

California Public Utility Commission's SB 884 Guidelines: April 8, 2025

Potential Updates

Safety Policy Division and Energy Division



California Public
Utilities Commission

Ladder Safety



- “over 130,000 emergency room visits related to ladders each year” - ANSI
- Choose the right ladder for the task at hand and inspect before using.
- Put ladder on a stable surface and maintain three points of contact.

Agenda

Introductions	1:00 – 1:05 pm
Purpose and Expected Outcomes of Workshop	1:05 – 1:10 pm
Potential Update to CPUC Guidelines: Safety Policy Division (SPD)	1:10 – 1:40 pm
Potential CPUC Guidelines Update Q&A: SPD	1:40 – 2:20 pm
Break	2:20 – 2:30 pm
General Discussion	2:30-4:00 pm

Background

SB 884 Basics

- Requires CPUC to establish a new expedited utility distribution infrastructure undergrounding program
- Only PG&E, SCE, or SDG&E can participate in the program
 - Participation is optional
- Program requires submission of a 10-year undergrounding plan
- Plan requires review and approval by Energy Safety before cost consideration by CPUC
- Each agency allotted 9 months to complete respective portions
- Program costs considered in stand alone Application in addition to amounts approved in a GRC

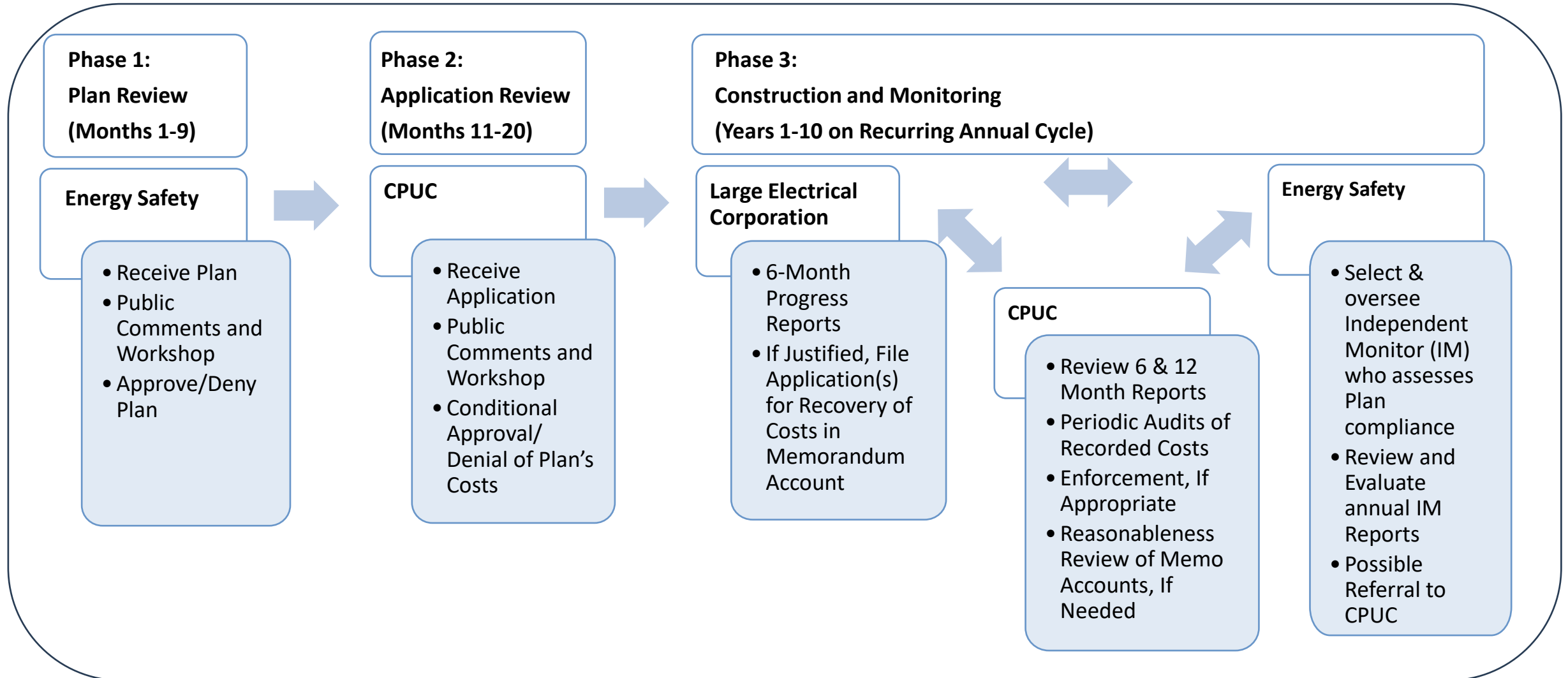
SPD-15: SB 884 Program CPUC Guideline Basics

- Satisfies Commission's **PU Code § 8388.5(a)** requirement
- Implements a **3-phased approach** for implementation of CPUC and Energy Safety responsibilities under SB 884 Program:
 - **Phase 1** – Energy Safety Plan review and approval/denial
 - **Phase 2** - Application Submission and Review for Conditional Approval
 - **Phase 3** - Construction and potential recovery of costs not meeting Phase 2 conditions in Memo Account
- Interprets “conditional approval” as the set of requirements necessary to determine that Plan’s forecasted costs are just and reasonable (up to a cost cap)
- Establishes a 1-way balancing account (BA) to record costs meeting “conditions” in the Phase 2 Decision
- Establishes a memo account to record costs that don’t meet conditions
 - Requires filing of separate application to examine memo acct. costs

SPD-15 Phase 2 Conditions

1. Total annual cost cap
2. Third party funding
3. Rolling average recorded unit cost
4. Rolling average recorded cost-benefit ratio
5. Any further reasonable condition adopted by Phase 2 Decision

Roles and Responsibilities



Energy Safety Project Acceptance Framework

Screen	Screen Name	Screen Objective	Screen Output
1	Circuit Segment Eligibility	Identify all circuit segments that are potentially eligible for the SB 884 program (location & risk score criteria)	Eligible Circuit Segments List
2	Project Information & Alt. Mitigation Comparison	Specifies minimum info required for “eligible circuit segments” to be considered for UGing & comparison to two alternative mitigations	UG Project List (i.e., potential UG projects)
3	Project Risk Analysis	UG Projects further scoped, compared to baseline and alt. mitigations, and IOU applies “Key Decision Making Metrics” (KDMMs) to identify fixed areas where UG work will occur (i.e., Confirmed Project Polygons)	Confirmed Project List
4	Project Prioritization & Finalization	IOU details its basis (e.g., wildfire risk, public safety, cost efficiency, reliability benefits, etc.) for prioritization for UG projects	Prioritized Projects List

Topics for Potential Update to CPUC Guidelines

Guideline Section	Topic to Update
Phase 2 Application Requirements	Additional Requirements
	HFTD
	Full Lifecycle Costs and Depreciation
	Data Retention
	Calculation of Present Value
Conditions for Approval of Plan Costs	Cap on MA/Data Variance
	CBR/KDMM Threshold
	Alternatives Comparison CBR
Phase 3	Audits and/or Review Procedure
Changes to the Plan	New Costs Added to Projects
Appendix	CBR Calculation

Potential Application Requirements to SPD-15

Should the Commission consider supplementing the Phase 2 Application Requirements?

- Include the data associated with the list of all projects (SB 884 Project List Data Requirements) as required by Screen 2 of the Energy Safety Guidelines.
- Require the utilities to provide a detailed explanation for any spans that extend beyond the HFTD for any project included in the Underground Project List from Screen 2 of the Energy Safety Guidelines.
- Require utility to submit a depreciation study with updated information of assets that are impacted by an SB-884 Application.
- Require both nominal and present value lifetime calculations for the capital expenditures of each project in the Undergrounding Project List from Screen 2 of the Energy Safety Guidelines .
- Require data retention policy for lifetime of EUP for tabular and geodatabase data. This should be required for both the initial application and any of the data updated through the six-month progress reports.

Potential Additional Phase 2 Conditions

Should the Commission consider imposing conditions on the Memorandum Account (MA)?

- Maximum total cap for MA condition
 - MA maximum total cap cannot exceed 25% the sum of the ten annual caps established for the balancing account
- Others?

Should the Commission consider the variance between the forecast data in the Application with updated data in the 6-month progress report as a Condition?

- If the variance between the forecasted CBRs and unit cost of a project presented in an Application compared to the updated CBRs and unit cost of a project presented in a six-month Progress Report (after a project passes Energy Safety's Screen 4) exceeds a certain threshold, then all costs for that project must be recorded in the MA.
- Others?

Should the Commission consider adopting a CBR Threshold Condition, and if so, what should the criteria be?

- Require all projects to have a CBR greater than a specified value.
- If a project's recorded CBR is less than a specified value, the utility must provide a detailed justification for this project.
- After Screen 2, any project ranked below a certain CBR percentile threshold is ineligible for cost recovery via the BA.
- Others?

Should the Commission consider applying Key Decision-Making Metrics (KDMMs) to the Commission consideration of projects?

- Require utilities to submit the same data for Commission review as provided for in Energy Safety's KDMMs after the Energy Safety approves the utility's Plan.
- After Screen 3, if the reduction in Ignition Risk and/or Outage Program Risk does not meet the required Project Level Standard set in the approved Plan, the project will not be eligible for cost recovery via the one-way balancing account.
- Others?

Should the Commission consider requiring a comparative CBR analysis of project alternatives?

- If an Undergrounding Project has a CBR above a specified value but the Alternative(s) has a CBR that is a specified amount greater than the Undergrounding Project's CBR, then the undergrounding project should not move forward.
- Others?

Potential Review Process for Costs

Should the Commission consider adopting the following review structure of the costs associated with an EUP?

- Annual post-implementation review process with intervenor participation.
- Objectives of the review should include verifying project completion, cost overheads, CBR methodology and an incrementality showing.
- Once deemed "used and useful" in a progress report, a project's costs may be included in rate base via an Advice Letter that must be disposed via Commission Resolution.
- Commission Resolution will determine whether recorded costs met the Phase 2 Conditions and other objectives of the review.
- Approved costs would enter rates via Annual True-up.

Should the Commission consider adopting this alternative review structure of the costs associated with an EUP?

- Annual audit by independent auditor with CPUC oversight
- Objective of the audit should include verifying project completion, cost overheads, and an incrementality showing
- Once deemed "used and useful" in a progress report, a project's costs may be included in rates via annual True-up and become subject to audit
- If the audit finds that project costs were incorrectly recorded to the Balancing Account, then the utility must issue a refund to ratepayers

Supporting Cost Review Questions

- How should the timing of the Independent Monitor's (IM) review and the utility's right to correct a deficiency found by the IM within 180 days (PUC 8838.5 (g)(2)) interact with the review of the costs of a project?

Additional Questions

Should the Commission consider requiring new costs added after the Phase 2 Decision to be booked to the Memo Account?

- If the updated rolling average CBR falls below the Phase 2 Condition threshold, should all new costs be deemed non-recoverable?
- Should certain categories of cost overruns (e.g., inflation-driven, safety-driven, etc.) be treated differently from discretionary cost increases?

Should the Commission consider including a CBR Calculation Appendix?

- What level of granularity should the utility use when applying the Interruption Cost Estimator (ICE) Calculator to generate a Monetized Value of Electric Reliability?
- How should the utility calculations of CBR be presented when using the three discount rate scenarios (Weighted Average Cost of Capital, Social and Hybrid) required by D.24-05-064?
- If the utility applies a convex risk scaling function to the calculation of CBR, how should the utility also present calculations that do not apply a convex risk scaling function, as required by D.24-05-064?

Next Steps

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- **Issue Postworkshop Questions: April 11, 2025**
- **Parties provide written responses: April 22, 2025**
- **Draft Resolution: Q2-Q3 2025**

Questions?



California Public Utilities Commission

