PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SAFETY POLICY DIVISION

Agenda ID # 23691
Resolution SPD-37
November 20, 2025

R E S O L U T I O N

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.

PROPOSED OUTCOME:
Refines the *SB 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations,* previously adopted in Resolution SPD-15, issued March 8, 2024. Aligns the Commission's program with the recently adopted SB 884 *10-Year Electrical Undergrounding Plan Guidelines* of the Office of Energy Infrastructure Safety.

SAFETY CONSIDERATIONS:
Reduce utility caused wildfires and increase reliability through the adopted expedited utility distribution infrastructure undergrounding program.

COSTS:
None; no costs are approved by this resolution. Any program costs will be considered and conditionally approved through subsequent SB 884 Applications submitted by participating utilities, an audit process, and a just and reasonable cost review process for certain costs.

1. SUMMARY

This Resolution builds on earlier Resolution SPD-15 implementing Senate Bill (SB) 884 (McGuire; Stats. 2022, Ch. 819), codified at Public Utilities Code (PU Code) Section 8388.5.[1] The Commission approved Resolution SPD-15, issued March 8, 2024, adopting the *Senate Bill (SB) 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations* (SPD-15

[1] PU Code Section 8388.5
https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=8388.5.&lawCode=PUC.

Guidelines) that addressed the process and requirements for Commission review of any regulated large electrical corporation's 10-year distribution infrastructure undergrounding plan (hereafter known as the Electric Undergrounding Plan (EUP) or Plan) application and conditional approval or denial of related costs. The Commission noted in Resolution SPD-15 that additional issues remained to be resolved.

This second Resolution adopts the following outcomes:

1. Updates and adds Phase 2 Application requirements that ensure the Commission has adequate undergrounding project cost information to determine whether cost recovery is reasonable.
2. Adds Phase 2 Conditions that build on newly adopted requirements in the Office of Energy Infrastructure Safety (Energy Safety) guidelines for EUPs (*Energy Safety Guidelines*) to ensure the most cost-efficient undergrounding projects are implemented. Additional scrutiny is provided for EUP projects whose economic metrics (total costs, unit costs, and cost-benefit ratios) upon which the Commission's Phase 2 Decision will be based substantively change as the project is scoped further and constructed.
3. Explains a process for ensuring costs recovered via the memorandum account adopted in Resolution SPD-15 are capped and not excessive.
4. Adopts primary and secondary objectives for an audit of any costs recorded to the one-way balancing account adopted in Resolution SPD-15.
5. Explains how Cost-Benefit Ratios (CBR)[2] must be calculated to ensure projects achieve wildfire risk reduction without undue expense and provide a means for equitable comparison against potential alternative mitigations.

2. BACKGROUND

The SPD-15 Guidelines set forth a three-phased process for implementation of SB 884's requirements. The first phase requires the EUP to be reviewed and approved or denied

[2] CBR is calculated by dividing the dollar value of Total Mitigation Benefit by the Present Value of the Capital Costs. See D.22-12-027 Phase II Decision Adopting Modifications, Risk-Based Decision-Making Framework, Appendix A, p. A-3. In the Phase 4 Decision of the RDF Proceeding, the Commission clarified that Cost-Benefit Ratios (CBR) should now be referred to as Benefit-Cost Ratios (BCR) to ameliorate possible confusion. See D.25-08-032, CoL 39. While CBR has not be adjusted in the Resolution, CBR has been replaced with BCR throughout Attachment A except where specified. Any reference to CBR in this Resolution is synonymous with BCR.

by Energy Safety prior to review by the Commission (Phase 1). In the second phase (Phase 2), the Commission reviews and may conditionally approve or deny an application for the EUP's costs (Phase 2 Application). Any conditional approval will authorize the creation of a one-way balancing account to potentially recover plan costs contingent on the satisfaction of conditions placed on approval. If the Commission conditionally approves cost recovery in the one-way balancing account, the Commission will also authorize the large electrical corporation to establish a memorandum account to potentially recover any EUP costs that fail to meet the conditions set forth by the Commission. Resolution SPD-15 also established that the one-way balancing account requires an audit, and if any costs recorded to the account do not meet conditions imposed in the Commission's decision on the Phase 2 Application (Phase 2 Decision), such costs may be subject to refund to ratepayers. The third phase (Phase 3) consists of EUP implementation, progress reporting, and ongoing monitoring and review. Any EUP costs recorded in the authorized memorandum account must be submitted to the Commission for review of justness and reasonableness in separate applications (Phase 3 Application) prior to recovery in rates.

To implement the first phase, Energy Safety issued its *10-Year Electrical Undergrounding Plan Guidelines* (*Energy Safety Guidelines*) on February 20, 2025. Among other reasons, this Resolution updates and refines the SPD-15 Guidelines in consideration of the *Energy Safety Guidelines*. This Resolution conforms the guidelines to the discussion herein and attaches the new *CPUC Guidelines*[3] as Attachment A hereto.

2.1 SB 884 Background

SB 884, effective January 1, 2023, requires the Commission to establish an expedited utility distribution infrastructure undergrounding program in Tier 2 and Tier 3 High Fire-Threat District (HFTD) areas and in wildfire rebuild areas for the state's large electrical corporations. The statute authorizes, but does not require, utilities with 250,000 or more customer accounts (large electrical corporations) to participate.

To begin the process, each participating large electrical corporation submits a 10-year EUP to Energy Safety for review. Energy Safety must approve or deny the EUP within nine months of filing. If approved by Energy Safety, the large electrical corporation must then submit to the Commission, within 60 days of Energy Safety's approval, a copy of the approved EUP and Phase 2 Application requesting conditional approval of the EUP's costs. The Commission must approve or deny the Phase 2 Application within

[3] References to the guidelines adopted in Resolution SPD-15 are to "*SPD-15 Guidelines*." The guidelines adopted in this Resolution, which supersede the *SPD-15 Guidelines* are titled "*CPUC Guidelines*."

nine months of submission.

Pursuant to PU Code Section 8388.5(f), if the EUP is approved by Energy Safety and the Commission, the large electrical corporation shall do all the following:

> (1) Every six months, file a progress report with [Energy Safety] and the commission. The large electrical corporation and Energy Safety shall publish these progress reports on their respective internet websites.
> (2) Include ongoing work plans and progress in annual wildfire mitigation plan filings.
> (3) Hire an independent monitor, selected by [Energy Safety], to review and assess the large electrical corporation's compliance with its plan and submit a report with Energy Safety each December 1 over the course of the plan.

Under PU Code Section 8388.5(j), "[e]ach large electrical corporation participating in the program shall apply for available federal, state, and other nonratepayer 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."

Finally, PU Code Section 8388.5(i)(2) provides that "[t]he commission may assess penalties on a large electrical corporation that fails to substantially comply with a commission decision approving its plan."

2.2 SPD-15 Guidelines

The SPD-15 Guidelines establish several key elements of the SB 884 program. These elements include the requirements for Phase 2 Application submittal; minimum conditions for conditional approval (Phase 2 Conditions); accounting structures for tracking and recording costs related to an EUP; the concept of an audit and potential refund to ratepayers for costs recorded in an authorized one-way balancing account; the structure and timing of any applications submitted pursuant to Phase 3 of the program; information to be included in progress reports; and identification of a preliminary dataset that must be included in a Phase 2 Application. Resolution SPD-15 deferred finalizing several of these concepts, including the audit of the one-way balancing account, progress report filings, and the *SB 884 Project List Data Requirements Guidelines*, to a later Commission decision or order, and this Resolution acts on those items and others that have arisen since SPD-15's adoption.

2.3 Audit of Balancing Account

Resolution SPD-15 provided that "[t]he details of th[e] [balancing account] 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 future decision or order."[4] This Resolution, including Attachment A, provides the separate audit process and details required by SPD-15.

2.4 Progress Reports

The Commission adopted Resolution SPD-15 before Energy Safety adopted its own Guidelines. The SPD-15 Guidelines anticipated that the details of six-month progress report filings and the data filing requirements, included as Appendix 1 of the SPD-15 Guidelines, would require future refinement after finalization of the *Energy Safety Guidelines* and consultation amongst the agencies. The *SB 884 Project Lists Data Requirements-Preliminary* were refined and revised following a series of Technical Working Group (TWG) meetings,[5] as authorized by SPD-15,[6] and are included with this Resolution as the *SB 884 Project List Data Requirements Guidelines* in Appendix 2 of the *CPUC Guidelines*.

2.5 EUP Detail Needed for Determination of Cost Recovery

Detailed information on specific undergrounding projects is essential for the Commission and stakeholders to assess and determine the appropriate Phase 2 Conditions, which are used to determine whether cost recovery for EUP projects is appropriate. This Resolution expands on the process and requirements in Resolution SPD-15 for such cost recovery.

After the Commission adopted Resolution SPD-15, on February 20, 2025, Energy Safety adopted Guidelines setting forth the details of the EUP approval process that were not yet developed at the time of SPD-15's adoption. The *Energy Safety Guidelines* detail the requirements and process for execution of Phase 1 of the SB 884 program. Under the *Energy Safety Guidelines*, it is likely the vast majority of undergrounding projects in the approved EUP will only be preliminarily scoped, as explained below, and will be subject to substantive change following approval of the EUP. This scoping and project selection process is implemented through Energy Safety's "Project Acceptance Framework" approach.

Energy Safety's Project Acceptance Framework approach for its review and approval of

[4] SPD-15 at 15.

[5] Presentation materials and recordings of the Technical Working Group meetings are available on the Commission's SB 884 webpage at: https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/risk-assessment-and-safety-analytics/electric-undergrounding-sb-884.

[6] SPD-15, Ordering Paragraph 3 at 21.

EUPs is a multi-step process that a large electrical corporation must establish and use to identify and select undergrounding projects for construction through its EUP.[7] The Project Acceptance Framework contains four increasingly specific screening criteria, which allow a large electrical corporation to filter all potential undergrounding projects down to a list of prioritized undergrounding projects at the final fourth screen. A brief overview of Energy Safety's Project Acceptance Framework is provided below.[8]

- **Screen 1 – Circuit Segment Eligibility:** The large electrical corporation must assess all of its circuit segments[9] to determine EUP eligibility based on locational constraints (location in Tier 2 or Tier 3 HFTD areas), and then determine whether each of these circuit segments meet specific project-level thresholds (whether the individual project's risk score shows a required level of risk establishing the need for mitigation). Circuit segments that meet both locational and project-level requirements are considered to "pass" Screen 1 and are included in an "Eligible Circuit Segments List" (the output of Screen 1).
- **Screen 2 – Project Information and Alternative Mitigation Comparison:** The large electrical corporation must confirm whether sufficient information is available on a circuit segment to establish a preliminary scoping. It must conduct cost-benefit analysis comparisons of undergrounding to two separate alternative mitigations to determine which projects from the Eligible Circuit Segments List can be treated as undergrounding projects. Circuit segments that meet the informational requirements and present a comparison of the project to at least two alternative mitigations are considered to "pass" Screen 2 and are include in an "Undergrounding Projects List" (the output of Screen 2).
- **Screen 3 – Project Risk Analysis:** The large electrical corporation must evaluate each individual undergrounding project that is included in the "Undergrounding Projects List" according to the information obtained through the project development process (the "scoping phase").[10] In Screen 3, the large electrical corporation must determine if the undergrounding project meets expected wildfire risk reduction and reliability improvements of the "Plan Mitigation

[7] *Energy Safety Guidelines* at 11.
[8] For a detailed explanation of the Project Acceptance Framework, see *Energy Safety Guidelines* at 11-24.
[9] In the *Energy Safety Guidelines*, all potential undergrounding projects are assessed at "circuit segment" granularity. "Circuit segment" is defined as "an isolatable circuit segment" (See *Energy Safety Guidelines* at A-1).
[10] The scoping phase typically identifies the size and timeline of the project. It also determines the feasibility of construction and possible timing of execution of an undergrounding project. While Energy Safety in some places refers to this as the "scoping process" or "project scoping phase", this resolution uses the term "scoping phase" throughout.

Objective."[11] The large electrical corporation also compares "Key Decision-Making Metrics" (KDMMs) in Screen 3 to identify fixed areas where undergrounding work will occur (identified as "Confirmed Project Polygons").[12] Undergrounding projects that meet the informational requirements for the scoping process, demonstrate contribution to the Plan Mitigation Objective, and present a comparison of KDMMs between the undergrounding project and alternative mitigations are considered to "pass" Screen 3 and are included in a "Confirmed Projects List" (the output of Screen 3).

- **Screen 4 – Project Prioritization:** The EUP must set forth a means of prioritization and its definition for each of the factors in PU Code Section 8388.5(c)(2) (wildfire risk reduction, public safety, cost efficiency and reliability benefits) and conduct a comparison of the costs, benefits, and CBR for the design variations that were used in Screen 3.[13] After taking the Confirmed Project List (the output of Screen 3), and applying the means of prioritization established in Screen 4, the large electrical corporation is left with the "Prioritized Projects List" (the output of Screen 4).

The *Energy Safety Guidelines* permit an EUP to be filed by a large electrical corporation once 25 undergrounding projects have passed through Screen 3 of the Project Acceptance Framework.[14] This requirement does not preclude a large electrical corporation from filing an EUP that has more than 25 undergrounding projects that have passed through Screen 3. However, the 10-year duration of EUPs suggests that, at the time a Phase 2 Application is filed with the Commission, only a small fraction of undergrounding projects that may be constructed as part of the EUP will have progressed through at least Screen 3.[15] Further, a large electrical corporation will not be required to obtain Energy Safety approval of undergrounding projects it later intends to

[11] The Plan Mitigation Objective is the total amount of change in risk (wildfire and reliability) that is necessary to meet the requirement of section 8388.5(d)(2). For discussion of the Plan Mitigation Objective see *Energy Safety Guidelines* at 3-5.

[12] Energy Safety defines a Confirmed Project Polygon as "a special boundary generated at the beginning of Screen 3 that encompasses the entire Eligible Circuit Segment on which the Undergrounding Project is defined, except any sections already contained in another Confirmed Project Polygon." *Energy Safety Guidelines* at A-1. KDMMs are up to 12 top-level metrics that the large electrical corporation proposes to use to evaluate the efficacy of an Undergrounding Project. See *Energy Safety Guidelines* at 30-32.

[13] 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.

[14] *Energy Safety Guidelines* at 12.

[15] PG&E in response to Energy Safety-DR-EUP-24-06 Question 1 states that the PG&E scoping team estimates it will complete an average of thirty projects per quarter, which would potentially result in approximately 1,200 projects over the ten years of the EUP.

construct. Rather, as set forth below, the large electrical corporation will provide detail about new projects in progress reports. This Resolution addresses how the Commission will assess the appropriateness of cost recovery for such projects.

PU Code Section 8388.5(c)(2) requires, in part, that an EUP filing identify "the undergrounding projects that will be constructed as part of the program.…" With the exception of the 25 projects that are required to pass through Screen 3, the *Energy Safety Guidelines* find that this requirement is satisfied when the projects in the EUP have passed Screen 2 (are included in the "Undergrounding Projects List").[16] As explained above, Screen 2 is an early step in the scoping process for an undergrounding project.

The time for approval of an EUP is short. PU Code Section 8388.5(d)(2) requires that Energy Safety approve or deny an EUP within nine months of its filing. Furthermore, PU Code Section 8388.5(e)(1) requires that a large electrical corporation must file its Phase 2 Application with the Commission within 60 days of Energy Safety approving its EUP. Because significant changes can be made to the economic metrics (total costs, unit costs, and cost benefit ratios) of an undergrounding project as it is more accurately scoped in Screens 3 and 4, the large majority of forecasted data available to the Commission at the time a Phase 2 Application is filed, and upon which its EUP cost approval conditions in the Phase 2 Decision will be based, will not be sufficiently precise to provide the intended cost containment controls and ratepayer protections anticipated in Resolution SPD-15. Accordingly, this Resolution closes such gaps to ensure the Commission has the information essential to determining the appropriateness of cost recovery.

2.6 Stakeholders Participating in SB 884 Program Development

The large electrical corporations eligible to seek cost recovery in this program are: Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE). All the large electrical corporations have been participating in the development and refinement of the guidelines. PG&E and SDG&E have confirmed their intent to file EUPs.[17]

Other stakeholders that have participated in the Commission's process to implement SB 884 include the Commission's Public Advocates Office (Cal Advocates); The Utility

[16] *Energy Safety Guidelines* at 12.

[17] For SDG&E see response to Data Request No. SPD-SDGE-SB884-006, available at https://www.sdge.com/sites/default/files/regulatory/Data%20Request%20SPD-SDGE-SB884-006_Response.pdf. For PG&E see A.25-05-009, Exhibit (PG&E-4) Chapters 1-9 at 2-13.

Reform Network (TURN); Mussey Grade Road Alliance (MGRA); California Farm Bureau (CFB); Green Power Institute (GPI); Coalition of California Utility Employees (CUE); AT&T California/California Broadband and Video Association/Crown Castle Fiber, LLC/Sonic Telecom, LLC (collectively, Communication Providers)**;** ExteNet Systems, LLC/ExteNet Systems (California) LLC (ExteNet); DISH Wireless LLC; and INCOMPAS.

2.7 Procedural History

A chronological history of events beginning with the Commission's adoption of the SPD-15 Guidelines and continuing to the present is as follows:

- March 8, 2024 – Commission issued Resolution SPD-15, "SB 884 Program: CPUC Guidelines, Program for Expediting the Undergrounding of Distribution Equipment of Large Electrical Corporations."
- October 14, 2024 – Safety Policy Division (SPD) issued "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" for stakeholder comment.
- November 12, 2024 – Responses to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" received from stakeholders.
- February 20, 2025 – Energy Safety issued its "10-year Electrical Undergrounding Plan Guidelines."
- April 8, 2025 – SPD workshop to discuss potential modifications to the SPD-15 Guidelines following publication of the *Energy Safety Guidelines*.
- April 11, 2025 – SPD issued "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" soliciting comments on topics discussed at the April 8, 2025, workshop.
- April 25, 2025 – Responses to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" received from stakeholders.
- May 20, 2025 – SPD issued "Staff Report on SB-884 Projects List Data Requirements Guideline" providing background, purpose, and details of proposed changes to SB 884 data requirements and providing a set of "Technical Working Group Questions" to prompt discussion for upcoming TWG meetings.
- June 3, 2025 - SPD TWG meeting #1 on potential updates to the *SB 884 Project List Data Requirements Guidelines*.
- June 10, 2025 - SPD TWG meeting #2 on potential updates to the *SB 884 Project List Data Requirements Guidelines*.
- June 24, 2025 - SPD TWG meeting #3 to discuss the Interruption Cost Estimate Calculator (ICE 2.0).
- June 24, 2025 – Responses to "Technical Working Group Questions" received from stakeholders.
- July 24, 2025 – SPD published the Revised *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template.*

2.8 Organization of Resolution

This Resolution builds on the SPD-15 Guidelines, focusing on the following five program elements**:**

1. Additional Phase 2 Application requirements;
2. Additional Phase 2 Conditions;
3. Memorandum account limitations;
4. Balancing account audits; and
5. CBR guidance.

These elements are discussed in further detail in the Discussion section below, along with recommendations and comments from stakeholders.

3. DISCUSSION

This Resolution introduces refinements to the guidelines to: (1) align programmatic information required by the *Energy Safety Guidelines* and *CPUC Guidelines*, (2) clarify the procedure for an audit as anticipated in Resolution SPD-15, (3) add new data reporting requirements pursuant to SPD-15's directive, and (4) provide additional information needed to ensure the Commission can effectively assess cost recovery for EUPs.

Between the adoption of the SPD-15 Guidelines issued March 8, 2024, and the *Energy Safety Guidelines* on February 20, 2025, Commission Staff issued and received responses to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" on November 12, 2024, which provided additional information and insight into potential future refinements of the guidelines.[18] Following the adoption of the *Energy Safety Guidelines*, Commission Staff hosted a workshop on April 8, 2025, and issued and received responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" on April 25, 2025. Prior to the commencement of TWG meetings, authorized by SPD-15 to refine data requirements for the Commission's SB 884 program, Commission Staff issued a "Staff Report on SB-884 Projects List Data Requirements Guideline" on May 20, 2025, which included a set of "Technical Working

[18] https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/sb-884-consolidated-responses-to-informal-questions_111224.pdf

Group Questions." Commission Staff then hosted a series of three TWG meetings in June 2025, and accepted stakeholder responses to the "Technical Working Group Questions" on June 24, 2025. The input received from stakeholders, along with the adoption of the *Energy Safety Guidelines*, informs the *CPUC Guidelines* presented in this Resolution. In addition to the changes that are described in the following sections, changes have also been made to the *CPUC Guidelines* to reflect that the version of the *CPUC Guidelines* adopted in SPD-37 has undergone a process of aligning the *CPUC Guidelines* with the *Energy Safety Guidelines*.

SB 884 instituted requirements for the Commission to create a novel program that expedites the review and approval of EUPs and conditional approval of their costs. An inherent challenge with this program is balancing the expedited nature of reviewing an unprecedented volume, cost, and duration of electrical distribution infrastructure hardening via undergrounding with growing pressure on ratepayer affordability. The expedited EUP program adopted by SPD-15 and refined by SPD-37 provides a new venue for large electrical corporations to take a long-term approach to addressing growing wildfire risk through undergrounding mitigations. However, given the voluntary nature of this program, the Commission takes a holistic approach to addressing this challenge, and large electrical corporations are encouraged to pursue undergrounding projects that may not be suitable for recovery via this program in their future general rate case applications.

To clarify the cost recovery process and establish a means to achieve the intended outcomes of SB 884, the SPD-15 Guidelines used the "conditional approval" provision in PU Code Section 8388.5(e)(1) to establish Phase 2 Conditions. The Phase 2 Conditions are a central feature of the guidelines. These conditions provide direction to large electrical corporations on the amount of EUP costs that will be authorized to recover in rates via the balancing account, while ensuring ratepayer interests are protected. The conditions provide regulatory clarity and certainty for large electrical corporations while ensuring EUP costs borne by ratepayers are just and reasonable. Under the SPD-15 framework, an audit and refund process is necessary for the one-way balancing account. The large electrical corporation initially asserts that EUP project costs have met the Phase 2 Conditions upon recording in the one-way balancing account. It is only during the audit process that the Commission verifies whether the Phase 2 Conditions were met (Primary Objectives).

Following adoption of the *Energy Safety Guidelines* and consideration of stakeholder input, the Commission provides more detail in this Resolution on the process for large

electrical corporations to record EUP costs in the balancing account and seek to recover EUP costs in the memorandum account. The process is intended to further strengthen program oversight, bolster ratepayer protections, increase rate stability, and improve the efficiency of the cost recovery process by clarifying the objectives of the EUP Audit discussed in Section 3.4 of this Resolution.

As established in the SPD-15 Guidelines, Phase 2 Conditions are predicated on information presented by large electrical corporations in Phase 2 Applications. The Phase 2 Conditions establish the parameters that govern cost recovery via the one-way balancing account and must reflect the most accurate and up-to-date EUP project related information. However, much of the project-specific information received at the time a Phase 2 Application is filed is expected to lack refined scoping information. Projects other than those that pass Screen 3 at the time of an EUP submittal to Energy Safety will only include the output of Screen 2 of the *Energy Safety Guidelines*. The Commission adopts the requirements below to ensure the necessary information for Commission review accompanies all projects, including those that have not yet passed Screen 3 at the time of a Phase 2 Application submittal.

This Resolution adopts a change to one existing Phase 2 Application requirement (Existing Application Requirement No. 11), adds seven new Phase 2 Application requirements, and adopts four new Phase 2 Conditions. This Resolution also adopts a cap on the total cumulative costs recoverable via the memorandum account, provides the process and details for the EUP Audit, and adopts guidance for the execution of CBR calculations required for this program.

3.1 Additional Application Requirements

Following the adoption of the *Energy Safety Guidelines*, the Commission received input from stakeholders during the April 8, 2025, workshop and written responses to questions soliciting input on potential additional Phase 2 Application requirements on November 12, 2024, and April 25, 2025. The Commission now determines that additional Phase 2 Application requirements are necessary to: (1) align programmatic information required by the *Energy Safety Guidelines* and *CPUC Guidelines*, (2) clarify the procedure for an audit, (3) add new data reporting requirements pursuant to SPD-15's directive, and (4) provide additional information needed to ensure the Commission can effectively assess cost recovery for EUPs.

The SPD-15 Guidelines established twenty Phase 2 Application requirements.[19] Staff

[19] Resolution SPD-15, Attachment 1 at 6.

presented potential additional Phase 2 Application requirements during the above noted workshops and review of feedback from stakeholders. Considering the workshop and stakeholder feedback the Commission adopts the following Phase 2 Application requirements:[20]

1. Existing Application Requirement No. 11 is revised as follows: "For each project included in the Application, the large electrical corporation shall provide, at a minimum, all data listed in the *SB 884 Project List Data Requirements Guidelines* in tabular format. This information shall be provided as both a Microsoft Excel file and a searchable pdf file[21] to supplement the Application. The large electrical corporation shall provide the latest version of the data required by the *SB 884 Project List Data Requirements Guidelines* at the time of its Application submission."
2. First New Application Requirement: "The Application shall include the latest data associated with the list of all projects (*SB 884 Project List Data Requirements Guidelines*) as required by Screen 2 of the *Energy Safety Guidelines*. The large electrical corporation shall provide a forecasted scope of all projects in the approved 10-year EUP and included in the Undergrounding Projects List, as an output from Screen 2 of the *Energy Safety Guidelines*."
3. Second New Application Requirement: "The Application shall include a detailed explanation of the necessity for any spans that extend beyond the HFTD boundary for any project included in the Application."
    a. "The Application shall only include undergrounding projects that have been designated as an In-Area circuit segment as required by Screen 1 in the *Energy Safety Guidelines*.[22]"
4. Third New Application Requirement: "The Application shall include:
    a. The same Key Decision-Making Metrics (KDMMs) data for Commission review as was provided in the EUP approved by Energy Safety.
    b. The KDMMs included in any six-month progress report submitted to Energy Safety during the nine-month period that the large electrical corporation's EUP is under review by Energy Safety."
5. Fourth New Application Requirement: "The Application shall include a Results of Operation (RO) Model for that portion of its revenue requirement that relates

[20] The new Application requirements adopted by this Resolution are not necessarily incorporated sequentially in the *CPUC Guidelines*, as reflected in the redlined version of the *CPUC Guidelines* included as Attachment B to this Resolution.

[21] 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.

[22] *Energy Safety Guidelines* at 12. The large electrical corporation indicates to Energy Safety whether a circuit segment is designated as "In-Area" in Table C.6 under the "is_in_area" field.

to the undergrounding cost recovery it seeks, with Energy Division oversight and a non-disclosure agreement in place,[23] that demonstrates how the large electrical corporation calculated the revenue requirement provided.[24]"

6. Fifth New Application Requirement: "The Application shall include a detailed description of the method that establishes how the auditor will validate whether the large electrical corporation has satisfied the primary and secondary objectives of the audit. For the primary objectives, this method must include an approach for:
    a. Verifying that the total annual costs did not exceed the approved cost cap for a given year of the EUP (Existing Condition #1);
    b. Verifying that any third-party funding obtained was applied to reduce the established cost cap for the specific year in which the third-party funding was obtained (Existing Condition #2);
    c. Determining that the average recorded unit cost for all projects completed in any given two-year period did not exceed the approved average unit cost cap (Existing Condition #3);
    d. Determining that the average recorded CBR for all projects completed in any given two-year period equals or exceeds the approved threshold CBR value. (Existing Condition #4);
    e. Determining whether the forecasted CBR of an undergrounding project exceeds the forecasted CBR of an alternative mitigation, which is subject to rebuttal during a Phase 2 Application proceeding (First New Condition);
    f. Verifying that a project did not exceed the approved CBR percentage difference threshold (Second New Condition);
    g. Verifying that a project did not exceed the approved unit cost percentage difference threshold (Third New Condition); and
    h. Verifying that the undergrounding project meets or exceeds the applicable Project-Level Standard, in the large electrical corporation's EUP approved by Energy Safety (Fourth New Condition).

    For the secondary objectives, this method must include an approach for:
    i. Verifying that a project is used and useful.
    j. Verifying the incrementality showing found in Application Requirement No. 2.
    k. Validating the methodology used to calculate a CBR for a given project, as

[23] The non-disclosure agreement shall ensure that the large electrical corporation personnel in charge of the RO modeling will not disclose changes to the RO Model requested by the Commission to the personnel working on the Phase 2 Application and related matters.
[24] See also D.00-07-050 at 11-12 and D.20-01-002 at 65-67.

found in the *CBR Calculation Guidelines* in Appendix 1 of the *CPUC Guidelines*."

7. Sixth New Application Requirement: "The Application shall only include undergrounding projects that have a forecasted CBR greater than or equal to 1."
8. Seventh New Application Requirement: "The Application shall only include undergrounding projects that have met one or more of the large electrical corporation's three Project-Level Thresholds.[25]"

Resolution SPD-15 acknowledged the project data template, attached to SPD-15 as Appendix 1 of the SPD-15 Guidelines, was preliminary. The Commission directed Staff to refine, update, and finalize Appendix 1 following a series of TWG meetings after the publication of the *Energy Safety Guidelines*.[26] Staff has completed this process, and the data requirements in the *SB 884 Project List Data Requirements Guidelines* are no longer preliminary. Thus, Existing Application Requirement No. 11 is updated to include the instruction for the large electrical corporation to provide the most recent data required by the *SB 884 Project List Data Requirements Guidelines* at the time of its Phase 2 Application submission.

The First New Application Requirement reflects the process set forth in the *Energy Safety Guidelines* and makes explicit that a large electrical corporation is required to provide specific information required by Energy Safety when submitting its Phase 2 Application. This includes the addition of the "Undergrounding Projects List" that is an output from Screen 2 of the *Energy Safety Guidelines*, adopted after the issuance of SPD-15.

The *Energy Safety Guidelines* provide that, "[i]f a Circuit Segment has portions both within and outside of a Tier 2 or 3 HFTD, each span crossing the Tier 2 or 3 HFTD boundary and up to two adjacent spans outside of a Tier 2 or 3 HFTD may be considered for undergrounding."[27] To ensure consistency between the *Energy Safety Guidelines* and the *CPUC Guidelines*, the Second New Application Requirement requires a large electrical corporation to explain why undergrounding work outside of Tier 2 or 3 HFTD areas is necessary to meet the purpose of SB 884. The sub-requirement of the Second New Application Requirement states all undergrounding projects in the Application must be designated as an "In-Area" circuit segment located inside the Tier

[25] *Energy Safety Guidelines* at 42. The large electrical corporation indicates to Energy Safety whether a circuit segment falls into one of the mitigation eligibility categories in Table C.8 under the "risk_category" field.

[26] SPD-15, Ordering Paragraph 3 at 21.

[27] *Energy Safety Guidelines* at 16.

2 HFTD, Tier 3 HFTD, or a wildfire rebuild area, and align with the in-area requirement associated with Screen 1 of the *Energy Safety Guidelines*.[28]

Regarding the Third New Application Requirement, the *Energy Safety Guidelines* created the concept of KDMMs, defined "to be the collection of top-level metrics that the [l]arge [e]lectrical [c]orporation proposes to use to evaluate the efficacy of an [u]ndergrounding [p]roject."[29] Large electrical corporations must submit KDMM data with an EUP[30] and update the KDMM data in the six-month progress reports, including any reports submitted during the nine months while Energy Safety is reviewing the EUP.[31] Given this process, it is reasonable to require a large electrical corporation to include any updated KDMM data provided in its six-month progress reports submitted while its EUP is under review with its Phase 2 Application.

Staff solicited input from stakeholders on the inclusion of KDMM data in a Phase 2 Application.[32] TURN supported the Commission's inclusion of KDMMs,[33] while PG&E and SDG&E argued that the Commission would already have access to KDMM data through the EUP.[34] However, PG&E agreed to "provide the most recent six-month progress report which will include the most recent KDMM information"[35] when submitting its Phase 2 Application. It is not sufficient to rely on data in the record of another state agency; large electrical corporations must provide all required information to the Commission and serve it on stakeholders.

The Fourth New Application Requirement is added to ensure that Phase 2 Applications present a detailed and accurate forecast of the large electrical corporation's revenue requirement for the 10-year period of the EUP. The SPD-15 Guidelines already require the large electrical corporation to provide a "best estimate, including all underlying

[28] *Energy Safety Guidelines* at 12.
[29] *Energy Safety Guidelines* at 30.
[30] *Energy Safety Guidelines* at 26.
[31] *Energy Safety Guidelines* at 25.
[32] "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question A.6.
[33] TURN response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question A.6 at 16.
[34] PG&E response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question A.6 at 7; and SDG&E response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question A.6 at 5.
[35] PG&E response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question A.6 at 7.

assumptions, of the proposed annual revenue requirements."[36] In its November 12, 2024, response to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines," PG&E stated that an RO Model should be used to generate revenue requirements in a Phase 2 Application.[37] This Resolution specifies how a revenue requirement must be calculated via an RO Model.

SPD-15 recognized that the Commission will assess whether costs recorded in the one-way balancing account meet the Phase 2 Conditions: "This audit mechanism [to evaluate whether Phase 2 Conditions are satisfied], coupled with the fact that any costs not meeting the established conditions are subject to refund if the Commission so orders, adds a critical ratepayer protection to ensure the large electrical corporations are complying with the determinations made in any Phase 2 Decision."[38] To carry out this intent SPD-15 adopted an audit process requirement, but left details to a later Resolution.[39] This Resolution adopts an audit process, discussed in Section 3.4, and establishes a Fifth New Application Requirement requiring the large electrical corporation to include a proposed methodology for validating how it will satisfy the primary and secondary objectives of the audit in its Phase 2 Application. The Fifth New Application Requirement will support the auditor's ability to verify whether the costs of a project satisfy the Phase 2 Conditions.

A large electrical corporation shall propose a methodology for verifying that it satisfied the Phase 2 Conditions and the secondary objectives of the audit in its Phase 2 Application.[40] The appropriate methodology can then be addressed during the Phase 2 Application proceeding and detailed in the Phase 2 Decision. This upfront determination of the appropriate methodology to ensure the satisfaction of Phase 2 Conditions and the secondary objectives of the audit provides dual benefits. First, having this knowledge upfront allows large electrical corporations to understand the expectations of the one-way balancing account audit and reduce the need for future refunds. Second, establishing the methodology will enable the auditor to efficiently review project costs and allow the Commission to determine whether the costs were appropriately recorded.

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[36] The need for a forecasted revenue requirement is listed in Application Requirement #3 in the *CPUC Guidelines* at 7.
[37] PG&E Informal Responses to Questions, November 12, 2024, at 3.
[38] SPD-15 at 12.
[39] SPD-15 at 15.
[40] The EUP Audit is detailed later in this Resolution.

The Sixth New Application Requirement is added to ensure that undergrounding projects presented in a Phase 2 Application provide a cost-efficient overall benefit to ratepayers. As discussed in SPD-15 and the SPD-15 Guidelines, CBR is calculated by dividing the monetized benefits of a particular mitigation by its costs. A CBR of 1.0 is considered a breakeven point, where the benefits of a particular mitigation are equal to its costs. Conversely, CBRs less than 1.0 indicate that the costs of a particular mitigation exceed its benefits. Allowing undergrounding projects that have forecasted CBRs below 1.0 to be included in a Phase 2 Application would be unreasonable, especially considering that undergrounding is the most capital-intensive grid hardening investment available.

Staff solicited input from stakeholders on this topic in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines."[41] PG&E, the largest electrical corporation eligible to file an EUP, stated its support for a requirement for undergrounding projects presented in a Phase 2 Application to have a forecasted CBR greater than or equal to 1.0 "because that is indicative of a good investment."[42] By adding this requirement, the Commission does not intend to imply that all projects submitted in a Phase 2 Application with a forecasted CBR greater than or equal to 1.0 are necessarily a good investment.

Energy Safety Guidelines provide that "the EUP must present Project-Level Thresholds that establish the need for risk mitigation."[43] To ensure consistency between the *Energy Safety Guidelines* and the *CPUC Guidelines*, the Seventh New Application Requirement requires that each undergrounding project in the Phase 2 Application meet one or more of the large electrical corporation's three Project-Level Thresholds (i.e., High-Risk Threshold, Ignition Tail Risk Threshold, or High Frequency Outage Program Threshold).[44] Screen 1 of the *Energy Safety Guidelines* requires such information for

[41] See "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question B.3.a, published on April 11, 2025.
[42] PG&E's response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," filed on April 25, 2025, at 9.
[43] *Energy Safety Guidelines* at 17.
[44] The High-Risk Threshold is the Overall Utility Risk level above which a Circuit Segment is considered eligible for examination for expedited undergrounding. The Ignition Tail Risk Threshold is the measure of consequence above which a Circuit Segment is considered to have significant potential for ignition of a catastrophic wildfire, so that it merits special consideration. The High Frequency Outage Program Threshold is the measure of likelihood above which a Circuit Segment is considered to have a significantly high likelihood of frequent or prolonged disruption of service to customers. For details see *Energy Safety Guidelines* at 42.

circuit segment eligibility.[45] To ensure alignment with the *Energy Safety Guidelines*, it is reasonable to include the Seventh New Application Requirement.

3.2 Additional Phase 2 Conditions for Approval

Resolution SPD-15 adopted five Phase 2 Conditions as part of its SB 884 review.[46] The *Energy Safety Guidelines* later introduced data requirements and information required for its review and approval of EUP filings. After considering the results of the workshops and stakeholder feedback noted above, and the *Energy Safety Guidelines*, we adopt the following Additional Phase 2 Conditions as explained below:

1. First New Phase 2 Condition: "The forecasted CBR of the undergrounding project must exceed the forecasted CBR of all alternative mitigations considered for that project. This condition is a rebuttable presumption that may be rebutted in the Phase 2 Application proceeding."
2. Second New Phase 2 Condition: "In all cases, when an undergrounding project becomes used and useful, if the value of its recorded CBR, as reported in the applicable six-month progress report, is less than the value of its forecasted CBR at the time of the Phase 2 Application submission, then the percentage difference between the two CBR values must not exceed the specified threshold value determined in the Phase 2 Decision.."
3. Third New Phase 2 Condition: "In all cases, when an undergrounding project becomes used and useful, if the value of its recorded unit cost, as reported in the applicable six-month progress report, is greater than the value of its forecasted unit cost at the time of the Phase 2 Application submission, then the percentage difference between the two unit cost values must not exceed the specified threshold value determined in the Phase 2 Decision."
4. Fourth New Phase 2 Condition: "The undergrounding project must meet or exceed the applicable Project-Level Standard(s), in the large electrical corporation's EUP approved by Energy Safety.[47]"

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[45] *Energy Safety Guidelines* at 17.

[46] *CPUC Guidelines* at 10-11.

[47] *Energy Safety Guidelines* at 17 and 43. The large electrical corporation indicates to Energy Safety whether an undergrounding project has met the Project-Level Standard(s) in Table C.12 of the *Energy Safety Guidelines* under the "fulfills_project_level_standard" field. The "applicable Project-Level Standard(s)" can be verified by how the utility completes the "risk_category" field in Table C.8 of the *Energy Safety Guidelines*. If the undergrounding project does not meet the applicable Project-Level Standard(s), the *Energy Safety Guidelines* still permit a large electrical corporation to record a justification for this project in Table C.12 under the "additional_justification" field, which can be reviewed as part of a Phase 3 Application to determine the just and reasonableness of the costs associated with a project that does not meet this condition.

The *Energy Safety Guidelines* require that the large electrical corporation provide two alternative mitigations for comparison with the undergrounding project as part of Screen 2.[48] After the project scoping phase is complete in Screen 3, the *Energy Safety Guidelines* require the large electrical corporation to compare the costs, benefits, and CBR between the "Undergrounding as Scoped" and the "Screen 3 Alternative Mitigations" in order for the project to pass Screen 4.[49] It is prudent to include the First New Phase 2 Condition, which uses the comparative analysis of mitigation alternatives required by the *Energy Safety Guidelines*, to ensure that the mitigation is selected for reducing risk in a cost efficient manner, but with the understanding that cost estimates using Screen 2 data will exhibit a high degree of uncertainty. The First New Phase 2 Condition establishes, as a rebuttable presumption, that the CBR of an undergrounding project must exceed that of all alternative mitigations considered. This is an appropriate way to account for the uncertainty in the cost estimates that could be presented in the Screen 2 data.

TURN noted that through a comparative threshold "the Commission will ensure that undergrounding is only approved where the utility has demonstrated that it is the most cost-efficient mitigation to achieve comparable ignition risk reduction, consistent with Section 8388.5(e)(1)(A)."[50] The Commission agrees that the Phase 2 Decision must establish a threshold of comparison between the CBR of mitigation alternatives required by the *Energy Safety Guidelines* and the CBR of undergrounding. However, the rationale for establishing a threshold should be balanced against the uncertainty of the cost estimates that will be presented in the Screen 2 data. Therefore, the Commission finds it reasonable to make the First New Phase 2 Condition a rebuttal presumption to account for that uncertainty.

As discussed earlier in this Resolution, the Project Acceptance Framework adopted in the *Energy Safety Guidelines* is a multi-step process that the large electrical corporation must establish and use to identify and select undergrounding projects for construction

[48] *Energy Safety Guidelines* at 18.

[49] *Energy Safety Guidelines* at 44-45. "Undergrounding as Scoped" is defined as a design variation that "must include only the portion of the Circuit Segment that is to be undergrounded (e.g. just the Undergrounding Subproject(s) without any of the non-undergrounding Subprojects). This design variation must be used to justify the Portfolio-Level Standards, Plan Mitigation Objective, and Plan Tracking Objective. If the Circuit Segment will not contain multiple mitigations, this design variation will be identical to Project as Scoped." "Screen 3 Alternative Mitigations" is defined as a design variation that "must, at a minimum, include aboveground line hardening, covered conductor and some type of protective equipment and device settings for any line not removed, as in Screen 2 Alternative Mitigation 1. The Large Electrical Corporation must also include any other mitigation or combination of mitigations that it has determined would be well-suited for the specific project location."

through its EUP. While all the undergrounding projects presented in the Phase 2 Application will have passed through Screen 2 of Energy Safety's Project Acceptance Framework, projects only progress further through the scoping phase in Screens 3 and 4.

PG&E notes that, "[b]etween Screens 2 and 4, we will revise our cost estimates (which impact CBRs) to account for better information we learn during the scoping phase such as more precise route selection and addressing tree-strike, ingress/egress, and/or feasibility issues."[51] PG&E also states that, "[i]t is not unusual for estimated costs and CBRs to vary between the initial estimate and the updated estimate as we learn more about project scope, schedule and cost through the project scoping process."[52] However, the *Energy Safety Guidelines* permit a large electrical corporation to file an EUP with only 25 undergrounding projects that have passed Screen 3.[53] Once an EUP is filed, Energy Safety must approve it within nine months.[54] Similarly, once an EUP is approved by Energy Safety, the large electrical corporation must file its Phase 2 Application to the Commission within 60 days.[55] Thus, it is expected that the data and information available in a Phase 2 Application will be imprecise, as the majority of projects will likely not have progressed far enough in the scoping phase to ensure the Commission has the necessary information to assess cost recovery for EUPs. Nevertheless, the Commission must issue its decision on the Phase 2 Application within nine months of its submittal.[56] Because the data and information upon which a Phase 2 Decision is based will be preliminary, the Commission requires large electrical corporations to satisfy the Second and Third New Phase 2 Conditions to recover EUP costs via the one-way balancing account.

TURN supports the adoption of conditions for determining when a project's unit costs or CBRs vary by more than a prescribed percentage from the values upon which the original approval was based, and states "the Commission can ensure that a project whose economic metrics have changed is still worth funding…."[57] TURN also supports the Phase 2 Decision determining the threshold for the Second and Third New Phase 2

[51] PG&E response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" at 9.
[52] PG&E response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" at 9.
[53] *Energy Safety Guidelines* at 12.
[54] PU Code Section 8388.5(d)(2).
[55] PU Code Section 8388.5(e)(1).
[56] PU Code Section 8388.5(e)(5).
[57] TURN response to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" at 5.

Conditions.[58]

The *Energy Safety Guidelines* require each undergrounding project to meet at least one of three project-level standards: High-Risk, High Frequency Outage Program, and Tail Risk Project-Level Standards (Project-Level Standards). Meeting these standards demonstrate the project's contribution to the Plan Mitigation Objective.[59] To ensure consistency between the *Energy Safety Guidelines* and the *CPUC Guidelines*, the Fourth New Phase 2 Condition states the undergrounding project must meet or exceed the applicable Project-Level Standard, and align with the circuit segment eligibility requirement associated with Screen 1 of the *Energy Safety Guidelines*.[60] If the project does not meet or exceed the applicable Project-Level Standard, the large electrical corporation must identify and provide justification for such projects to Energy Safety in its six-month progress reports.[61] For projects that do not meet the Fourth New Phase 2 Condition, the costs of those projects shall be recorded in the memorandum account where the justification provided to Energy Safety can be considered.

3.3 Memorandum Account Cap

The Commission established a memorandum account in Resolution SPD-15 in light of the inherent uncertainties associated with forecasting 10 years of undergrounding projects in an EUP. The memorandum account was intended for amounts above the one-way balancing account cost cap, and that review would "determin[e] whether the costs recorded in the memorandum account were prudently incurred, incremental to other funding granted to the large electrical corporation, and just and reasonable."[62] The Commission noted that allowing a memorandum account "reasonably recognizes that there are significant uncertainties in undergrounding electrical distribution equipment that are likely to grow over a 10-year period. Further, this provision creates a pathway for a large electrical corporation to demonstrate that such costs are just and reasonable, and incremental."[63] However, the Commission did not state or intend for the memorandum account to be a limitless repository for costs from projects that do not meet the goals of SB 884 or prudent wildfire mitigation.

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[58] TURN response to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" at 9.

[59] For detailed definitions of each of the three Project-Level Standards see *Energy Safety Guidelines* at 43. The large electrical corporation indicates to Energy Safety whether an undergrounding project fulfills the Project-Level Standard in Table C.12 under the "fulfills_project_level_standard" field.

[60] *Energy Safety Guidelines* at 17.

[61] The large electrical corporation provides a justification for the inclusion of the Undergrounding Project in Table C.12 under the "additional_justification" field.

[62] SPD-15 at 8.

[63] SPD-15 at 8.

The vast majority of undergrounding projects associated with the approved EUP will likely not be completely scoped until a project successfully passes Screen 3 and Screen 4 of the *Energy Safety Guidelines*. Thus, a Phase 2 Application will likely contain projects that lack a refined scope or detail where construction is scheduled later in the 10-year Plan cycle.

The Commission must prevent the memorandum account from becoming a structural incentive to continuing work on imprudent projects. A cost-cap on amounts recovered via the memorandum account will improve both ratepayer and shareholder certainty and avoid potential volatility in the SB 884 program. Utilities record costs in memorandum accounts as they are incurred, and costs are subject to reasonableness review before recovery in rates. Because of the elapse of time between recording and recovery, utilities may accumulate large balances with uncertain recovery. Allowing uncapped spending could create a significant amount of risk to both ratepayers and shareholders.

To address this issue, Staff proposed a maximum total cost cap for the memorandum account at the April 8, 2025, workshop and solicited written feedback in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," published on April 11, 2025.[64] Most stakeholders were supportive of this concept, with some exceptions.[65] PG&E noted that it "would not oppose establishing a reasonable maximum total cap for the Memorandum Account, in general, if there are no restrictions on what costs can and cannot be included."[66] SDG&E stated that it "opposes establishing a maximum total cap for the Memorandum Account at this time."[67]

Ultimately, there was general agreement among stakeholders that it may be valuable to include cost caps on the memorandum account, but setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed. Accordingly, the Commission finds it is prudent to include a cost cap on the memorandum account but defers establishment of the specific amount of the cap to the Phase 2 Application proceeding. Specifically, in this Resolution

[64] "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question B.1.a.
[65] See Cal Advocates responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," at 5; and TURN responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," at 3.
[66] PG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," at 8.
[67] SDG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," at 6.

we adopt the *CPUC Guidelines* and establish a cost cap for the memorandum account, as follows:

> *The total cumulative costs recovered via the memorandum account throughout the duration of an EUP shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account. The percentage value of the memorandum account cost cap will be established in the Phase 2 Decision.*

A cap will better ensure the reasonableness of costs and establish certainty for both ratepayers and shareholders by establishing an upper bound on the total potential costs of an EUP. A cap will also provide ratepayers and the Commission with an increased level of transparency and understanding of overall programmatic impact.

3.4 Audit of the One-Way Balancing Account

Here we explain the process and procedure for auditing the one-way balancing account, going forward referred to as the EUP Audit. The procedure sets forth the primary and secondary objectives of the audit as well as how the results should be considered by the Commission. A similar procedure was presented by Staff to stakeholders during a Commission workshop on April 8, 2025. Staff adjusted the procedure based on feedback received in response to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" from PG&E, TURN, SDG&E, Cal Advocates and MGRA as well as PG&E's response to "Technical Working Group Questions."

In Resolution SPD-15, the Commission noted that due to the importance of the Phase 2 Conditions, it was necessary to include a process to assess whether the costs recorded in the one-way balancing account meet such conditions.[68] The Commission stated:

> [P]eriodic audits of the established balancing account will be performed to ensure that costs booked to the one-way 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.[69]

SPD-15 also noted that "[t]he details of this audit, including but not limited to who will perform it, content, frequency, venue, method for true-up and refund mechanism will

[68] SPD-15 at 5.
[69] SPD-15 at 5.

be determined in a later decision or order."[70] This Resolution adopts the EUP Audit process. Inherent complexities with this program exist, given the volume of data and information expected in the six-month progress reports, and the likelihood of changes to project-related information (CBRs, total costs, and unit costs) between a Phase 2 Application submission date and when the project is deemed used and useful. It is prudent to establish clear primary and secondary objectives for the auditor to review to ensure that costs recovered via the one-way balancing account meet the requirements of the program.

SPD-15 requires forecasted expenditures for the Application as well as for each project in a large electrical corporation's Phase 2 Application.[71] Such information will enable the Commission to evaluate costs that are as close to final as possible and establish Phase 2 Conditions. SPD-15 requires recorded costs of used and useful EUP projects to meet the Phase 2 Conditions in order to be recoverable via the one-way balancing account.[72]

According to SPD-15, it is in Phase 3 that the large electrical corporation must report on its progress implementing the EUP and begin booking costs to the one-way balancing account.[73] After publication of the *Energy Safety Guidelines* on February 20, 2025, and pursuant to the holding in SPD-15 that the details of the audit would be developed later, SPD proposed audit details at the April 8, 2025, workshop. Key stakeholder input is described below.

PG&E recognized that Screen 2 data is not sufficiently mature to determine reasonably accurate project costs. When commenting on the need to establish a baseline for determining a threshold associated with the Second and Third New Phase 2 Conditions, PG&E stated that "[i]t would be unreasonable to establish baseline values at Screen 2, which is *well before a utility has developed a sound project cost estimate*. In PG&E's case, a sound cost estimate is developed after project estimating."[74] Nevertheless, in accordance with the *Energy Safety Guidelines* and as discussed earlier, the Commission's Phase 2 Decision may issue before a large electrical corporation has developed "sound project cost estimates" for its EUP.[75] As PG&E notes, this data would be incomplete. It is only at

[70] SPD-15 at 5-6.
[71] See SPD-15, Appendix A at 7 and 9 for Application requirements #1 and #11.
[72] SPD-15 at 2.
[73] SPD-15 at 3.
[74] PG&E responses to the "Technical Working Group Questions," June 24, 2025, at 7 (emphasis added).
[75] PU Code Section 8388.5(e)(5) requires the Commission to approve or deny a Phase 2 Application within nine months after it is filed.

Screen 4 when an undergrounding project is fully scoped and estimating is complete that a reasonably accurate cost forecast can be provided.[76]

TURN urged the Commission not to allow large electrical corporations to book costs into the balancing accounts or flow those costs into rates without a Commission review process that incorporates stakeholder input. In its April 25, 2025, response to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," TURN recommended a process where "no costs would be booked to the balancing account until the Commission has determined in an annual process that recorded costs for that year have met all applicable Phase 2 [C]onditions, as well as the used and useful requirement."[77]

Per SPD-15, the Commission has already found it is reasonable for the Commission to determine upfront what amounts a large electrical corporation may recover in a balancing account and condition recovery on specific requirements.[78] In SPD-15, the Commission implemented the "conditional approval" provision in SB 884 to place specific requirements on what incurred EUP costs are eligible to be booked to the EUP one-way balancing account.

One of the criteria SPD-15 established as a requirement for cost recovery via the balancing account is that an undergrounding project must be used and useful.[79] Additionally, the SPD-15 Guidelines established that a Phase 2 Application must identify and exclude any undergrounding costs that have been approved by the Commission for cost recovery in another venue and propose the appropriate venue (the EUP or another cost recovery application) for undergrounding costs still in consideration by the Commission for cost recovery.[80] Thus, it is reasonable to include verification of whether a project is used and useful and determination of whether recorded costs are incremental as a part of the one-way balancing account audit. This Resolution includes a used and useful verification and incrementality determination in the secondary objectives of the audit detailed later in this section.

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[76] In its response to the "Technical Working Group Questions," June 24, 2025, at 6, PG&E indicates that Screen 2 cost estimates can vary from +100% to -50%, whereas at the completion of estimating that range is reduced to +20% to -15%.
[77] TURN response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 11.
[78] SPD-15, Finding No. 4 at 19.
[79] *CPUC Guidelines*, Footnote 5 at 4.
[80] *CPUC Guidelines*, Application Requirement No. 2 at 7.

PG&E acknowledges that the Phase 2 Decision will "influence recovery of millions or billions of dollars of undergrounding work performed over a ten-year period."[81] Additional safeguards are necessary for the audit to ensure that ratepayers only bear costs that the auditor finds meet the Phase 2 Conditions and secondary objectives.

TURN also recommended additional audit objectives should include "verification of project completion, inclusion of (no more than) appropriate cost overheads…use of a reasonable CBR methodology, and an incrementality showing."[82] The Commission agrees with TURN that additional audit objectives would further strengthen program oversight and provide additional ratepayer protections. Except for the recommended audit objective to assess the appropriateness of cost overheads, which the Commission finds to be lacking sufficient detail and explanation, the Commission finds it is reasonable to include TURN's recommended audit objectives and has done so in the secondary audit objectives listed below.

This Resolution adopts an audit process that verifies costs recovered via the balancing account are just and reasonable while reducing the time and effort needed to determine if the large electrical corporations should issue ratepayer refunds.[83] The EUP Audit is designed to verify that the large electrical corporation has met the Phase 2 Conditions and the secondary objectives. The following details the process and procedural objectives of the EUP Audit.

At a minimum, the six-month progress reports filed by a large electrical corporation shall include an update of the *SB 884 Project List Data Requirements Guidelines* in Appendix 2 of the *CPUC Guidelines*, as well as any other reporting requirements in SPD-15, the *Energy Safety Guidelines*, and the Phase 2 Decision. Large electrical corporations shall file and serve the six-month progress reports in the applicable Phase 2 Application docket. Parties may review, file and serve opening comments on the progress report in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after the progress report is filed and served by the large electrical corporation. Reply comments on the progress report may be filed and served in the Phase 2 Application docket no later than seven (7) days (or such period specified in the Phase 2 Decision) after the due date for opening comments.

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[81] PG&E responses to the "Technical Working Group Questions," June 24, 2025, at 3.

[82] TURN response to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 19.

[83] See the Fifth New Application Requirement discussed in Section 3.1.

A EUP Audit of the one-way balancing account shall occur annually. The EUP Audit shall begin no later than 60 days (or such period specified in the Phase 2 Decision) after the due date for reply comments on the second six-month progress report in a given 12-month period. Each EUP Audit shall review EUP projects that become used and useful during the 12-month period covered by the audit. Each EUP Audit may also review recorded costs of projects or portions of projects that are not used and useful and may recommend refunds.

The primary objective of an EUP Audit is to determine whether the costs recorded in the large electrical corporation's balancing account have met all nine Phase 2 Conditions.[84] The audit shall also verify whether the recorded costs have met the following secondary objectives set forth in this Resolution:

1) Verify that projects are "used and useful;"
2) Determine whether the recorded costs are incremental – and do not

[84] The nine conditions include:
1. Total annual costs must not exceed a cap based on the approved cost cap for that specific year.
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 CBR 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 value for the current year.
5. The forecasted CBR of the undergrounding project must exceed the forecasted CBR of all alternative mitigations considered for that project. This condition is a rebuttable presumption that may be rebutted in the Phase 2 Application proceeding.
6. In all cases, when an undergrounding project becomes used and useful, if the value of its recorded CBR, as reported in the applicable six-month progress report, is less than the value of its forecasted CBR at the time of the Phase 2 Application submission, then the percentage difference between the two CBR values must not exceed the specified threshold value determined in the Phase 2 Decision.
7. In all cases, when an undergrounding project becomes used and useful, if the value of its recorded unit cost, as reported in the applicable six-month progress report, is greater than the value of its forecasted unit cost at the time of the Phase 2 Application submission, then the percentage difference between the two unit cost values must not exceed the specified threshold value determined in the Phase 2 Decision.
8. The undergrounding project must meet or exceed the applicable Project-Level Standard(s), as established by Energy Safety in the large electrical corporation's approved EUP.
9. Any further reasonable conditions supported by the record of the proceeding and adopted by the Commission in the Phase 2 Decision.

duplicate costs allowed through another decision, mechanism or received from a third party; and

3) Validate that the methodology used to calculate a CBR, and the CBR results for a given project, comply with the *CBR Calculation Guidelines*.

A Phase 2 Decision may also add primary and/or secondary objectives for the Audits specific to that EUP.

In its Phase 2 Application, as required by the Fifth New Application Requirement, a large electrical corporation shall propose the methodology for the auditor to determine whether the costs of undergrounding projects recovered via the one-way balancing account meet the primary and secondary objectives. The Phase 2 Decision will include the Commission's determination on the appropriate methodology to be used by the auditor to determine whether the primary and secondary objectives are met. In addition, any data that should be reviewed by the auditor, beyond what is submitted to the Commission in six-month progress reports, will be determined in the Phase 2 Decision. The auditor may also request information and conduct interviews with large electrical corporation personnel, including custodians of records, to gather information for the audit.

The EUP Audit will result in an audit report that will be filed and served to the Phase 2 Application docket within five (5) days (or such period specified in the Phase 2 Decision) of its completion and approval. The audit report shall be completed within six months (or such period specified in the Phase 2 Decision) after it is initiated.[85] Parties may file and serve opening comments on the audit report in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after the audit report is filed and served by the large electrical corporation. Reply comments on the audit report may be filed and served in the Phase 2 Application docket no later than seven days (or such period specified in the Phase 2 Decision) after the due date for opening comments. The Commission may determine the appropriateness of reopening the Phase 2 Application proceeding to consider refunds as described below.

Following its review of the audit report, six-month progress reports, and associated comments, the Commission may reopen the Phase 2 Application proceeding to consider

[85] Staff are authorized to extend the deadline for the audit report should a determination be made that such an extension is necessary to adequately complete the audit.

the need for refunds. If the Commission reopens the Phase 2 Application proceeding, for projects that do not meet the primary objectives and/or one or more of the secondary objectives, the Commission may direct the large electrical corporation to refund related project costs to ratepayers in a subsequent decision. If the Commission directs a large electrical corporation to issue a refund, the large electrical corporation shall not seek to recover such costs through any other means.

The large electrical corporation shall not have input into the direction, focus, or outcome of the audit that goes beyond the input afforded to other Parties to the Commission's SB 884 proceeding or process. The large electrical corporation shall provide access to all information requested by the auditor and SPD to carry out the audit within five days (or such period specified in the Phase 2 Decision) of each data request. The large electrical corporation shall also make personnel available for interviews on five days' notice (or such period specified in the Phase 2 Decision) if the auditor seeks substantive information and a custodian of records for questions about the location and content of requested information.

The EUP Audit described above is added to satisfy the audit requirement in SPD-15, while taking into consideration information learned following the adoption of the *Energy Safety Guidelines* and stakeholder input.

3.5 Cost-Benefit Ratio (CBR) Calculation Guidance

As referenced in Resolution SPD-15, the CBR calculation is a cost-benefit analysis methodology that has been developed in the Commission's risk-based decision-making framework (RDF) proceeding (Rulemaking (R.) 20-07-013). At its core, a CBR calculation provides a tool to aid the Commission in making decisions between competing options for utility spending in an objective manner by quantifying both mitigation costs and the benefit of avoided harm in a way that allows them to be directly compared.

Because the RDF proceeding is applicable to assessing utility spending across its entire portfolio of all enterprise risks, any directives regarding CBR calculations must inherently be broadly applicable. However, in the context of EUPs, which discretely focus on the specific risks of wildfire and reliability impacts from outage programs, the Commission provides more specific, targeted direction for CBR calculations.

In the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," issued on April 11, 2025, Staff solicited stakeholder input on whether the Commission should provide additional guidance for CBR calculations made in the

context of SB 884.[86] The questions explored a variety of topics related to CBR calculations, including the appropriate granularity for monetizing electric reliability, discount rate scenarios, risk scaling, and the treatment of combined benefits (impacts on both wildfire and reliability) of mitigations. One stakeholder, PG&E, explicitly objected to the Commission providing additional guidance on calculating CBRs for EUPs as it believes doing so "is unnecessary and will add additional delay to issuing any updated cost recovery guidelines."[87] Given the range of responses received to questions on the specific, technical aspects impacting CBR calculations for an EUP, the Commission provides additional guidance in this Resolution, as provided in the *CBR Calculation Guidelines* included as Appendix 1 to the *CPUC Guidelines* in Attachment A.

The *CBR Calculation Guidelines* establishes a standardized and consistent methodology for evaluating and comparing the cost-efficiency of undergrounding and alternative mitigations in SB 884-related applications. The *CBR Calculation Guidelines* is appended to the *CPUC Guidelines* and is designed to promote comparability, transparency, and traceability in CBR calculations across large electrical corporations, while remaining adaptable to future improvements in data availability and analytical approaches. It complements the *SB 884 Project List Data Requirements Guidelines* by outlining how to calculate the CBR for the purposes of EUPs and provides more information on its key components. These key components include:

- **Total Capital Costs**, defined as capital expenditures tied to project implementation, excluding ineligible categories such as Net Operating and Maintenance (O&M) Benefits[88] or Net Salvage values.[89]
- **Risk Scaling,** which is limited to using unscaled (i.e., risk-neutral) risk values in the CBR calculations.
- **Total Mitigation Benefit,** which may include:

    a. Risk Reduction, which is limited to Wildfire Ignition Risk and Outage Program Risk. Large electrical corporations must exclude other enterprise

[86] "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Questions E.1-E.5.
[87] PG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 16.
[88] Calculated as "O&M Cost Savings" – "New O&M Costs."
[89] Net Salvage value means the salvage value of an electrical infrastructure related asset that has been retired less the cost of removal of that asset.

risks such as Public Contact with Energized Electrical Equipment (PCEEE) and Distribution Overhead Asset Failure (DOVHD).

b. Net O&M Benefits, calculated as the difference in O&M Cost Savings and New O&M Costs between the proposed project and the No-Build Baseline.[90]

- **CBR Year Zero**, defined as the year a project becomes "used and useful," which serves as the reference year for discounting both Total Benefit and Capital Costs.
- **Interruption Cost Estimate (ICE)[91] Calculator Granularity**, the level of granularity (Customer Class separated by HFTD and Non-HFTD regions) that large electrical corporations must use to disaggregate the monetized value of electric reliability.
- **Backcasting**, a method for recalculating CBRs and unit costs using updated Risk Reporting Unit (RRU) structures and risk model inputs to establish a bridge between prior inputs and new inputs, to ensure an "apples-to-apples" comparison.
- **CBR Percentage Difference**, quantifies the percentage difference between the original forecasted CBR as reported in the Phase 2 Application (or the backcasted CBR of the original forecast, recalculated using revised inputs and current RRU structures) and the CBR reported in subsequent six-month progress reports.

Through responses to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" submitted on April 25, 2025, SPD received feedback from stakeholders on each of the six *CBR Calculation Guidelines* topics listed above.

When commenting on the First New Phase 2 Condition, regarding the need for a threshold CBR for the comparison between undergrounding and alternative mitigations, PG&E informed SPD that its current approach envisions a CBR calculation that may produce a negative CBR value because PG&E argues it should be allowed to deduct O&M savings from the denominator (i.e., costs) of the ratio.[92] A more reasonable

[90] No-Build Baseline represents a well-defined baseline scenario or what happens if no project or Risk Reporting Unit (RRU) is implemented. The Build Baseline is used to compare the relative costs and benefits of various design or implementation alternatives.
[91] https://icecalculator.com/, see also D.22-12-027 OP 2b.
[92] PG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 11.

approach, in the context of this capital-intensive program, is to only present capital expenditures in the denominator and allow O&M savings to be presented as a benefit in the numerator of the CBR calculation to ensure an apples-to-apples comparison between undergrounding and alternative mitigation programs. Such an approach is consistent with requirements for accurate program evaluation according to the U.S. Department of Transportation.[93] Requiring capital expenditures in the denominator and allowing O&M savings to be reflected as a benefit in the numerator is a reasonable approach to calculating a CBR in the context of the Commission's SB 884 Program. This approach is reflected in the definitions for Capital Cost and Total Mitigation Benefit found in the *CBR Calculation Guidelines*.

When commenting on the CBR threshold, MGRA noted that allowing the large electrical corporations to introduce a scaling function to make decisions as part of the SB 884 program would effectively allow them to skew the CBR.[94] The Commission agrees that it is imperative that CBRs represent an objective assessment of cost-efficiency, and only a neutral scaling function should be used for this kind of evaluation. Moreover, requiring the large electrical corporations to present unscaled (i.e., risk-neutral) risk values in the CBR calculations will ensure closer alignment with the *Energy Safety Guidelines*.[95]

PU Code section 8388.5(d)(2) states, "[t]he office may only approve the plan if the large electrical corporation has shown that the plan will substantially increase electrical reliability by reducing the use of public safety power shutoffs, enhanced powerline safety settings, deenergization events, and any other outage programs, and substantially reduce the risk of wildfire." Accordingly, the *Energy Safety Guidelines* define "Overall Utility Risk" as the combined measure of Ignition Risk and Outage Program Risk that measures the total risk of wildfires and Outage Program Events related to wildfire risks.[96] Therefore, in this Resolution and the *CBR Calculation Guidelines*, the Commission clarifies that only Wildfire Ignition Risk and Outage

[93] See generally U.S. Department of Transportation, Benefit Cost Analysis Guidelines for Discretionary Grant Programs, published in May 2025, https://www.transportation.gov/sites/dot.gov/files/2025-05/Benefit%20Cost%20Analysis%20Guidance%202025%20Update%20II%20%28Final%29.pdf.
[94] MGRA responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 5.
[95] *Energy Safety Guidelines* at 31.
[96] *Energy Safety Guidelines* at Appendix A, A-4.

Program Risk may be included in the CBR's Risk Reduction component for calculating Total Mitigation Benefit.

All stakeholders unanimously agreed on the definition of CBR Year Zero as presented in the *CBR Calculation Guidelines* and that definition is adopted here.[97]

The granularity of the ICE Calculator ensures that the monetized value of electric reliability appropriately captures the reliability consequence and risk reduction that will be considered in a large electrical corporation's Phase 2 Application. The "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" solicited stakeholder feedback on this granularity issue. Specifically, SPD sought feedback on whether large electrical corporations should establish the granularity of the ICE Calculator according to their Operational Divisions broken down by HFTD.[98] Such an ICE Calculator granularity approach would align with a Staff Proposal in the RDF Proceeding regarding requirements for use of ICE Calculator 1.0.[99]

PG&E stated that it intends to use a monetized value of electric reliability generated by the ICE Calculator 1.0 using values from across its entire service territory and rejected the need to generate monetized values of electric reliability at the operational division-level.[100] TURN recommended the need for a clear disaggregation of the large electrical corporation's territory by HFTD Tiers and recommended further disaggregation across customer classes (Residential Customers, Small Commercial & Industrial Customers, and Medium and Large Commercial & Industrial Customers) for estimating monetized values of electric reliability using ICE Calculator 1.0.[101] In the June 24, 2025, Technical Working Group meeting on the ICE Calculator 2.0,[102] PG&E demonstrated how it

[97] See, for instance, PG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 19 and TURN responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 29.
[98] "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," Question E.1, published Aprill 11, 2025.
[99] For details see R.20-07-013, ALJ Ruling Entering Phase 4 Technical Working Group Materials and Related Staff Proposal into the Record and Setting Comment Schedule, Attachment 2: Proposed Data Template Guideline for RAMP and GRC Applications, February 7 at 5 and 18-19. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M556/K602/556602764.PDF.
[100] PG&E responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 17.
[101] TURN responses to "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 24-27.
[102] The ICE Calculator 2.0 was released on April 28, 2025. For details regarding the differences between the ICE Calculator 1.0 and ICE Calculator 2.0 see https://ice-calc-docs.s3.us-west-2.amazonaws.com/documents/ICE+2.0+vs+1.0+Comparison+May2025.pdf.

generates territory-wide values across its customer classes, which in ICE Calculator 2.0 only includes Residential and Non-Residential.[103]

PG&E's demonstrated approach aligns with TURN's recommendation of ICE Calculator granularity across customer classes except it did not disaggregate the customer classes further by HFTD Tiers. In order to align with the requirements of SB 884,[104] the *CBR Calculation Guidelines* simplifies the ICE Calculator 2.0 granularity, from what was asked in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," by requiring the large electrical corporation to disaggregate across HFTD and Non-HFTD regions and across the two customer classes, Residential and Non-Residential.[105]

After weighing the recommendations from all stakeholders, the Commission finds the approach to ICE Calculator Granularity in the *CBR Calculation Guidelines* to be reasonable and aligned with direction provided in the RDF Proceeding to require large electrical corporations to use the most current version of the ICE Calculator.[106]

After the adoption of Resolution SPD-15, the *Energy Safety Guidelines* introduced the concept of the "subproject."[107] During the scoping phase (after Screen 2), the *Energy Safety Guidelines* allow the large electrical corporation to divide an "Eligible Circuit Segment" into one or more subprojects for operational reasons or to reflect that a portion of the circuit segment will be treated with a wildfire mitigation other than undergrounding.[108] The Commission's *SB 884 Project List Data Requirements Guidelines* refer to the subproject designation as an RRU in order to align with approaches established in the RDF Proceeding.[109]

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[103] PG&E's June 24, 2025, presentation detailed how it complied with an April 22, 2025, ALJ Ruling in the PG&E RAMP Proceeding (A.24-05-008) directing PG&E by June 20, 2025, "to serve additional information and comply with other requirements" related to its 2027 General Rate Case (GRC) application (A.25-05-009). This included the requirement to "[p]rovide electric reliability cost calculations using the disaggregated approach recommended in the SPD evaluation report."

[104] PU Code Section 8388.5(c)(2) limits EUP projects to Tier 2 or 3 HFTD areas or wildfire rebuild areas.

[105] Although this would generate four values, because all the projects in a large electrical corporation's Phase 2 Application must be within the HFTD, only two values (HFTD Residential and HFTD Non-Residential) may be applied to the natural units of the reliability consequence attribute to estimate wildfire risk or outage program risk on a circuit segment and CBRs for an undergrounding project.

[106] D.22-12-027, Ordering Paragraph 2(b).

[107] Energy Safety defines subproject as "a delimited portion of work on a Confirmed Project." *Energy Safety Guidelines* at A-6.

[108] *Energy Safety Guidelines* at 14.

[109] For more information on the RRU, see R.20-07-013, Phase 4 Workshop 1, SPD Staff Proposal on

The *Energy Safety Guidelines* allow the large electrical corporation to establish subprojects after Screen 2, which could happen after the Commission's Phase 2 Decision is adopted. This change created a need to incorporate the concept of "backcasting" into the *CBR Calculation Guidelines*.[110] When a large electrical corporation elects to use the subproject designation, the concept of a backcast is essential in the SB 884 context to enable a consistent comparison between the forecasted RRU values reported in the progress reports and the backcasted RRU values that would have been calculated had the RRU structure been applied in the Phase 2 Application using the data submitted at that time.

In its June 24, 2025, responses to "Technical Working Group Questions," PG&E stated, "[i]f required, PG&E could calculate a subproject level CBR for the undergrounding portions of the subproject.…"[111] Although it is able to produce such a calculation, PG&E argued that the backcasting requirement should be omitted "because PG&E uses project-level (circuit segment level) CBRs and costs to make mitigation decisions...."[112] However, PG&E's data request responses clearly demonstrate that it uses a decision-tree for determining the scope of undergrounding subprojects for hybrid projects (projects that use multiple mitigation methods) which PG&E stated will be used to inform an EUP.[113]

After reviewing all these considerations, the Commission finds that the *CBR Calculation Guidelines* requirement for backcasting is reasonable and allows for greater alignment with the *Energy Safety Guidelines*.

As discussed in Section 3.2 above, TURN supported the need for a percentage difference threshold in unit costs and CBR values between the time of the Phase 2 Application submission and when the project becomes used and useful as set forth in the Second and Third New Phase 2 Condition.[114] The *CBR Calculation Guidelines* clarifies

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Definition of Scoped Work and the Risk Reporting Unit, November 8, 2024. https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M545/K343/545343783.PDF

[110] Although used in slightly different ways, the concept of a backcast further aligns with what the *Energy Safety Guidelines* refer to as a "backtest," used to validate new wildfire risk models. See *Energy Safety Guidelines* at 52.

[111] PG&E responses to "Technical Working Group Questions," June 24, 2025, at 16.

[112] PG&E responses to "Technical Working Group Questions," June 24, 2025, at 15.

[113] PG&E response to Data Request SPD-PGE-SB884-018, May 16, 2025, Question 3a, available at https://www.pge.com/assets/pge/docs/outages-and-safety/safety/eup-spd-data-request-018.zip.

[114] TURN responses to Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," April 25, 2025, at 9.

how a large electrical corporation must calculate that percentage difference. The Commission agrees that this clarification is reasonable and will support the verification of the Second and Third New Phase 2 Conditions, as required by the EUP Audit discussed in Section 3.4 above.

SPD-15 authorized SPD to reconcile the data template in Appendix 1 of the SPD-15 Guidelines within one month of a final TWG meeting. The *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* were issued by SPD on July 24, 2025. This resolution authorizes SPD to make future updates and changes to the *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* after hosting at least one TWG meeting about said updates and changes without the need for a Commission Decision or Staff Resolution. The large electrical corporations must complete the *SB 884 Project List Data Template*[115] according to the requirements found in the *SB 884 Project List Data Requirements Guidelines* and submit the completed *SB 884 Project List Data Template* with their Phase 2 Application and six-month progress reports.

COMMENTS

PU Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. However, given that this Resolution is issued outside of a formal proceeding, interested stakeholders need not have party status in a Commission proceeding to submit comments. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this Draft Resolution was mailed to the SB 884 Notification List and service lists of A.25-05-009, A.23-05-010, A.22-05-016, and R.18-10-007 and placed on the Commission's agenda no earlier than 30 days from its mailing date.

Opening comments were filed by were filed by The Utility Reform Network (TURN); California Public Advocates (Cal Advocates); Pacific Gas and Electric Company (PG&E); San Diego Gas & Electric Company (SDG&E); and Mussey Grade Road Alliance (MGRA) on September 4, 2025, and in accordance with any instructions accompanying the notice. Reply comments

[115] The *SB 884 Project List Data Template* is available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/sb-884-project-list-data-template-clean-version_2.xlsx.

were filed by TURN, Cal Advocates, PG&E, and MGRA on September 9, 2025. We make the following changes in response to comments but otherwise do not change the Draft Resolution.

Audit Report Comment Period: TURN stated that to allow parties sufficient time to review and provide meaningful comments on the audit report, the opening comment period on the audit report should be changed from 20 days after the audit report is filed and served by the large electrical corporation to 42 days.[116] Similarly, TURN recommends that Reply comments on the audit report should be filed no later than seven days after the due date for opening comments instead of five days.[117] TURN's recommended opening and reply comment periods on the audit reports align with the interval for comments on the six-month progress reports. In response to these comments, the Commission has modified the Resolution and *CPUC Guidelines* to reflect TURN's recommended comment period on the audit report.

Audit and Refund Process: TURN objected to the draft language of SPD-37 providing that a ratepayer representative may file a petition for modification (PFM) seeking reopening of the Phase 2 Application proceeding if it believes a refund is appropriate. TURN suggested that refunds instead be implemented by Commission action. We remove the sentence that states parties may file a PFM, to request a refund to ratepayers, since the PFM option is always available to an intervenor under Commission rules. SPD-37 and the *CPUC Guidelines* now provide that the Commission will determine the appropriateness of reopening the Phase 2 Application if a refund is at issue.

CBR name change to BCR: Cal Advocates notes that D.25-08-032 in the Commission's Risk-Based Decision-Making Framework rulemaking changes the term "Cost-Benefit Ration (CBR)" to "Benefit-Cost Ratio (BCR)."[118] This Resolution notes this name change in a footnote and has made the name change in the *CPUC Guidelines. Net O&M Benefits*: SDG&E states that references to "Net O&M Costs" should be renamed and replaced with "Net O&M Benefit" while maintaining the same mathematical formula, namely

[116] TURN Opening Comments on Draft Resolution SPD-37 at 7.
[117] TURN Opening Comments on Draft Resolution SPD-37 at 7.
[118] Cal Advocates Opening Comments on Draft Resolution SPD-37 at 8. See also D.25-08-032, CoL 39.

that Net O&M Benefit = O&M Cost Savings – New O&M Costs.119 This name change is reasonable as it will prevent confusion since the numerator of the BCR represents the benefits of the project, which should include Net O&M Benefits.

Five-day period to respond to data requests: TURN recommends that party responses to data requests be due three business days from the date of the request due to the short turnaround times in the program.[120] This Resolution already requires a five-day response time, but we have conformed all supporting materials to match this five-day requirement. The *CPUC Guidelines* now require that responses to data requests related to the CPUC's SB-884 Program, including the six-month progress reports and audit reports, be served no later than five days after delivery of the data request.

First New Phase 2 Condition (Condition #5): PG&E and SDG&E argue it is inappropriate to require the CBR of an undergrounding project to exceed the CBR of all alternative mitigations by a threshold determined in the Phase 2 Decision.[121] PG&E recommends that the forecasted CBR of the undergrounding project should be within 50% of the forecasted CBR of the highest alternative mitigation considered for that project. There may be uncertainty in the cost forecasts presented in the Screen 2 data that could be relevant to both the undergrounding project and the alternative mitigation and would influence the comparison between the CBR values. Because of the uncertainty in the cost forecasts this condition should be a rebuttable presumption during the Phase 2 Application proceeding. For this reason, the First New Phase 2 Condition now reads: "The forecasted BCR of the undergrounding project must exceed the forecasted BCR of all alternative mitigations considered for that project. This condition is a rebuttable presumption that may be rebutted in the Phase 2 Application proceeding."

Finally, PG&E notes there is a typographical error in Primary audit objective (e) and that the terms "alternative mitigation" and "undergrounding project"

119 SDG&E Opening Comments on Draft Resolution SPD-37 at 3; PG&E Opening Comments on Draft Resolution SPD-37 at 10.
120 TURN Opening Comments on Draft Resolution SPD-37 at 9.
121 SDG&E Opening Comments on Draft Resolution SPD-37 at 5; PG&E Opening Comments on Draft Resolution SPD-37 at 11.

should be swapped in order to mirror the First New Phase 2 Condition.[122] This error also occurs in Application Requirement 26(e). The First New Phase 2 Condition (i.e., Condition #5) is updated throughout the Resolution and *CPUC Guidelines.*

FINDINGS

1. On October 14, 2024, the Commission's Safety Policy Division (SPD) staff issued a list of "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" for stakeholder comment.
2. On November 12, 2024, responses to "Questions for Stakeholders Regarding the CPUC SB-884 Guidelines" was received from stakeholders.
3. On February 20, 2025, Energy Safety issued its own SB 884 *10-Year Electrical Undergrounding Plan Guidelines* (*Energy Safety Guidelines*).
4. On April 8, 2025, SPD held a workshop to discuss potential modifications to the SPD-15 Guidelines following publication of the *Energy Safety Guidelines*.
5. On April 25, 2025, responses to the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines" were received from stakeholders.
6. On June 3, 2025, and June 10, 2025, SPD held technical working group (TWG) meetings on potential updates to the *SB 884 Project List Data Requirements Guidelines*.
7. On June 24, 2025, SPD held a TWG meeting to discuss the Interruption Cost Estimator Calculator (ICE 2.0) element of the SB 884 program.
8. The *Energy Safety Guidelines* do not require all projects submitted in an Electrical Undergrounding Plan (EUP) to pass through Screens 3 and 4 before being approved by Energy Safety.
9. The vast majority of undergrounding projects approved by Energy Safety through its Project Acceptance Framework may only be preliminarily scoped.
10. It is not until a project successfully passes Screen 3 and Screen 4 of the *Energy Safety Guidelines* that a project will be completely scoped.
11. A large electrical corporation will not be required to obtain Energy Safety approval of undergrounding projects it intends to construct after Energy Safety approves its EUP.
12. A large electrical corporation will provide new details about undergrounding projects in its six-month progress reports.
13. Because significant changes can be made to the economic metrics of an undergrounding project as it is more accurately scoped in Screens 3 and 4, the

[122] PG&E Opening Comments on Draft Resolution SPD-37 at 17, footnote 58.

large majority of forecasted data available to the Commission at the time the Phase 2 Application is considered, and upon which its EUP cost approval conditions will be based, will not be sufficiently precise to provide the necessary cost containment controls.

14. In consideration of the *Energy Safety Guidelines*, the questions and responses from stakeholders, and feedback from the SPD workshop and TWG meetings, described above, it is reasonable to update and refine the guidelines adopted in Resolution SPD-15 issued March 8, 2024.
15. Updates and additions to the Phase 2 Application requirements are necessary to align programmatic information required by the *Energy Safety Guidelines* and *CPUC Guidelines* and to ensure the Commission has adequate undergrounding project cost information to determine whether cost recovery is reasonable.
16. Allowing undergrounding projects that have forecasted Cost-Benefit Ratios (CBR) below 1.0 to be included in a Phase 2 Application would be unreasonable, especially considering that undergrounding is the most capital-intensive grid hardening investment available.
17. After considering the results of the workshops and stakeholder feedback, and the *Energy Safety Guidelines*, additional Phase 2 Conditions in this resolution are necessary to ensure the most cost-efficient undergrounding projects are implemented.
18. Staff proposed a maximum total cost cap for the memorandum account at the April 8, 2025, workshop and solicited written feedback in the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," published on April 11, 2025.
19. Stakeholders generally agreed at the April 8, 2025, workshop that it may be valuable to include cost caps on the memorandum account, but setting a specific number for such cap could be premature before total EUP costs and other project details are known after the Phase 2 Application is filed.
20. It is prudent to establish an upper bound on the total potential costs of an EUP by capping the total costs recovered from the memorandum account at a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account.
21. The percentage value of the memorandum account cost cap should be established in the Phase 2 Decision.
22. An EUP Audit of the one-way balancing account should occur annually.
23. The primary objective of the EUP Audit is to determine if the costs recorded into the one-way balancing account met the Phase 2 Conditions.
24. The secondary objectives of the EUP Audit include verifying that an undergrounding project is used and useful, verifying the incrementality showing

found in Application Requirement No. 2, and validating the methodology used to calculate a CBR for a given project.

25. Additional primary and/or secondary objectives for an EUP Audit may be included in the Phase 2 Decision.
26. The EUP Audit should begin no later than 60 days (or such period specified in the Phase 2 Decision) after the due date for reply comments on the second six-month progress report in a given calendar year.
27. The large electrical corporation should not have input into the direction, focus, or outcome of the EUP Audit that goes beyond the input afforded to other Parties to the Commission's SB 884 proceeding or process.
28. The large electrical corporation should provide access to all information requested by the auditor and SPD to carry out the audit within five days (or such period specified in the Phase 2 Decision) of each data request.
29. The large electrical corporation should make personnel available for interviews on five days' notice (or such period specified in the Phase 2 Decision) if the auditor seeks substantive information, and a custodian of records for questions about the location and content of requested information.
30. In the "Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines," issued on April 11, 2025, Staff solicited stakeholder input on whether the Commission should provide additional guidance for CBR calculations made in the context of SB 884.
31. Guidance on how to calculate CBRs is necessary to ensure projects achieve wildfire risk reduction without undue expense and provide a means for equitable comparison against potential alternative mitigations.
32. The *CBR Calculation Guidelines* requirement for backcasting is reasonable and allows for greater alignment with the *Energy Safety Guidelines*.
33. The *CBR Calculation Guidelines* establishes a standardized and consistent methodology for evaluating and comparing the cost-efficiency of undergrounding and alternative mitigations in SB 884-related applications.
34. The *CPUC Guidelines* contained in Attachment A herein are reasonable and necessary for the continued development of the Commission's SB 884 program.
35. The *SB 884 Project Lists Data Requirements-Preliminary* were refined, revised, and finalized following a series of TWG meetings, as authorized by SPD-15, and are included for information only with this Resolution as the *SB 884 Project List Data Requirements Guidelines* in Appendix 2 of the *CPUC Guidelines*.
36. The *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* were issued by SPD on July 24, 2025.
37. Future updates and changes to the *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* may be necessary.

38. It is reasonable to authorize SPD to make future updates and changes to the *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* after hosting at least one TWG meeting to present and discuss the changes.

THEREFORE, IT IS ORDERED THAT:

1. Resolution SPD-37 is approved and adopted.
2. The large electrical corporations shall demonstrate that the Phase 2 Conditions, including the Additional New Phase 2 Conditions, have been met in their six-month progress reports.
3. Costs recovered in the memorandum account shall be capped as a percentage of the total sum of the 10 years of cost caps placed on the one-way balancing account and according to the requirements established in the large electrical corporation's Phase 2 Decision.
4. An Electrical Undergrounding Plan Audit shall be conducted annually for undergrounding project costs recovered by the large electrical corporation through the one-way balancing account.
5. The primary objective of an Electrical Undergrounding Plan Audit is to verify whether the costs of the large electrical corporation's undergrounding projects recovered through the one-way balancing account meet the Phase 2 Conditions.
6. The secondary objectives of an Electrical Undergrounding Plan Audit are to verify that an undergrounding project is used and useful, verify the incrementality showing found in Application Requirement No. 2, and validate the methodology used to calculate a Cost-Benefit Ratio for a given project.
7. The *Senate Bill 884 Program: California Public Utilities Commission Guidelines* applicable to all large electrical corporations have been updated and appear as Attachment A hereto. They supersede the guidelines adopted in Resolution SPD-15.
8. Large electrical corporations shall comply with the *Senate Bill 884 Program: California Public Utilities Commission Guidelines* attached hereto as Attachment A.
9. The large electrical corporations shall use the *Cost-Benefit Ratio Calculation Guidelines* when calculating the Cost-Benefit Ratio for Senate Bill 884 projects.
10. The large electrical corporations must complete the *SB 884 Project List Data Template*[123] according to the requirements found in the *SB 884 Project List Data Requirements Guidelines* and submit the completed *SB 884 Project List Data Template* with their Phase 2 Application and six-month progress reports.

[123] The *SB 884 Project List Data Template* is available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/sb-884-project-list-data-template-clean-version_2.xlsx.

11. Parties may review, file and serve opening comments on the six-month progress reports and audit reports in the Phase 2 Application docket no later than 42 days (or such period specified in the Phase 2 Decision) after such reports are filed and served. Reply comments on the six-month progress reports and audit reports may be filed and served in the Phase 2 Application docket no later than seven (7) days (or such period specified in the Phase 2 Decision) after the due date for opening comments.
12. We authorize Safety Policy Division to make future updates and changes to the *SB 884 Project List Data Requirements Guidelines* and *SB 884 Project List Data Template* after hosting at least one technical working group meeting to present and discuss the changes.

This Resolution is effective today.

Commissioner Signature blocks to be added upon adoption of the resolution

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 20, 2025; the following Commissioners voting favorably thereon:

Dated November 20, 2025, at San Francisco, California

ATTACHMENT A

SB 884 Program: CPUC Guidelines With Appendices (Rev 2 Version)

ATTACHMENT B

SB 884 Program: CPUC Guidelines
(Rev 2 Version)