plan Costs(p. 12) , Phase 3 (p. 13, 14) ,and Progress Reports (p. 14)
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.	Background (p. 4) , and Penalties (p. 15)
8388.5(j)	Each large electrical corporation participating in the program shall apply for available federal, state, and other no ratepayer moneys throughout the duration of its approved undergrounding plan, and any moneys received as a result of those applications shall be used to reduce the program’s costs on the large electrical corporation’s ratepayers.	Background (p. 4) Application Requirements (p. 11), Conditions for Approval of Plan Costs(P. 12) Conditions for Approval of Recorded Costs in Memorandum Account (14), and Progress Report (p. 14)