



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

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Joint Application of Pacific Gas and Electric Company (U 39-E), Southern California Edison (U 338-E) and San Diego Gas & Electric Company (U 902-E) Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37.

Application No. 26-02-005  
(Filed February 9, 2026)

**JOINT REPLY OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E),  
SOUTHERN CALIFORNIA EDISON (U 338-E) AND SAN DIEGO GAS &  
ELECTRIC COMPANY (U 902-E) TO PROTESTS AND RESPONSES**

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ELECTRIC COMPANY (U 902-E) TO PROTESTS AND RESPONSES**

**I. INTRODUCTION**

Pursuant to Rule 2.6(e) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively the Investor-Owned Utilities or IOUs) submit this joint reply to the protests and responses to the Joint Application for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37 (Joint Application). Protests and responses were filed by The Utility Reform Network (TURN), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Mussey Grade Road Alliance (MGRA), California Broadband & Video Association, Cellco Partnership LLC d/b/a Verizon Wireless, MCIMetro Access Transmission Services, LLC, and Pacific Bell Telephone Company d/b/a AT&T California (collectively, Communications Providers), the Energy Producers and Users Coalition (EPUC), and the California Utility Employees (CUE).

In this joint reply, the IOUs address the categorization for this proceeding, the proposed schedule, and other substantive methodology, audit, and cost recovery concerns raised by the

intervening parties. Other issues raised in the protests will likely be addressed in due course during the proceeding, and the IOUs do not waive any arguments with respect to any such issues. The IOUs look forward to working with the Commission and other parties to address substantive issues regarding the Joint Application as part of this proceeding.

## **II. DISCUSSION**

Given the volume of protests submitted, and to avoid redundancy, the IOUs address protest comments below by topic. First, the IOUs address various procedural and schedule issues followed by high-level responses to substantive concerns raised by the intervening parties in response to the Joint Application.

### **A. This Proceeding Is Quasi-Legislative and Not Ratesetting**

The IOUs oppose the argument made by EPUC, Cal Advocates, and TURN that the Commission should categorize this proceeding as ratesetting rather than quasi-legislative.<sup>1</sup> As indicated by the Joint Application response filed by CUE, and under the clear language of Rule 1.3(f),<sup>2</sup> this is a quasi-legislative proceeding because it will “establish policy or rules . . . affecting a class of regulated entities . . .” The narrow rules created in this proceeding about Benefit Cost Ratio (BCR) methodology, audit requirements, and other cost recovery requirements will affect the class of large investor-owned utilities who may ultimately choose to submit an Expedited Undergrounding Plan (EUP) to the Office of Energy Infrastructure Safety (Energy Safety) and the CPUC based, in part, on the results of this proceeding. Utilities are not required to submit an EUP, and rates for a specific utility are not at issue in this proceeding. “Ratesetting proceedings” are generally those where “the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates

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<sup>1</sup> TURN Protest, pp. 11-12; Cal Advocates Protest, pp. 4-5; EPUC Protest, p. 10 (arguing that the Commission should “exercise its discretion to categorize this proceeding as “ratesetting”). The IOUs note that the Communication Providers and CUE do not challenge the quasi-legislative categorization.

<sup>2</sup> Unless otherwise noted, references to Specific Rules refer to the Commission’s Rules of Practice and Procedure.

for a specifically named utility..."<sup>3</sup> The Commission will not set, investigate, or establish rates for a specific utility in this proceeding. Thus, the ratesetting categorization does not apply.

Moreover, Rule 1.3(f) specifically states that proceedings that include "*generic* ratemaking policy or rules," still qualify as quasi-legislative "even if those proceedings have an incidental effect on ratepayer costs."<sup>4</sup> Additionally, Rule 7.1(e)(2)—which generally categorizes proceedings as ratesetting where the proceeding does not "clearly fit into" another category—does not apply because this proceeding clearly falls under the quasi-legislative category. The quasi-legislative designation is appropriate because it will "enable the commission to achieve a full timely and effective resolution of the substantive issues presented in the proceeding."<sup>5</sup> Accordingly, this proceeding should remain quasi-legislative.

**B. Ex Parte Communications Are Permitted in Quasi-Legislative Proceedings**

The IOUs object to TURN's request for a blanket prohibition on all ex parte communications between the IOUs and Commission decisionmakers and their advisors during the pendency of this proceeding.<sup>6</sup> The request conflicts with CPUC rules and lacks factual support. Rule 8.2 specifically allows ex parte communications in any quasi-legislative proceeding, the categorization at issue here.<sup>7</sup> Quasi-legislative proceedings in particular permit ex parte communications "without restriction or reporting requirement."<sup>8</sup> Further, while ex parte communications in adjudicatory, ratesetting, and catastrophic wildfire proceedings are subject to certain restrictions or notice requirements, Commission rules and regulations and the applicable statutes do not prescribe an outright ban on ex parte communications in any type of proceeding. The intervening parties have not provided any support for their allegations that allowing ex parte

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<sup>3</sup> Rule 1.3(g).

<sup>4</sup> Rule 1.3(f).

<sup>5</sup> Rule 7.1(e)(3).

<sup>6</sup> TURN Protest, p. 9.

<sup>7</sup> Rule 8.2(a).

<sup>8</sup> Rule 8.2(a).

communications in this proceeding will prejudice or otherwise improperly impact any party.<sup>9</sup> To the contrary, parties have participated in proceedings such as the quasi-legislative Risk Based Decision-Making Framework (RDF) (R.20-07-013) proceeding involving risk analysis methodology issues like benefit cost ratio (BCR) while being subject to standard ex parte communication rules. This proceeding should be no different in that regard.

The IOUs also oppose the request that the Commission only permit ex parte applications under the restrictions and notice requirements of Rule 8.2(c).<sup>10</sup> As explained above, under Rule 8.2(a), in quasi-legislative proceedings ex parte communications are generally allowed without restrictions. This is not a ratesetting or catastrophic wildfire proceeding, and intervening parties provide no persuasive rationale to support that the Commission should depart from the general quasi-legislative rule under Rule 8.2(a). In addition, TURN and other intervenors like Cal Advocates and MGRA have not been, and will not be, denied opportunities to provide comments on the EUP Guidelines to both Energy Safety and the CPUC. As set forth in detail in the IOUs' Response to the Application of Cal Advocates, TURN, and Mussey Grade Road Alliance (MGRA) for Rehearing of Resolution SPD-37, TURN, Cal Advocates, and MGRA have submitted comments, participated in workshops, propounded data requests, and otherwise been significantly involved in the process of creating the EUP Guidelines for over three years.<sup>11</sup> There is no evidence that intervening parties cannot adequately participate in advocacy related to this proceeding. Thus, maintaining the ex parte standards for quasi-legislative proceedings will not result in any unfairness or prejudice in this case.

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<sup>9</sup> TURN Protest, p. 9.

<sup>10</sup> Cal Advocates Protest, p. 5.

<sup>11</sup> Joint Response of Pacific Gas and Electric Company (U 39-E), San Diego Gas & Electric Company (U 902-E), Southern California Edison Company (U338-E) to the Joint Application of the Public Advocates Office, The Utility Reform Network, and Mussey Grade Road Alliance for Rehearing of Resolution SPD-37, A.26-01-006, pp. 2-7.

**C. All Parties Agree Evidentiary Hearings Are Not Necessary**

In the Joint Application, the IOUs recommend that the narrow issues in this proceeding should be decided without an evidentiary hearing.<sup>12</sup> The intervening parties agree that evidentiary hearings are unnecessary.<sup>13</sup> Accordingly, evidentiary hearings are not included in the IOUs' revised proposed schedule below.

The IOUs include March 27, 2026, as the date for the prehearing conference, as set by the Commission in this proceeding.

**D. Counterproposals and the Joint IOUs' Proposed Revised Schedule**

The IOUs support the intervenors' requests to submit written comments with supporting declarations prior to briefing to establish a record beyond the verified Joint Application submitted by the IOUs.<sup>14</sup> This will allow all parties, including the IOUs, to have a more robust record in advance of any proposed decision in this case. However, permitting comments should not impact the IOUs' request for an expedited schedule, which the intervening parties do not oppose.<sup>15</sup>

To accommodate an expedited schedule, as well as the intervenors' request for additional written comments, the IOUs submit a proposed revised schedule below. The revised schedule aligns with the proposal from TURN and Cal Advocates with two exceptions. First, under the revised schedule, discovery would close on the deadline for the IOUs' reply comments to the initial intervenor comments.

Second, the IOUs propose advancing the deadline for intervenors to submit initial written comments/proposals by two weeks for several reasons. At the outset, Resolution SPD-37 identified the items to be addressed in the Joint Application in December 2025, providing ample

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<sup>12</sup> Joint Application, p. 44.

<sup>13</sup> See, e.g., TURN Protest, p. 10; Cal Advocates Protest, p. 6; EPUC Protest, p. 10.

<sup>14</sup> See, e.g., TURN Protest, pp. 10-11; Cal Advocates Protest, p. 6; EPUC Protest, p. 10; MGRA Protest, p. 9; Communication Providers Protest, p. 6.

<sup>15</sup> See, e.g., Cal Advocates Protest, p. 1; Communication Providers Protest, p. 6; MGRA Protest, p. 9.

time for the intervening parties to commence preparation for this proceeding. In addition, by June 9, 2026—the intervenors’ proposed deadline for their counterproposals—intervenors will have had the final Joint Application for approximately 120 days, doubling the 60 days the IOUs were allotted to prepare the Joint Application. Thus, advancing this deadline by a modest two weeks nonetheless provides ample time for intervenors to prepare their initial written comments. Finally, the IOUs will need more than the three weeks allotted in the intervenors’ proposed schedule to prepare reply comments, because six intervening parties may opt to submit distinct proposals with supporting affidavits or declarations. Three weeks is an insufficient amount of time for the IOUs to provide reply comments with supporting documents to further establish the record in this case.

Accordingly, the IOUs recommend the proposed schedule below:

<b>Activity</b>	<b>Joint IOU Proposed Schedule</b>	<b>Intervenor Proposed Schedule</b>	<b>Revised Joint IOU Proposed Schedule</b>
Phase 1 Application Filed	2/9/26	2/9/26	2/9/26
Notice in CPUC Daily Calendar	TBD	2/12/26	2/12/26
Responses/Protests	Filing Date + 30 calendar days (3/11)	Notice Date + 30 calendar days 3/16/26	3/16/26
Reply to Responses/Protests	Responses Due + 5 calendar days (3/16)	3/23/26	3/26/26
Prehearing Conference (if needed)	Filing Date + 45 calendar days (3/26/26) (if needed)	3/26/26	3/27/26
Scoping Memo	Filing Date + 60 calendar days (4/10)	4/10/26	4/10/26
Discovery	Scoping Memo + 60 calendar days (6/9)	Discovery period runs through Reply Briefs deadline (August 31, 2026)	6/30/26
Intervenor Counterproposals/Comments	-	Scoping Memo + 60 calendar days (June 9, 2026)	5/26/26
Reply Comments (all parties)	-	Counterproposals and comments + 21	6/30/26

Activity	Joint IOU Proposed Schedule	Intervenor Proposed Schedule	Revised Joint IOU Proposed Schedule
		calendar days (June 30, 2026)	
Intervenor Opening Briefs	Discovery + 30 calendar days (7/9)	N/A Intervenor propose concurrent opening briefs	-
Opening Briefs (all parties)	-	Counterproposals and comments + 31 calendar days (July 31, 2026)	7/31/26
IOU Reply Briefs	Opening Briefs + 30 calendar days (8/8)	N/A Intervenor propose concurrent reply briefs	-
Reply Briefs (all parties)	-	Opening Briefs + 31 calendar days (August 31, 2026)	8/31/26 (limited to 10 pages)
Proposed Decision	Reply Briefs + 30 calendar days (10/7)	To be determined by Commission	10/7/26
Commission Decision	Proposed Decision + 30 calendar days (11/6)	To be determined by Commission	11/6/26

**E. No Additional Issues Should Be Considered in the Joint Application**

The IOUs oppose Cal Advocates’ proposal to bifurcate proposed issue for consideration #1 because the proposed alternative is unclear and goes beyond the language of the Joint Application.<sup>16</sup> Rather than focus on whether the BCR methodology in the Joint Application aligns with the RDF framework and how SB 884 Project List Data Requirements should align with the approved RDF framework, Cal Advocates suggests that the Commission expand the issue to whether the proposed BCR methodology (1) appropriately accounts for all benefits and costs, (2) follows consistent principles for all IOUs, and (3) presents an objective analysis for cost efficiency for proposed projects.<sup>17</sup> This alternative is inappropriate for a number of reasons. First, it is unclear what Cal Advocates means by “appropriately accounting for all benefits and costs,” and the phrase is untethered to any standard or framework. Similarly, the proposal that

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<sup>16</sup> Cal Advocates Protest, p. 3.

<sup>17</sup> Cal Advocates Protest, p. 3.

the BCR methodology follow consistent principles for all IOUs is vague and ambiguous—the RDF allows utilities to take different approaches to issues such as discount rates and risk scaling as long as they are transparent. Additionally, the RDF is clear that while BCRs are important, utilities are not required to rely solely on the BCR calculation for considering mitigation alternatives given the inherent limitations in risk modeling.<sup>18</sup>

The IOUs also oppose Cal Advocates’ proposed issue #2. That proposed issue reads: “Does the BCR methodology established in (1) above align to the RDF method for calculating a BCR? Are deviations from the RDF appropriate given the scope of the Electrical Undergrounding Plans (EUP)?”<sup>19</sup>The first portion of the proposed issue should not be accepted because it assumes adoption of Cal Advocates’ proposed issue #1, which should be rejected for the reasons set forth in the preceding paragraph. The IOUs agree to adopt a BCR methodology that aligns with the RDF. The second portion of the proposed issue should be rejected because Commission statements have clarified that Resolution SPD-37 and the BCR methodology used in the EUP should comport with the RDF framework. Footnote 13 in Resolution SPD-37 states that “The CBR calculation must follow the guidelines found in D.24-05-064 Appendix A or the most recent decision from the risk-based decision-making framework (RDF) Proceeding (R.20-07-013) or its successor proceeding.” In addition, Commission President Reynolds has indicated that the RDF framework provides the foundation for a BCR methodology.<sup>20</sup>

The IOUs disagree with the Cal Advocates recommendation not to consider a 2% variance threshold related to annual cost caps, average recorded unit costs for projects, and the

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<sup>18</sup> Joint Application, p.10; see also California Public Utilities Commission, *Risk-Based Decision-Making Framework Regarding Required Elements for Risk and Mitigation Analysis in the Risk Assessment Mitigation Phase (RAMP) and General Rate Case (GRC) Applications*, D.25-08-032, Appendix A (Clean), pp. 21–22 (Global Items; Enterprise Portfolio and Budget Scenario discussion), Rulemaking (R. 20-07-013 (July 25, 2025).

<sup>19</sup> Cal Advocates Protest, p. 3.

<sup>20</sup> CPUC Voting Meeting (Dec. 4, 2025), comments from Commissioner John Reynolds starting at 2:57:32, available at: <[https://www.adminmonitor.com/ca/cpuc/voting\\_meeting/20251204/](https://www.adminmonitor.com/ca/cpuc/voting_meeting/20251204/)> (accessed Feb. 4, 2026).

average recorded BCR<sup>21</sup> for projects. The Commission should consider this issue, or the amount of any variation threshold, because the IOUs determine forecast cost recovery values (annual cost caps, BCR values and unit cost targets) well before most circuit segments will be selected for the EUP. Given the complexity of completing tens or hundreds of individual undergrounding projects over a 10-year period, it will be difficult to forecast the cost recovery values with 100% accuracy. Therefore, the IOUs recommend incorporating a small variance threshold.<sup>22</sup>

The IOUs also disagree with Cal Advocates' three additional issues to be considered (A1-3).<sup>23</sup> The first request asks whether the IOUs "clearly explained" their methods for calculating risks and benefits, including how risk scaling is used. Demonstrating that those methods are appropriate is subjective, unconnected to any standard, and exceeds the SPD-37 requirement that the IOUs simply address these components. Further, the IOUs believe that Cal Advocates' detailed questions regarding value of service calculations and subject matter expertise relied upon as part of, or in addition to, the BCR methodology go beyond the Phase 1 requirements set forth in Resolution SPD-37.

Finally, the IOUs object to the five issues for consideration recommended by EPUC because they are redundant of issues that the IOUs proposed for consideration in the Joint Application.<sup>24</sup> In summary, these items include whether: (1) the BCR calculation is transparent and aligned with Commission directives; (2) the treatment of O&M Savings, Net Salvage Values, and BCR Year zero "improve or compromise the integrity" of the BCR calculation; (3) the Net Salvage Value approach exacerbates stranded asset and affordability risks; (4) the audit process adequately safeguards ratepayers; and (5) the Joint Application allows for undergrounding "unreasonable" projects with a BCR below 1.0.<sup>25</sup> EPUC's first proposed issue is

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<sup>21</sup> The Joint Application mistakenly states BRD instead of BCR in Item for Consideration #5.

<sup>22</sup> Joint Application, p. 34.

<sup>23</sup> Cal Advocates Protest, p. 4.

<sup>24</sup> EPUC protest, p. 11.

<sup>25</sup> EPUC protest, p. 11.

unnecessary because the IOUs seek a BCR methodology consistent with the approved RDF methodology, and it is redundant of the first issue proposed by the IOUs.<sup>26</sup> Similarly, EPUC's second and third proposed issues regarding O&M Savings, BCR Year Zero, and Net Salvage values are subsumed into whether the proposed BCR methodology is consistent with the RDF and appropriate under Resolution SPD-37.<sup>27</sup> Item four regarding audit reasonableness is subsumed in proposed issue #2 of the Joint Application.<sup>28</sup> Finally, EPUC's fifth issue is unnecessary because it falls within the scope of proposed issue #3 in the Joint Application. If the IOUs submit an EUP, they intend to submit projects with a BCR greater than 1.0, as recommended by the Commission in Resolution SPD-37.<sup>29</sup>

#### **F. The Joint Application BCR Methodology Proposals Are Appropriate**

The intervenors raise various substantive concerns regarding the BCR methodology proposal in their protests despite the fact that protests are primarily designed to address application categorization, the need for hearings, issues to be considered, and proposed schedules.<sup>30</sup> While substantive concerns should be primarily addressed through discovery and substantive comments, the IOUs provide high-level responses to several items below.

##### *1. Risk Scaling Is Permitted*

Contrary to MGRA's Protest, permitting risk-averse scaling as part of the proposed BCR methodology is not a reason to deny the IOU's application.<sup>31</sup> The Commission has approved the use of risk-averse scaling functions when planning utility work as part of the RDF proceeding. In

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<sup>26</sup> Joint Application, p. 43.

<sup>27</sup> Joint Application, p. 43.

<sup>28</sup> Joint Application p. 43.

<sup>29</sup> Resolution (Res.) SPD-37, p. 34, Findings of Fact (FOF) 16.

<sup>30</sup> See Rule 2.6(d).

<sup>31</sup> See MGRA Protest, p. 5.

fact, each IOU may use its own risk-averse scaling function if it chooses to apply one.<sup>32</sup> Thus, large electrical corporations like PG&E and SDG&E have incorporated risk scaling into their risk mitigation prioritization. Risk-averse scaling is effective at addressing low-probability, high-consequence events like wildfires. Denying the entire Joint Application simply because the IOUs propose to use a risk-averse scaling function that has been approved in the RDF proceeding would be inappropriate. Moreover, if submitting an EUP, the IOUs will provide unscaled risk values as part of an EUP filing as required by the Energy Safety Guidelines in Section 2.7.3(a).

TURN's concerns about using preferred discount rates are also unsupported.<sup>33</sup> In the RDF, the Commission asked that utilities calculate BCR values using three different discount rates and to provide the associated results. But utilities are permitted to use any of the rates for work prioritization.<sup>34</sup> In the Joint Application, the IOUs propose an approach that aligns with the RDF, while simultaneously reporting on all three required discount rates.

## 2. *The Proposed Uncertainty Factor Addresses Model Uncertainty*

Contrary to TURN's argument, the 70% uncertainty factor proposed in the Joint Application will not give the IOUs "a standing license" to favor undergrounding, nor will it dilute accountability.<sup>35</sup> The uncertainty factor is important to address modeling limitations.<sup>36</sup> It is reasonable to consider factors outside of the risk model when the calculated BCRs for two mitigations are reasonably close in value to ensure the safest and most cost-efficient system hardening option is chosen. As noted in the Joint Application, PG&E would be reducing this uncertainty range to 30 percent to align with Energy Safety's recommendation in the decision

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<sup>32</sup> Joint Application, p. 10; see also D. 22-12-027, p. 60, Conclusions of Law (COL) 14. While additional decisions have been issued in the RDF proceeding (Phase 3, D.24-05-064 and Phase 4, D.25-08-032), both decisions still allow utilities to use a risk-averse scaling function.

<sup>33</sup> TURN protest, p. 4.

<sup>34</sup> D.25-08-032, Appendix A, p. A-19, Row 25; *see also* D.24-05-064, pp.102-103.

<sup>35</sup> See EPUC Protest, p. 10.

<sup>36</sup> Joint Application, pp. 35-36.

approving PG&E’s 2026-2028 WMP.<sup>37</sup> Moreover, the IOUs will not automatically choose undergrounding when a project falls within the proposed uncertainty range. Instead, the IOUs will evaluate localized features of the project to determine the appropriate mitigation for risk reduction. Finally, the Joint Application’s approach to include an uncertainty factor is compliant with the requirements of the RDF, which states that mitigation selection can be influenced by “other factors including, but not limited to, funding, labor resources, technology, planning and construction lead time, compliance requirements, Risk Tolerance thresholds, operational and execution considerations, and *modeling limitations and/or uncertainties affecting the analysis.*”<sup>38</sup>

### 3. *The BCR Calculation Inputs Are Appropriate*

The IOUs have presented the BCR methodology requested by the Commission in SPD-37. In order for the proposed BCR methodology to align with the RDF framework, as suggested by President Reynolds at the hearing on Resolution SPD-37, the Joint Utilities propose that the O&M Savings be reflected in the denominator of the BCR calculation.<sup>39</sup> The current SB 884 Project List Data Requirements Guidelines recognize that this issue remains unresolved.<sup>40</sup> This issue is not a reason to deny the Joint Application because it would make little sense for the Commission to request a BCR methodology from the IOUs while simultaneously not allowing any changes to existing templates. The IOUs acknowledge this issue and identify potential updates to templates as issue for consideration #1 in the Joint Application. In addition, considering O&M Savings in the denominator does not mask immediate financial impacts.<sup>41</sup>

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<sup>37</sup> Joint Application, p. 36, fn. 50.

<sup>38</sup> D.25-08-032, Appendix A, p. A-22, Row 26. (emphasis added)

<sup>39</sup> Joint Application, p. 6, Table 1.

<sup>40</sup> CPUC SB 884 Program: CPUC Guidelines, (Dec. 10, 2025), p. A1-19, “Total\_Mitigation\_Benefit” defined as “Present Value of the Risk Reduction and Potentially the Present Value of Net O&M Costs...”

<sup>41</sup> EPUC Protest, p. 6.

Instead, this approach correctly identifies utility savings as an incremental expense from undergrounding projects, and it is consistent with the RDF framework.<sup>42</sup>

The IOUs disagree with TURN's argument that including in the proposed BCR numerator "all benefits associated with any enterprise risk" on a utility's enterprise risk register creates the potential for inflation of undergrounding project value.<sup>43</sup> It would be unwise to ignore all the benefits provided to customers by mitigations like undergrounding and inconsistent with the RDF's requirement to "...reflect the full set of Benefits that are the results of the incurred costs".<sup>44</sup> SB 884 demonstrates that both reliability and risk reduction benefits are important to evaluating system hardening projects in an EUP.<sup>45</sup> Thus, the IOUs consider all safety and risk reduction opportunities presented by a particular project as they seek to mitigate wildfire risk. Moreover, the IOUs will be transparent regarding the risks being considered in this evaluation.

It is also unreasonable to require an electrical corporation to include third-party costs as part of the BCR calculation, as requested by the Communication Providers.<sup>46</sup> An electrical corporation may seek to recover costs from customers that it incurs for its own undergrounding program and has no control over or authority to verify cost estimates of other entities. Nor can an electrical corporation attest to the accuracy of cost forecasts provided by third parties. Moreover, there are established rules covering joint pole practices regarding ownership, maintenance, use, setting, placement, or removal.<sup>47</sup> These practices do not need to be repeated as part of any BCR calculation in connection with an EUP.

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<sup>42</sup> See D.25-08-032, Appendix A, A-19, Row 25.

<sup>43</sup> TURN Protest, pp. 4-5.

<sup>44</sup> See D.25-08-032, Appendix A, A-19, Row 25.

<sup>45</sup> See Pub. Util. Code § 8388.5.

<sup>46</sup> Communication Providers Protest, pp. 3-4.

<sup>47</sup> See Northern California Joint Pole Association, Operations/Routine Handbook, 2019.

#### 4. *Use of Portfolio-Level BCRs and Establishing Year Zero*

The Communication Providers express concern that BCR calculations for cost recovery will be applied at the portfolio level rather than the project level, which they argue will decrease transparency.<sup>48</sup> This concern is misplaced because the IOUs *will* calculate BCRs for individual projects at the circuit segment level during the mitigation alternatives analysis. This will promote consistency and transparency. It will also prevent any utility from attempting to obscure individual projects that do not meet cost effectiveness thresholds from the start.<sup>49</sup> However, BCR targets and metrics should be evaluated at the portfolio level for cost recovery purposes to ensure that utilities are managing their portfolios in a responsible manner, while recognizing that costs for individual projects may record above or below original cost estimates as projects develop. This approach is reflected in both the Energy Safety and Resolution SPD-37 guidelines.

As noted by TURN, the IOUs propose a BCR methodology that is consistent with the RDF framework.<sup>50</sup> The concern that defining BCR year zero as the year a utility's EUP becomes effective may "artificially inflate the BCR of projects that come online later in the program" is unfounded.<sup>51</sup> Establishing BCR year zero as the year the EUP becomes effective is consistent with the IOUs' historical practice of GRC forecasting based on a test year.<sup>52</sup> Changing the base year for each project completed would create confusion over the 10-year time frame because risk models may change and escalation will differ over the course of ten years.

Using a consistent BCR Year Zero ensures that all projects, regardless of their construction timing, are evaluated under the same discounting assumptions, preventing distortions arising from timing differences or varying inflationary conditions. This common baseline allows decision makers to compare the relative economic performance of projects on an

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<sup>48</sup> See Communication Providers Protest, p. 2.

<sup>49</sup> Communication Providers Protest, p. 2.

<sup>50</sup> TURN Protest, pp. 2-3.

<sup>51</sup> TURN Protest, p. 3; see also EPUC Protest, pp. 6-7.

<sup>52</sup> Joint Application, p. 16.

equivalent footing, thereby improving transparency and prioritization based on consistent present-value calculations. It also enables clearer long-term planning by eliminating the need to repeatedly re-anchor financial models to shifting, project-specific base years.

#### **G. The Proposed Audit Process Meets SPD-37 Requirements**

The proposed audit framework in the Joint Application is sufficiently independent to ensure ratepayer protection. While the IOUs did not specify the manner of *selecting* an auditor in the Joint Application because it was not required by Resolution SPD-37, the IOUs recommended the auditor “be required to meet professional auditor standards, specifically, the American Institute of Certified Public Accountants (AICPA) Consulting Standards.”<sup>53</sup> AICPA Standards require that ethical boundaries, including minimizing any conflicts of interest, are maintained.<sup>54</sup> Thus, any auditor of an EUP would be required to maintain ethical boundaries to ensure a fair and impartial audit of the 10-year undergrounding plan.

The IOUs disagree that the scope of the audit should include risk reduction benefits in the numerator of the BCR calculation for EUP projects.<sup>55</sup> It is not feasible for the IOUs to provide actual project-specific risk reduction or avoided cost values outside of an approved modeling framework, as such values depend on unknowable counterfactual outcomes, including avoided ignitions, outages, and future maintenance costs that cannot be directly measured or observed. Auditing these figures for each project would be an inefficient use of time and resources because they are estimates derived from approved modeling, as opposed to the actual construction costs represented in the denominator of the BCR calculation.

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<sup>53</sup> Joint Application, p. 18.

<sup>54</sup> American Institute of Certified Public Accountants, Code of Professional Conduct, ET §§ 0.300.040 (Integrity), 0.300.050 (Objectivity and Independence), & Interpretation 1.110.010 (Conflicts of Interest) (Am. Inst. of Certified Pub. Accountants 2025), (December 15, 2014), available at: <<https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf>> (accessed Mar. 25, 2026).

<sup>55</sup> EPUC Protest, p. 9; TURN Protest, p. 6.

Project-level compliance is not required under SPD-37 for cost recovery and should not be included in the EUP audit.<sup>56</sup> The EUP Guidelines from Energy Safety allow portfolio-level metric tracking.<sup>57</sup> Similarly, SPD-37 was revised to remove the project-level metric requirements that would have made cost recovery difficult for individual projects that exceed cost caps by an unknown threshold.<sup>58</sup> This was emphasized at the CPUC voting meeting on December 4, 2025 when the Commission adopted Resolution SPD-37, (then) President Alice Reynolds provided comments from the dais, noting the provisions for portfolio-level management established by SPD-15 will still apply.<sup>59</sup> Last, this portfolio-level framework is also supported by the CPUC’s Risk Mitigation Accountability Report (RMAR), described as a “*consolidated statement of risk*” whose “*primary purpose...is to present aggregated risk and risk reduction at the level of the enterprise and major subgroups,*” explicitly distinguishing RMAR from project-level reporting.<sup>60</sup> RMAR is not designed to report project-level outcomes, mitigation benefits, and risk reduction to support comparability and decision-making.<sup>61</sup> This report is currently pending staff input and finalization as part of the RDF. Inasmuch as metrics will be tracked at the portfolio level, it would be inappropriate for audit compliance to be reported at project levels. Individual projects may experience unforeseen circumstances that raise costs. However, that is not a reason to deny cost recovery when an overall portfolio is being managed appropriately and is in compliance with approved portfolio-level metrics.

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<sup>56</sup> TURN, p. 6.

<sup>57</sup> Office of Energy Infrastructure Safety, 10-Year Electrical Undergrounding Plan (EUP) Guidelines (Feb. 20, 2025), pp. 9, 41-42, 52-53.

<sup>58</sup> See generally Res. SPD-37, Attachment B, Rev. 3, Redline Version, pp. 15, 18-20.

<sup>59</sup> CPUC Commissioner Voting Meeting on Dec. 4, 2025; timestamp: 3:09, available at: <[Admin Monitor - California - California Public Utilities Commission](#)> (accessed Mar. 25, 2026).

<sup>60</sup> CPUC Safety Policy Division, RMAR Staff Proposal #2, p. 5 (Jan. 15, 2026) (emphasis added).

<sup>61</sup> CPUC Safety Policy Division, Risk Mitigation Accountability Report Guidelines, Appendix B to RMAR (Jan. 15, 2026), pp. B-4 to B-6.

Finally, EPUC provides no persuasive reason why auditing pursuant to the American Institute of Certified Public Accountants (AICPA) Consulting Standards fails to promote the heightened accountability the EUP program demands. Instead, EPUC simply argues that the auditor should be required to adhere to Generally Accepted Government Auditing Standards (GAGAS), which is typically used for government-mandated audits.<sup>62</sup> However, the IOUs are not government entities, and this audit is being performed for projects already approved by another government agency, and tracked via progress reports every 6 months. Moreover, the AICPA standards provide flexibility and can be used for a broader range of services like the EUP.

#### **H. Other Proposed Cost Recovery Conditions Will Support Future Undergrounding and Cost Reasonableness**

Below, the IOUs address the intervenor substantive comments regarding other cost recovery conditions included in the Joint Application.

##### *1. The Variance Threshold Is Appropriate*

TURN raises no specific concerns about the proposed two percent variance threshold before undergrounding project costs must be moved to a memorandum account other than that it may lead to higher ratepayer costs “without adequate scrutiny.”<sup>63</sup> While the IOUs acknowledge the variance threshold would allow for cost cap exceedance by 2 percent (or less) as needed, it is incorrect to state that there is “inadequate scrutiny” in the process. The EUP will be reviewed by Energy Safety and then by the CPUC. Over the course of the EUP, the IOUs will be required to report trackable metrics on things like cost and risk reduction. In addition, these results are subject to audit. Moreover, a 2% potential variance is reasonable. For example, in PG&E's 2020 GRC, the Commission approved a 15% variance for PG&E's system hardening costs as part of its approval of a multi-party settlement.<sup>64</sup>

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<sup>62</sup> EPUC Protest, p. 8.

<sup>63</sup> TURN, p. 4; see also EPUC protest, p. 9.

<sup>64</sup> D.20-12-005, p. 121, p. 340, p. 410, Ordering Paragraph (OP) 1b.

2. *Utility Selection of Memorandum Account Projects Is Efficient*

TURN provides no alternative to a utility self-selecting what projects go to the memorandum account in the event a portfolio does not meet its metrics.<sup>65</sup> The utility is in the best position to determine which project negatively impacted the portfolio such that it requires movement to the memorandum account. The project at issue will then be subject to a reasonableness review. And the costs associated with all other projects that remain in the balancing account will be part of the prescribed audit.

3. *Energy Safety's Guidelines Are Sufficient*

TURN's concern that the Energy Safety guidelines are insufficient for considering alternative mitigations is unwarranted and outside the scope of this proceeding.<sup>66</sup> As indicated in the Joint Application, the Energy Safety EUP Guidelines require reporting of the mitigation comparisons considered at Screen, 2, 3, and 4 and in the Project Table Index.<sup>67</sup> If a utility chooses to submit an EUP, the utility will also provide the undergrounding mitigation and alternative mitigation for each Risk Reporting Unit (RRU). Energy Safety is the entity charged with determining whether the correct mitigation was chosen for a particular project. The CPUC need not separately adjudicate the alternative mitigations again as part of SPD-37 or the Phase 2 filing.

4. *Incorporating Previously-Scoped Projects Into the EUP*

TURN expressed a concern with the proposal to incorporate certain previously-scoped projects into an EUP even though it would be disruptive and costly to cancel such in flight projects.<sup>68</sup> TURN's argument is unsupported. As noted in the Joint Application, undergrounding is a long-term effort that often spans multiple years. A utility may select an undergrounding project based on a version of a risk model that is later updated, and it may no longer be possible

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<sup>65</sup> See TURN Protest, p. 7.

<sup>66</sup> TURN Protest, pp. 7-8.

<sup>67</sup> Joint Application p. 30.

<sup>68</sup> Joint Application, p. 39; TURN Protest, p. 8.

to demonstrate that the project meets all of the Energy Safety screening requirements under a more recent version of the risk model. Even if a project does not meet all of the EUP requirements, it is reasonable to pursue such a project because at the time it was selected and planned, the project was forecast to significantly reduce wildfire and reliability risk. Furthermore, as explained in the Joint Application, it would be disruptive to customers and communities where undergrounding plans have already begun to cancel such in-flight projects.<sup>69</sup>

#### 5. *Net Salvage Values*

The IOUs proposal not to forego a separate calculation for net salvage values does not violate SPD-37.<sup>70</sup> First, the IOUs do not exclude net salvage values from consideration entirely. Instead, salvage values are addressed in different ways. For example, PG&E relies on “group accounting,” which studies all its distribution assets to develop depreciation rates as opposed to more granular assets groupings. SCE treats net salvage values similar to PG&E by considering assets in group categories for depreciation purposes, though there may be certain differences in groupings between the utilities. Also, in the event a utility moves its facilities underground, joint pole standards may determine future ownership of the pole with any other joint tenants and potential value of the pole. Given the way net salvage values are calculated by the IOUs, it is infeasible to have them considered as a standalone element in the BCR calculation.

#### 6. *Backcasting*

Lastly, the IOUs appropriately account for backcasting, as required, despite concerns raised by EPUC about its limited use.<sup>71</sup> The IOUs follow the Energy Safety EUP and RDF Guidelines by proposing backcasting “to establish a bridge between prior inputs and the new inputs.”<sup>72</sup> These new inputs occur when a risk model changes, and the backcast will help connect

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<sup>69</sup> Joint Application, p. 39.

<sup>70</sup> EPUC Protest, p. 7.

<sup>71</sup> See EPUC protest, pp. 7-8; see also Joint Application pp. 7, 14-15.

<sup>72</sup> Joint Application p. 14.

