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

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 26-02-005 (Filed February 9, 2026)

OPENING COMMENTS OF COMMUNICATIONS PROVIDERS TO 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

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I. INTRODUCTION

Pacific Bell Telephone Company d/b/a AT&T California (U 1001 C), Cellco Partnership LLC d/b/a Verizon Wireless (U 3001 C), MCI Metro Access Transmission Services, LLC (U 5352 C) (collectively, "Communications Providers") respectfully submit these Opening Comments in Application 26-02-005.[1]

Communications Providers participate in this proceeding to ensure that the California Public Utilities Commission's ("Commission") benefit-cost ratio ("BCR") methodology appropriately accounts for the interests of third-party infrastructure providers whose facilities are directly affected by undergrounding projects undertaken pursuant to the Senate Bill ("SB") 884 program. As explained in Communications Providers' March 16, 2026 Response, when the investor-owned utilities ("IOUs") decide to underground their electric facilities, communications providers may be required to relocate, rebuild, or underground their own facilities at substantial cost.[2] These costs are real, significant, and directly caused by the IOUs' undergrounding decisions.

The Scoping Memo identified three issues for this proceeding: (1) a standardized BCR calculation methodology; (2) an audit framework; and (3) additional cost recovery conditions.[3] Communications Providers address these three issues and respectfully urge the Commission to

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[1] *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* ("Joint Application"), Application (A.) 26-02-005, (Feb. 9, 2026).

[2] *Response of the Communications Providers to 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* ("Communications Providers Response"), A.26-02-005, at 2-4 (Mar. 16, 2026).

[3] *Assigned Commissioner's Scoping Memo and Ruling* ("Scoping Memo"), A.26-02-005, at 3-4 (Apr. 10, 2026).

adopt the following three measures to protect the interests of affected third parties and ensure that the BCR methodology serves its intended purpose of identifying truly cost-effective mitigation investments:

First, the Commission should require project-level, not portfolio-level, BCR review. Individual undergrounding projects can impose significant costs on communications providers that can be obscured when the evaluation of costs and benefits is limited to the portfolio level.

Second, the Commission should require that communication provider costs be included in the BCR analysis. A BCR that excludes the costs imposed on third parties by the IOUs' undergrounding decisions understates the true societal cost of the undergrounding and overstates its cost-effectiveness.

Third, the Commission should require the IOUs to select the most cost-effective mitigation measure, rather than allowing undergrounding to be chosen when it merely lies within the "uncertainty range" of a supposed less costly alternative.

II. ARGUMENT

A. The Commission Should Require Project-Level BCR Review.

The IOUs' Joint Application proposes that BCR calculations and cost recovery conditions be evaluated at the portfolio level rather than the individual project level.[4] Communications Providers maintain that BCR methodology should be applied on an individual project basis.[5] Project-level review is essential for three reasons: (1) it protects ratepayers and communications providers from hidden costs; (2) it ensures transparency and accountability; and (3) it is consistent with the Commission's own directives.

[4] Joint Application at 29.

[5] Communications Providers Response at 2-3.

Communications providers pay the costs of undergrounding one project at a time, not one portfolio at a time. When an IOU chooses to underground a particular segment of its distribution system, the communications provider whose facilities share that corridor must relocate or underground its own plant to accommodate the IOU's project. The communications provider cannot average those costs across an entire portfolio – it must bear the full cost of each project as it is constructed. A portfolio-level BCR can conceal projects that impose disproportionate costs on communications providers, while project-level review ensures that each project can independently justify its own costs and benefits. Project-level review also better reflects actual project conditions, including inflation, environmental constraints, permitting requirements, and other factors that can significantly affect projects over time. By evaluating projects individually, the Commission can better assess the real-world costs and benefits associated with each undergrounding decision.

Project-level review also provides the transparency necessary to confirm that the most cost-effective mitigation has been selected for each location. If a particular project cannot demonstrate that undergrounding is more cost-effective than covered conductor or other hardening measures at that location, for example, the Commission and affected parties should be made aware of that before the project proceeds – not after costs have already been incurred and buried in portfolio-level averages. Project-level review is also necessary to confirm that undergrounding was selected because it is the most cost-effective mitigation for a particular location, rather than because stronger projects elsewhere in the portfolio offset its weaker economics.

Other parties share this concern. The Utility Reform Networks ("TURN") opposes portfolio-level evaluation and argues that it "lacks basic transparency and accountability" and permits "non-transparent shifting of costs and miles among various projects."[6] TURN also states that under the IOUs' proposal, "IOUs can mix and match dollars and miles from various projects and sub-projects to make BCRs and unit costs appear in a manner that is entirely inconsistent with how projects are approved."[7]

The Public Advocates Office ("Cal Advocates") similarly argues that "portfolio-level evaluation may obscure individual projects that do not meet cost-effectiveness thresholds by allowing high-performing projects to subsidize underperforming ones"[8] and recommends that all subprojects have a BCR greater than one.[9]

These concerns are well-grounded in the Commission's own directives. Resolution SPD-37 itself stated that "any proposed methodology shall apply to the project level and may allow for scalability to the portfolio level."[10] This language establishes project-level analysis as the primary unit of evaluation, with portfolio-level scalability as an optional supplement – not a replacement. The express language in SPD-37 demonstrates the Commission's expectation that project-level analysis should serve as the foundation for cost-effectiveness review.

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[6] *Counterproposal and Comments of The Utility Reform Network (TURN) on Joint Application of Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37 and Staff White Paper* ("TURN Response"), A.26-02-005, at 2, 12 (June 9, 2026).

[7] TURN Response at 11.

[8] Communications Providers Response at 2.

[9] *Response of the Public Advocates' Office to Scoping Memo Request for Comments and Counter Proposals to Joint IOUs' Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Condition as Specified in Resolution SPD-37* ("Cal Advocates Response"), A.26-02-005, at 13, 66 (June 9, 2026).

[10] Resolution SPD-37, *Update and Revision of Senate Bill 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations*, at 26 (Dec. 4, 2025).

The IOUs oppose project-level conditions and argue that undergrounding portfolios should be managed and measured as a whole. In their July 8, 2026 Reply Comments, the IOUs contend that subprojects are defined for "operational, construction, or accounting convenience" and that "[i]solating subprojects for audit purposes . . . would mischaracterize efficient project execution."[11] These arguments are unavailing. Communications providers do not propose to prevent the IOUs from managing their programs as portfolios; rather, Communications Providers seek to ensure that each project demonstrates its own cost-effectiveness before it imposes costs on third parties. Portfolio-level management is an internal business practice; it should not be a basis for denying visibility for the Commission and affected parties into individual project performance.

B. Communication Provider Costs Must Be Included in the BCR Analysis.

When the IOUs underground their electric distribution infrastructure, communications providers are often required to relocate or underground their own facilities to accommodate the IOUs' project.[12] These costs are real, substantial, and directly caused by the IOUs' undergrounding decisions. They must be included in the BCR analysis.

The principle is straightforward: a benefit-cost analysis is incomplete if it excludes known costs that are directly caused by the project under evaluation. The BCR is intended to capture the full economic picture of an undergrounding project. Excluding communication provider costs would understate the true total societal cost of undergrounding and would make it

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[11] *Joint Reply Comments of Pacific Gas and Electric Company (U 39-E), Southern California Edison Company (U 338-E) and San Diego Gas & Electric Company (U 902-E) in Response to Parties Comments and Counter Proposal to the Joint IOUs Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37*, Attachment 1 ("IOUs July Reply"), A.26-02-005, at 39 (July 8, 2026).

[12] Communications Providers Response at 4.

appear more cost-effective than it really is. Such an approach could lead the Commission to approve undergrounding when an alternative mitigation measure that would not trigger the same third-party costs would be more cost-effective when all costs are considered.

The IOUs' own proposal underscores the asymmetry of excluding third-party costs. The Joint Application accounts for benefits conferred on third parties, including wildfire and reliability risk-reduction benefits, standard reliability benefits, and public safety benefits.[13] If third-party benefits are counted in the BCR numerator, fundamental principles of analytical completeness and fairness require that third-party costs be counted in the denominator. A BCR that counts benefits to third parties but **ignores the costs** to third parties is analytically incomplete and biased in favor of undergrounding.

Full cost accounting requires inclusion of all material costs associated with a project, regardless of whether those costs are incurred by the IOUs or other affected infrastructure providers. To the extent communications providers are compelled to underground their facilities for such electric utility projects, they will incur considerable costs and may need to divert resources from broadband deployment (another Commission policy goal) or raise rates for customers already facing higher electric rates. A BCR that excludes communications provider relocation and undergrounding costs cannot accurately measure the true cost effectiveness of an undergrounding project.

The IOUs' response to this argument in their March 26, 2026 Reply was that "an electrical corporation…has no control over or authority to verify cost estimates of other entities"

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[13] Communications Providers Response at 3-4.

and that "there are established rules covering joint pole practices."[14] Neither argument is persuasive. The fact that the IOUs do not control communications provider costs does not make those costs any less real or relevant to the BCR analysis. A benefit-cost analysis is supposed to capture the full economic consequences of a decision, not merely those consequences that the project proponent can independently verify. As for joint pole practices, those existing rules govern cost allocation between utilities; they do not address whether the costs should be considered in the threshold determination of whether undergrounding is cost-effective in the first instance.

Cal Advocates supports the principle that "the BCR should include all costs that ratepayers will incur as a result of the project" and argues that capital projects incur both direct and indirect costs.[15] The Staff White Paper emphasizes that the BCR should be "consistent, transparent, and replicable" and should capture the full costs and benefits to support proper regulatory decision-making.[16] Excluding known third-party costs is inconsistent with these objectives.

The Commission should direct the IOUs to include identified or reasonably ascertainable communication provider costs in the BCR analysis. This will ensure that the BCR accurately reflects the full economic cost of undergrounding and supports informed decision-making regarding whether undergrounding is truly the most cost-effective mitigation at each location.[17]

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[14] *Joint Reply of Pacific Gas and Electric Company (U 39-E), Southern California Edison Company (U 338-E) and San Diego Gas & Electric Company (U 902-E) to Protests and Responses* ("IOUs March Reply"), A.26-02-005, at 13 (Mar. 26, 2026).

[15] Cal Advocates Response at 51.

[16] *Staff White Paper on Benefit-Cost Ratio Methodology* ("Staff White Paper"), A.26-02-005, at 4 (Apr. 10, 2026).

[17] Communications Providers reserve the right to address whether separate cost-benefit analysis may be necessary when communications providers are required to underground facilities as a consequence of an IOU undergrounding project.

C. The Commission Should Require Selection of the Most Cost-Effective Mitigation.

The Commission should require IOUs to select the most cost-effective mitigation for each project location. Undergrounding should not receive preferential treatment over alternative mitigation measures. If covered conductor, overhead hardening, vegetation management, Enhanced Powerline Safety Settings ("EPSS"), or another mitigation measure provides comparable risk reduction at a lower cost, the IOU should be required to select it.[18] Communications providers have a direct and substantial interest in this issue because they are often required to relocate or underground their own facilities (at great expense), whenever an IOU chooses undergrounding over a less disruptive alternative.

The IOUs proposed a 70% "estimate uncertainty factor" that permits undergrounding to be selected when its BCR is merely within 70% of the BCR for an alternative mitigation such as covered conductor.[19] This proposal inappropriately favors undergrounding. Under this framework, the IOUs could choose undergrounding even when an alternative mitigation measure demonstrates meaningfully superior cost-effectiveness, as long as undergrounding is within a generous "uncertainty range." Such an approach does not adequately serve the public interest.[20]

Cal Advocates proposes that if an uncertainty factor is adopted, it should be set at 15% (the mid-range of the Association for the Advancement of Cost Engineering ("AACE") recommendations), not the 30% proposed by the IOUs, and should be accompanied by a net benefits requirement.[21] Communications Providers support this more modest approach or,

[18] Communications Providers Response at 3.

[19] Joint Application at 36.

[20] Communications Providers Response at 3.

[21] Cal Advocates Response at 64, 66.

preferably, the absence of any uncertainty factor. Undergrounding should be selected only when the record demonstrates it is the most cost-effective mitigation after all costs – including communication provider costs – are included in the analysis.

TURN agrees that SB 884 "expressly identifies cost efficiency as one of the criteria for prioritizing undergrounding projects."[22] The Staff White Paper demonstrates that BCR-based optimization (*i.e.,* prioritizing projects by cost-efficiency rather than absolute risk reduction) "mathematically yields the superior aggregate risk reduction" for any given level of ratepayer expenditure in a constrained budget environment.[23] This conclusion strongly supports requiring the selection of the most cost-effective mitigation at each location.

The statutory framework reinforces this conclusion. Public Utilities Code Section 8388.5(d)(2), enacted as part of SB 884, identifies cost efficiency as a factor the Commission must consider in evaluating undergrounding proposals.[24] An uncertainty factor that systematically biases selection toward the most expensive mitigation option (undergrounding) is inconsistent with this legislative mandate.

Communications providers and their customers (who are generally also electric ratepayers) are directly harmed when undergrounding is selected over less costly alternatives because they must then relocate or underground their own facilities at substantial expense. The Commission should ensure that the BCR methodology does not contain built-in preferences

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[22] *Reply Comments of The Utility Reform Network (TURN) on Joint Application of Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company Requesting Commission Approval of Proposals for a BCR Calculation Methodology, Audit Methodology, and Cost Recovery Conditions as Specified in Resolution SPD-37 and Staff White Paper* ("TURN Reply Comments"), A.26-02-005, at 4 (July 7, 2026).

[23] Staff White Paper at 13.

[24] SB 884, Pub. Util. Code § 8388.5(c)(4)(6).

for undergrounding and instead requires the IOUs to select the mitigation measure that delivers the greatest risk reduction per dollar spent for all affected parties.

III. CONCLUSION

Based on the foregoing, Communications Providers respectfully request that the Commission:

1. Require that the BCR methodology be applied at the individual project level, with portfolio-level evaluation serving as a supplement rather than a replacement for project-level review;

2. Require that identified or reasonably ascertainable communication provider costs be included in the BCR analysis as costs in the denominator; and

3. Undergrounding should only be selected when the record demonstrates that it is the most cost-effective mitigation after all costs, including communication provider relocation and undergrounding costs, are considered. If another mitigation provides comparable risk reduction at a lower cost, the IOU should be required to select that option.

These measures will ensure that the BCR methodology serves its intended purpose to provide the Commission, ratepayers, and affected third parties with an accurate, transparent, and complete assessment of the costs and benefits of undergrounding relative to available alternatives.

[Signature on next page]

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Respectfully submitted,

<u>*/s/ Raymond P. Bolaños*</u>

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