

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SAFETY POLICY DIVISION

RESOLUTION SPD-15

March 7, 2024

R E S O L U T I O N

RESOLUTION SPD-15. This Resolution adopts the *Senate Bill (SB) 884 Program: CPUC Guidelines*, pursuant to Public Utilities Code Section (§) 8388.5. The *SB 884 Program: CPUC Guidelines* addresses the process and requirements for the Commission’s review of any large electrical corporation’s 10-year distribution infrastructure undergrounding plan and conditional approval of its related costs.

PROPOSED OUTCOME:

Establish an expedited utility distribution infrastructure undergrounding program pursuant to Public Utilities Code § 8388.5.

SAFETY CONSIDERATIONS:

Reduce utility caused wildfires and increase reliability by establishing an expedited utility distribution infrastructure undergrounding program.

COSTS:

None; no costs will be approved unless and until a Commission decision on an SB 884 Application issues and conditionally approves certain costs.

SUMMARY

This Resolution establishes a program and program guidelines for expediting the undergrounding of the distribution equipment of large electrical corporations pursuant to Senate Bill (SB) 884 (McGuire; Stats. 2022, Ch. 819). The program consists of up to three phases.

In Phase 1, a large electrical corporation will submit a 10-year undergrounding plan (Plan) to the Office of Energy Infrastructure Safety (Energy Safety) for review.¹ Among other requirements, the Plan must identify distribution infrastructure undergrounding projects that the large electrical corporation will implement over the course of the 10-year program, including a means of prioritizing those projects based on wildfire risk reduction, public safety, and reliability benefits.² Only projects located in Tier 2 or Tier 3 high fire-threat district (HFTD) areas, as defined by the California Public Utilities Commission (Commission) in Decisions (D.) 17-01-009 and D.17-06-024, or rebuild areas are eligible.³ If the Plan is approved by Energy Safety, Phase 2 of the program will begin.

In Phase 2, the large electrical corporation will submit an application to the Commission requesting review and conditional approval of the Plan's costs (Application). The Commission will review the costs submitted in any Application. Only if costs meet certain conditions (Phase 2 Conditions), will the Commission authorize their recovery via a one-way balancing account, which shall remain subject to audit. If an audit finds any costs recorded to the one-way balancing account did not meet the Phase 2 Conditions, subject to Commission review and determination, such costs may be subject to refund. The Phase 2 Conditions for recovering costs via the one-way balancing account will include those contained in the attached *Senate Bill (SB) 884 Program: CPUC Guidelines* (Attachment 1)⁴ (including annual cost caps, unit cost caps, cost effectiveness thresholds, and ensuring the use of third-party funding to reduce ratepayer costs), as well as any other conditions the Commission deems appropriate in the relevant Application's proceeding. Given that significant uncertainties in undergrounding electrical distribution equipment are likely to grow over a 10-year period and that not all costs may therefore be foreseeable during Phase 2, if the Commission approves cost recovery in the one-way balancing account, the Commission will also authorize the large electrical corporation to record, in a memorandum account, any Plan costs that fail to meet the Phase 2 Conditions. If the Application is conditionally approved by the Commission, Phase 3 of the program will begin.

¹ Energy Safety is in the process of establishing the requirements for submission and review of Plans. Energy Safety will separately issue its guidelines detailing such requirements.

² Public Utilities Code § 8388.5(c)(2).

³ Public Utilities Code § 8388.5(c)(2).

⁴ The *SB 884 Program: CPUC Guidelines* set forth in Attachment 1 consists of the Staff Proposal for the SB 884 Program published on November 9, 2023, as modified to contain changes adopted in this Resolution. All references in this document to "*Guidelines*" are intended to refer to Attachment 1 as renamed "*SB 884 Program: CPUC Guidelines*". Large electrical corporations shall comply with this Resolution along with all requirements set forth in Attachment 1.

In Phase 3, the large electrical corporation will implement its Plan in accordance with this Resolution and Attachment 1 hereto, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to the SB 884 program. In Phase 3, the large electrical corporation shall also report on its progress, be subject to oversight by an independent monitor selected by Energy Safety, and begin booking costs to the one-way balancing account established in Phase 2, which shall remain subject to periodic audits. In Phase 3, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for any implementation costs that do not meet the Phase 2 Conditions, and were recorded in the designated memorandum account. During Phase 3, the Commission will review any Phase 3 Applications for recovery of costs recorded in the memorandum account to determine whether those costs were just, reasonable, and incremental to any other costs approved by the Commission. When making these determinations, the conditions set forth in this Resolution and Attachment 1 hereto, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be found to be just and reasonable before they are authorized for recovery. Phase 3 will conclude with the Commission's disposition of the last cost recovery application associated with the memorandum account, or the final independent monitor report, whichever comes last.

BACKGROUND

SB 884, which became effective January 1, 2023, requires the Commission to establish an expedited utility distribution infrastructure undergrounding program. The statute allows electrical corporations with 250,000 or more customer accounts (*i.e.*, large electrical corporations) within the state to participate. SB 884 is codified at Public Utilities Code § 8388.5.

SB 884 requires review by two separate agencies. Energy Safety reviews the Plan and its potential to increase reliability and reduce wildfire risk. The Commission reviews the Plan and its associated costs.

To participate in the program, the large electrical corporation must first submit a Plan to Energy Safety that details undergrounding projects that it will construct as part of the Plan. If Energy Safety approves the large electrical corporation's Plan, the large electrical corporation must submit to the Commission, within 60 days of Energy Safety's approval, a copy of the Plan and an Application requesting review and conditional

approval of the Plan's costs. At a minimum, the large electrical corporation's Application is required to include:

- (A) Any substantial improvements in safety risk and reduction in costs compared to other hardening and risk mitigation measures over the duration of the Plan;
- (B) Cost forecasts⁵, which, at a minimum, result in feasible and attainable cost reductions as compared to the large electrical corporation's historical undergrounding costs;
- (C) How the cost forecasts are expected to decline over time due to cost efficiencies and economies of scale; and
- (D) A strategy for achieving cost reductions over time.⁶

The Commission must approve or deny the Application within nine months of submission.⁷

On February 24, 2023, the Commission's Safety Policy Division (SPD) and Energy Safety held a joint public workshop to facilitate discussion of SB 884 requirements and invited parties to provide informal comments to a series of questions.

On September 13, 2023, SPD staff circulated a draft Staff Proposal for the SB 884 Program to stakeholders and received informal comments on September 27, 2023.

Staff proposes that the SB 884 Program be executed in up to three phases as follows:

- 1) Phase 1: Plan submission by the large electrical corporation and review by Energy Safety.
- 2) Phase 2: Application submission and review for conditional approval. The large electrical corporation may be authorized to recover implementation costs in a one-way balancing account that remains subject to audit and refund, and establish a

⁵ For clarity, the term cost forecasts is used in place of the term cost targets that are discussed in Public Utilities Code § 8838.5 (3)(1)

⁶ See Public Utilities Code § 8388.5(e)(1).

⁷ Public Utilities Code § 8388.5(e)(5).

memorandum account to record costs that do not meet the Phase 2 Conditions.

- 3) Phase 3: Plan execution by the large electrical corporation, and periodic audits of costs recorded in the one-way balancing account, and potential refunds, as well as reasonableness reviews of recorded costs in the memorandum account described below.

Staff proposes that Phase 1 commence with the large electrical corporation's submission of a Plan for Energy Safety's review and conclude with Energy Safety's disposition of the Plan. If Energy Safety approves the Plan, Phase 2 of the program will be initiated.

Phase 2 will commence with the large electrical corporation's submission of an Application for Commission consideration and conclude with the Commission's disposition of such an Application (i.e., conditional approval or denial). If conditionally approved in Phase 2, the large electrical corporation will establish a one-way balancing account to record and recover through rates costs that meet the Phase 2 Conditions. In addition, given the inherent uncertainties associated with planning across a 10-year period, and that some costs may therefore be unforeseeable during Phase 2, the large electrical corporation will be authorized to establish a memorandum account to record costs incurred to execute the Plan that do not meet the Phase 2 Conditions. All costs recorded in the one-way balancing account shall meet the Phase 2 Conditions and will remain subject to audit and refund. The Phase 2 Conditions shall represent the conditions that the Commission finds are necessary and sufficient to determine that the costs authorized for recovery in the balancing account are just and reasonable. Phase 2 will conclude upon the Commission's disposition of the Application. If the Application is conditionally approved by the Commission, then Phase 3 of the program will be initiated.

Given the importance of the Phase 2 Conditions and the requirement that any costs recorded in the one-way balancing account must meet the Phase 2 Conditions, the *Guidelines* include a process to assess whether the recorded costs meet such conditions. Accordingly, periodic 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. The details of this audit, including but not limited to who will perform it,

content, frequency, venue, method for true-up and refund mechanism will be determined in a later decision or order.

In Phase 3, the large electrical corporation will implement undergrounding in accordance with this Resolution and Attachment 1 hereto, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to the SB 884 program, and the large electrical corporation will also report on progress. During Phase 3, the Commission will review any applications for recovery of costs recorded in the memorandum account (i.e., any costs that do not meet the Phase 2 Conditions) to determine whether those costs were just, reasonable, and incremental to any other costs approved by the Commission. When making these determinations, the conditions set forth in this Resolution and Attachment 1 hereto, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be found to be just and reasonable before they are authorized for recovery. Phase 3 will conclude with the Commission’s disposition of the last cost recovery application associated with the memorandum account, or the final independent monitor report, whichever comes last.

Figure 1 below provides an overview of the phased approach, associated tasks, and timeline for the SB 884 Program.

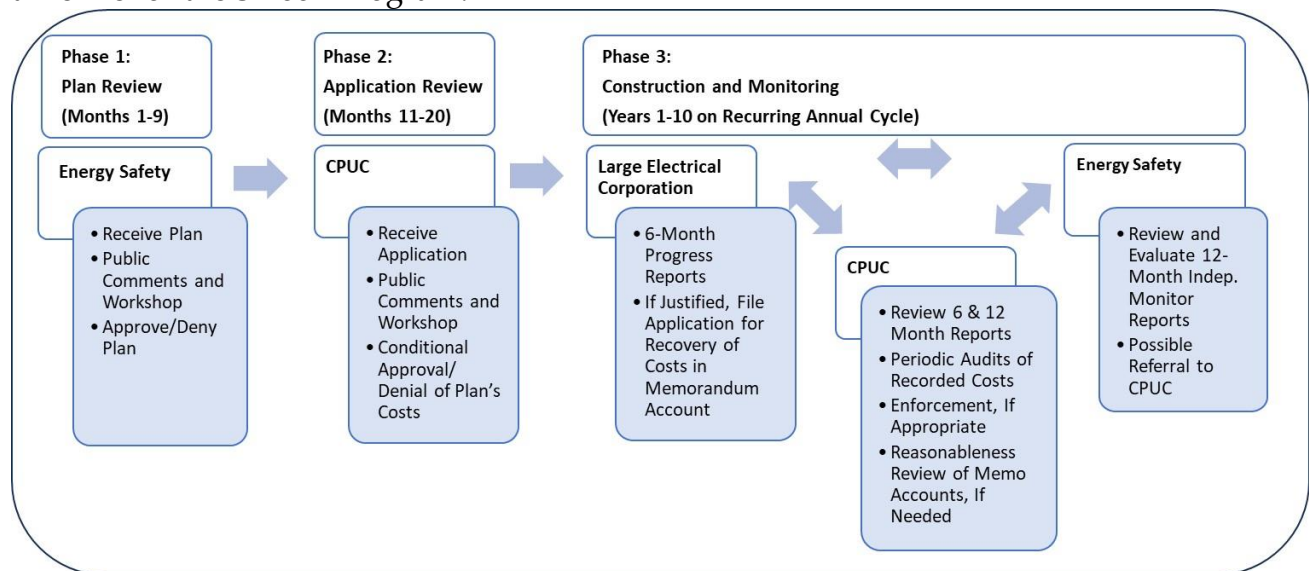


Figure 1: SB 884 Plan, Application, Reporting, and Cost Recovery Timeline

Additional details on application submission requirements, conditions for approval of Plan costs, information on progress reporting, changes to the plan, and penalties can be found in the *Guidelines* (Attachment 1).

NOTICE

Notice of SPD-15 was made by publication in the Commission's Daily Calendar.

DISCUSSION

The Commission finds that the *Guidelines* attached hereto as Attachment 1⁸ fulfills the requirement set forth in Public Utilities Code § 8388.5(a) that the Commission establish an expedited undergrounding program for the distribution infrastructure of large electrical corporations. The guidelines and conditions in the *SB-884 Program: CPUC Guidelines* are reasonable and appropriate for the purpose of implementing SB 884. Each of the major elements and provisions of the SB 884 Program articulated in the *Guidelines* are consistent with Public Utilities Code § 8388.5 and with the Commission's obligation under Public Utilities Code § 451 to ensure just and reasonable rates.

The *Guidelines* appropriately balance three critical policy considerations: 1) expediting review of undergrounding plans that have the potential to increase reliability and reduce wildfire risk; 2) providing regulatory certainty around what conditions must be met and will suffice for any cost recovery associated with undergrounding to potentially reduce financing costs; and 3) ensuring that costs passed on to ratepayers are just and reasonable. The *Guidelines* also discuss the potential impacts of an Application to communication companies, which we address below.

Expedited Review

The *Guidelines* affirm the statutory requirement that the Commission must complete review of an undergrounding Application within nine months. To facilitate such an expedited review, the *Guidelines* include a provision that participating electrical corporations submit a copy of the intended Application to staff prior to filing the formal Application for a completeness check. The *Guidelines* also require that, during the Phase 2 Application proceeding, large electrical corporations shall respond to discovery

⁸ As noted above, the document entitled "*SB 884 Program: CPUC Guidelines*" attached hereto is a modified version of the "Staff Proposal for the SB 884 Program," and herein referred to as the "*Guidelines*".

requests within five (5) business days to facilitate timely reviews during the expedited review. The Commission finds that these are reasonable provisions that should improve the timeliness of the formal Application review process.

Regulatory Certainty

The *Guidelines* create a framework that will enable large electrical corporations to clearly understand what specific conditions are necessary and sufficient to use a one-way balancing account to track and recover undergrounding Plan costs across the entire 10-year term covered by any Plan. One-way balancing accounts allow participating large electrical corporations to recover the costs of undergrounding without undue delay, on an ongoing basis, once infrastructure is used and useful. And while these costs shall remain subject to refund, in the event an audit finds such costs were incorrectly or improperly recorded in the balancing account and the Commission so orders, the Phase 2 Conditions that the audit will confirm have been satisfied will be transparently disclosed in advance via the Phase 2 Decision. These transparent Phase 2 Conditions will include, at the least, annual cost caps, unit cost caps, cost effectiveness thresholds, and ensuring the use of third-party funding to reduce ratepayer costs.

The *Guidelines* also allow participating large electrical corporations to track costs incurred to execute the Plan in accordance with this Resolution and Attachment 1 hereto, that do not meet the Phase 2 Conditions in a memorandum account. Memorandum accounts are used to record costs, but the Commission must review those costs for, among other things, reasonableness before the electrical corporation may recover them in rates. This provision 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. In addition to the Phase 2 Conditions, the *Guidelines* include minimum conditions that must be met in any Phase 3 Application for recovery of costs booked to an undergrounding program memorandum account. These conditions include determining 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. The *Guidelines* also make clear that when making these determinations, the conditions set forth in this Resolution and its Attachment 1, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be just and reasonable. Furthermore, no costs recorded to the memorandum account established in the Commission's Phase 2 Decision shall be approved unless the large electrical corporation has shown that: 1) it has applied all third-party funding

previously received to reduce its relevant balancing account cost cap; and 2) all costs recorded in the memorandum account are consistent with the approved Plan. Finally, the *Guidelines* also clarify that it is the burden of the applicant to prove why the costs presented in the Phase 3 Applications are just and reasonable even though such costs do not meet Phase 2 Conditions.

The regulatory certainty provided by clear conditions and processes established for the entirety of any Plan's 10-year term by the *Guidelines* should facilitate more favorable financing terms to the benefit of ratepayers. The *Guidelines'* use of balancing and memorandum accounts with clear standards of review is reasonable.

Ratepayer Protection

By statute, the SB 884 Program allows for electrical corporations to submit Plans covering 10 years' worth of undergrounding projects. The ratepayer costs associated with such a lengthy period of construction could be substantial. The Commission has a fundamental responsibility under Public Utilities Code § 451 to ensure that rates are just and reasonable. As a result, SB 884 implementation should include reasonable ratepayer protections.

The *Guidelines* include numerous provisions for ensuring that the rates associated with undergrounding via the SB 884 Program are just and reasonable. These provisions include, but are not limited to, the following:

1. Requiring the large electrical corporation to provide a copy of the Application it intends to file to SPD for a completeness review prior to formal submission of the Application.
2. Enabling the Commission and staff to require the large electrical corporation to modify or modify and resubmit its Application.
3. Establishing an annual cost cap condition for any Plan costs booked to the one-way balancing account.
4. Establishing a condition that requires that all third-party funding received be applied to reduce the annual cost cap for the year in which the third-party funding is received.
5. Establishing an annual unit cost cap condition for any Plan costs booked to the one-way balancing account, to be evaluated based on the two-year average recorded unit cost for that year and the prior year.
6. Establishing an annual cost-benefit ratio (CBR) threshold condition for any Plan costs booked to the one-way balancing account, to be

evaluated based on the two-year average recorded CBR for that year and the prior year.

7. Requiring detailed information related to cost, feasibility, and safety in each Application.
8. Requiring information on the forecasted CBRs for each alternative wildfire mitigation method, in place of undergrounding, across all projects broken out by year for the total Application period.
9. Requiring an audit of costs recorded in the one-way balancing account to ensure such costs have met all Phase 2 Conditions and clarifying that any costs recorded in the one-way balancing account that do not meet those conditions or were otherwise booked incorrectly or improperly are subject to refund, if the Commission so orders.
10. Requiring the large electrical corporation to include a plan regarding how and when it will remove poles, whose ownership is transferred to a communications company, from its rate base.

Each of these provisions is reasonable and is adopted by this Resolution, with the clarifications and modifications described herein. Item 1, described above, provides Commission staff with valuable lead time to identify any obvious omissions or errors in any Application, which should avoid unnecessary delays and enhance the expedited nature of the program. This will also enhance the Commission's ability to ensure it has the requisite information it needs to make its Phase 2 Decision and ensure that all authorized costs are just and reasonable. Item 2, described above, plays a similar role to Item 1 by enabling the Commission to establish the robust record it will require to review the Application and potentially conditionally approve costs and authorize their recovery pursuant to the one-way balancing account and subject to the periodic audits, and refund if the Commission so orders.

Item 3, described above, will be one of the Phase 2 Conditions, and it clarifies that any large electrical corporation may not record costs to the one-way balancing account beyond a pre-established total value in any given year. This provides a level of certainty and a limit on the annual Plan costs that may be recovered through the one-way balancing account. This provision also facilitates review and assessment of a large electrical corporation's compliance with the Phase 2 Decision. If an audit finds any costs recorded to the one-way balancing account exceed the annual cost cap condition, subject to Commission review and determination, such costs will be subject to refund.

Similarly, Item 4 described above, will be one of the Phase 2 Conditions, and it requires that all third-party funding obtained must be applied to reduce this cost cap, which aligns with Public Utilities Code §8388.5(j). If an audit finds any costs recorded to the one-way balancing account exceed the annual cost cap condition as reduced by any third-party funding, subject to Commission review and determination, such costs will be subject to refund.

Item 5, described above, will also be one of the Phase 2 Conditions, and it likewise clarifies that any large electrical corporation may not record costs to the one-way balancing account beyond a pre-established annual unit cost cap, as evaluated on a two-year rolling average. This provides assurance that a large electrical corporation will not recover costs booked to the one-way balancing account in any given year if the average unit costs for projects completed that year and the previous year exceed the approved unit cost cap for the current year. This provides a level of certainty on Plan unit costs recovered through the one-way balancing account, facilitates review and assessment of a large electrical corporation's compliance with the Phase 2 Decision, and ensures that work being funded through the one-way balancing account is being completed at the cost per mile committed to in the approved Application. If an audit finds any costs recorded to the one-way balancing account exceed the unit cost cap condition, subject to Commission review and determination, such costs will be subject to refund.

Item 6, described above, will also be one of the Phase 2 Conditions, and it conforms to the Commission's current methods for risk-based decision-making. CBRs are calculated by dividing the dollar value of mitigation benefits by the mitigation cost estimate, as directed in D.22-12-027.⁹ This provision facilitates containing costs and ensures that projects provide high-value from a risk-spend efficiency perspective. The average recorded CBR for all projects completed in any given two-year period (the current and the prior year) must equal or exceed the approved threshold CBR for that current year. Because an average recorded CBR threshold¹⁰ must be achieved for cost recovery of completed projects, this encourages large electrical corporations to prioritize projects that provide the greatest risk reduction benefits. If an audit finds any costs recorded to the one-way balancing account are below the CBR threshold condition, subject to Commission review and determination, such costs will be subject to refund.

⁹ See D.22-12-027 Phase II Decision Adopting Modifications, Risk-Based Decision-Making Framework, Appendix A, p. A-3.

¹⁰ The "CBR threshold" will establish the minimum CBR that must be achieved for cost recovery.

Item 7, described above, refers to the detailed list of Phase 2 Application requirements contained in the *Guidelines*, which are designed to garner detailed and relevant cost, feasibility, and safety related data points to ensure that any conditionally approved costs in a Phase 2 Decision are just and reasonable. For example, the *Guidelines* also require the utility to submit project information in granular detail, including geographically explicit information about project locations and scopes. This granular information represents an additional layer of ratepayer protection by facilitating the review and verification of project completion and cost-efficiency information. The *Guidelines* also require information about cost and scope overlaps of the SB 884 Program and other proceedings. This is an important recognition and implementation of Public Utilities Code § 8388.5(e)(3).

Item 8, described above, is consistent with the Public Utilities Code § 8388.5(c)(4) requirement for the Plan to include comparisons between undergrounding and alternative aboveground mitigations. The large electrical corporation shall use reasonable and comparable assumptions in its calculations of forecasted CBRs for both undergrounding and each alternative wildfire mitigation method considered, including combinations thereof.

Item 9, described above, establishes a means for evaluating whether any recorded costs in the one-way balancing account associated with SB 884 Plans have not satisfied the Phase 2 Conditions. This audit mechanism, 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.

Item 10, described above, requires large electrical corporations to propose a plan and identify a timeline for when poles, whose ownership are transferred to another entity because of the large electrical corporation undergrounding its infrastructure in accordance with the Plan, will be removed from its rate base. This provides another ratepayer protection, as it ensures ratepayers will not continue to pay for infrastructure that is no longer in use by the large electrical corporation.

These provisions of the *Guidelines* represent critical safeguards to ensure that rates associated with implementing SB 884 Program Plans are just and reasonable.

In addition to the ten provisions discussed above, the *Guidelines* also outline three ways to address concerns about the potential for overlapping costs (costs included in other applications, a GRC, or other proceeding). Any Phase 2 Application shall clearly

identify all undergrounding targets (e.g., miles to underground together with their conversion rate)¹¹ and cost forecasts in the Plan that overlap with any and all undergrounding targets and cost forecasts either approved or under consideration in the large electrical corporation's most recent GRC or any other cost recovery venues. Furthermore:

1. Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts approved in the most recent GRC or other cost recovery venue, such undergrounding targets and costs shall be clearly identified, and all associated costs will be excluded from consideration for recovery in the Application.
2. Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts still under consideration in a GRC or other cost recovery venue, the Application shall specify which overlapping targets and costs are under consideration and identify the proceeding or advice letter in which the Commission is considering them. The Application shall propose in which venue the Commission should consider the overlapping costs. Both costs and the corresponding mileage must be paired and presented for consideration in a single venue.
3. The Application shall also include a detailed description of the various controls the large electrical corporation will implement to ensure that undergrounding costs related to execution of the Plan are incremental to any other costs approved by the Commission.

Finally, the *Guidelines* provide guidance regarding the way an Application should address avoided costs (i.e., cost savings) related to the proposed undergrounding Plan. The Application shall identify, for each year of the 10-year Application period, any wildfire mitigation costs that will be reduced, deferred, or avoided due to the implementation of the proposed undergrounding Plan (e.g., vegetation management costs), and how spending on such programs or areas of work will be affected, including any cost reductions, deferrals, or avoidances that are expected to continue beyond the 10-year Application period and the time period for which

¹¹ As used in this context, "conversion rate" means the ratio of underground mileage required to replace the equivalent overhead lines. Given prior evaluation of undergrounding requests in other Commission proceedings, it is known that a mile of undergrounding corresponds to replacement of less than one mile of overhead assets.

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

- a. The Application shall distinguish between forecast costs already approved by the Commission for recovery and forecast costs that have not yet been the subject of a request for recovery.
- b. For forecast costs already approved by the Commission for recovery, the Application shall identify any accounts used to track such costs; the amounts in each such account; and the Commission decision(s) authorizing recovery.
- c. The Application shall include a methodology that transparently demonstrates how avoided costs are translated into savings that are passed on to ratepayers.

Potential Impacts to Communications Infrastructure

To offset the potential impacts that an Application may have on communication infrastructure the *Guidelines* provide a number of requirements. The large electrical corporation must distribute a copy of the Application to each communications company that has equipment on poles where undergrounding is planned. The Application shall include a description of how the large electrical corporation plans to coordinate with communication companies to maximize benefits to California, including but not limited to:

1. The ownership and use of existing utility poles where undergrounding projects are planned.
2. How the large electrical corporation will address the affected shared poles, including who will own and maintain the poles if the communication provider chooses to not concurrently underground its infrastructure.
3. The full array of currently offered or discussed proposals for how to add conduit for such communication companies in the large electrical corporation's trenches, including, wherever possible, the proposed unit costs associated with such offerings or proposals.

¹² For examples of cost benefits that may be appropriate to include, refer to the Lawrence Berkeley National Laboratory white paper. Peter H. Larsen, "A method to estimate the costs and benefits of undergrounding electricity transmission and distribution lines" in *Energy Economics* Vol. 60, 2016 pp. 47-61. Please note that this methodology is referenced for illustrative purposes only. Different methodologies and/or cost categories may be appropriate to include.

The Application shall also include a plan regarding how and when the large electrical corporation will remove poles, whose ownership is transferred to a communications company, from its rate base.

Audit Process

After review of MGRA, Cal Advocates, and PG&E's comments regarding establishing an audit process for costs recorded in the one-way balancing account, the Commission agrees that an audit process can enhance ratepayer protection. Given the importance of the Phase 2 Conditions and the requirement that any costs recorded in the one-way balancing account must meet the Phase 2 Conditions, the *Guidelines* include a process to assess whether the recorded costs meet such conditions. Accordingly, periodic audits of the established balancing account will be performed to ensure that costs booked to the one-way balancing account meet the Phase 2 Conditions. If the audit demonstrates that costs were incorrectly recorded or failed to meet the Phase 2 Conditions, the Commission may order a refund. The details of this audit, including but not limited to who will perform it, content, frequency, venue, method for true-up and refund mechanism will be determined in a future decision or order.

Conclusion

Taken as a whole, the *Guidelines* represent a reasonable and appropriate approach for implementing the Commission's requirements under SB 884, and is hereby adopted subject to the clarifications noted in this Resolution.

COMMENTS

Pub. Util. Code § 311(g)(1) provides that resolutions 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 did not need to have party status in a Commission proceeding in order to submit comments. Opening comments 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); Southern California Edison (SCE); Mussey Grade Road Alliance (MGRA); California Farm Bureau (CFB); and AT&T California (U-1001-C), the California Broadband and Video Association, Crown Castle Fiber, LLC, and Sonic Telecom, LLC (collectively, the "Communication Providers") on December 28, 2023. Reply comments were filed by TURN; Cal Advocates; PG&E; CFB; the Communication Providers; the Green Power Institute (GPI); and the Coalition of California Utility Employees (CUE) on January 11, 2023. The comments focused on the following issues,

which we address in revisions to the Draft Resolution; other comments do not warrant a change in the Draft Resolution.

Balancing account with cost cap and audit process. TURN, Cal Advocates and CFB state that the Commission must conduct an after-the-fact reasonableness review of the balancing account under SB 884. For balancing accounts, the Commission may authorize and determine upfront what amounts a large electrical corporation may spend and condition such spending on specific requirements. Here, the Commission will determine which forecasted costs in any Phase 2 Application are just and reasonable when it issues any Phase 2 Decision and authorizes recovery of such costs in a one-way balancing account subject to the Phase 2 Conditions. The Phase 2 Conditions established in any Phase 2 Decision will make clear which specific costs are authorized for recovery and may be recorded in the one-way balancing account. MGRA states in the opening comments “a strong auditing process must be in place to ensure utilities provide promised risk reduction to ratepayers at the promised cost.”¹³ Cal Advocates states the following in the opening comments, “With billions of dollars at stake, there will be questions about whether the utility’s accounts have been properly audited to eliminate accounting errors, double-counting, non-incremental costs, and other mistakes.”¹⁴ PG&E notes in reply comments that the Commission has well established audit authority under Public Utilities Code §§ 314 and 314.6. Lastly, PG&E submits the following, “If, after an audit, the Commission determines that any costs were unreasonable, it can direct the electrical corporation to refund those costs to customers.”¹⁵ In response to these comments, the Commission has modified the Resolution and *Guidelines* to include an audit process to clarify all costs recorded in the one-way balancing account must meet the Phase 2 Conditions and are subject to refund if the audit finds any costs were improperly recorded or failed to meet the Phase 2 Conditions and the Commission determines refund is appropriate.

Multi-year rolling average for assessing compliance with certain conditions. PG&E requested that the unit cost cap and average CBR threshold be based on a three-year rolling average to better address the likelihood that some undergrounding projects would span

¹³ MGRA Opening Comments to SPD-15, page 2.

¹⁴ Cal Advocates Opening Comments to SPD-15, page 5.

¹⁵ PG&E Reply Comments to SPD-15, page 6.

more than one calendar year. SCE commented that cost caps should be considered on a longer time horizon than one year. The Resolution has been modified to require evaluation of an average unit cost cap and average CBR threshold on a two-year rolling basis inclusive of the year the project was completed and the prior year.

Clarification of unit cost cap. PG&E identified an inconsistency in how the unit cost cap was described between the Staff Proposal and the Draft Resolution. The inconsistency relates to the use of the term “average” in only one of the two documents. The concern is that the inconsistency creates confusion because it can be interpreted that the unit cost of each project must be below the unit cost cap, as opposed to the average unit cost of completed projects. This has now been corrected to clarify that the unit cost cap is applied as an average for all completed projects and not on an individual project basis.

Timing of Energy Safety and CPUC action. MGRA, CFB, Cal Advocates and TURN urge the Commission to delay this Resolution until Energy Safety issues its guidelines. We do not revise the Resolution on this issue, as the statute allows separate processes. All stakeholders are encouraged to meaningfully participate in Energy Safety’s development of guidelines for Phase 1 of this program to address their outstanding concerns.

Communication companies. Cal Advocates recommended that the Staff Proposal require the large electrical corporations provide additional information to the communication companies and further address undergrounding effects on shared poles. The Resolution has been modified to require the large electrical corporations to provide a copy of the Application to any communication company that has equipment on poles where undergrounding is planned, describe how it will address the affected shared poles and include a plan of how and when it will remove poles, whose ownership is transferred to a communications company, from its rate base.

Overlapping costs/re-litigation. TURN recommended in opening comments that large electrical corporations not be allowed to use the SB 884 process as a means to “re-litigate” undergrounding budgets that have already been thoroughly addressed and resolved in general rate cases. CFB states in the opening comments that Application

requirements 2c¹⁶ should be removed because “The Commission has already made a decision based on a much larger swath of information and parties should not be expected to relitigate an issue that has already taken significant time and resources.”¹⁷ In response to these comments, we have removed Application Requirement 2c from the *Guidelines* and modified references in the Resolution accordingly.

Avoided costs. TURN recommended that the Resolution be modified so that large electrical corporations provide a methodology to ensure cost savings from avoided costs are passed onto ratepayers. We amend the Resolution and *Guidelines* to require large electrical corporations to include such a methodology in their Application.

Use of reasonable and comparable assumptions. Cal Advocates commented that while the Staff Proposal appropriately uses the CBR metric to provide comparative data between undergrounding projects and alternative wildfire mitigations, it does not explicitly require large electrical corporations to perform these calculations using similar assumptions. Cal Advocates argues that these comparisons can be biased to favor the large electrical corporation’s preferred mitigation if allowed to be calculated using different assumptions. The *Guidelines* and Resolution have been modified to require large electrical corporations to use reasonable and comparable assumptions in their calculations of forecasted CBRs for both undergrounding projects and each alternative wildfire mitigation method considered, including combinations thereof.

Estimates of full revenue requirements and bill impacts for each year Plan costs will affect rates. TURN’s opening comments argue that Plan costs will have a long-term impact on customer rates and bills beyond the 10-year period covered in the Plan, and that the Commission should be aware of the full impact before conditionally approving the Application. TURN states that the Commission “should delete the confusing reference to the 10-year application period and require the utility’s best estimate of the ‘proposed annual revenue requirements and proposed ratepayer impacts for each year that the [utility] proposes will be necessary for rate recovery of the plan’s costs.’”¹⁸ The

¹⁶ Application requirement 2c originally stated: “For undergrounding targets and cost forecasts which were previously disallowed by the Commission, the large electrical corporation shall identify the proceeding or advice letter in which the Commission made such determination, when that determination was made, and explain why a different conclusion is now appropriate.”

¹⁷ CFB Opening Comments to SPD-15, page 2.

¹⁸ TURN Opening Comments to SPD-15, page 14.

Guidelines and Resolution have been modified to require large electrical corporations to include in their Applications estimated rate impacts necessary to recover all Plan costs, including the underlying assumptions used to make such estimates.

This Draft Resolution was served on the SB 884 notification list¹⁹ and service lists of A.21-06-021, A.23-05-010, and A.22-05-016

FINDINGS

1. Public Utilities Code, § 8388.5(a) requires the Commission to establish an expedited utility distribution infrastructure undergrounding program and allows electrical corporations with 250,000 or more customer accounts within the state to participate.
2. Because of the long duration of Plans (10 years), the significant costs of undergrounding projects, and potential for cost overruns, and the Commission's fundamental responsibility to ensure just and reasonable rates under Public Utilities Code § 451, it is reasonable for the Commission to place conditions on the recovery of costs submitted to the Commission pursuant to Public Utilities Code § 8388.5(e)(1).
3. It is reasonable to include annual cost caps and unit cost caps, and cost efficiency thresholds applicable for two-year periods as part of the conditions for approval in any Phase 2 Application decision.
4. For balancing accounts, it is reasonable for the Commission to determine upfront what amounts a large electrical corporation may spend and condition such spending on specific requirements.
5. Consistent with authorities provided in Public Utilities Code §§ 314 and 314.6, it is reasonable for the Commission to require costs recorded in the balancing accounts to be subject to audits and refund as an added ratepayer protection.

¹⁹ The SB 884 notification list is periodically updated and uploaded to CPUC SB 884 webpage: <https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/risk-assessment-and-safety-analytics/electric-undergrounding-sb-884>.

6. Due to the complexity and duration of undergrounding projects, it is likely that some undergrounding projects may not begin and be completed in the same calendar year. Thus, it is reasonable to apply the unit cost and CBR conditions required by this Resolution on a two-year rolling average basis.
7. It is reasonable to require that large electrical corporations include a plan regarding how and when it will remove poles whose ownership is transferred to another entity from their rate base to ensure ratepayers do not continue to pay for such unused assets.
8. If large electrical corporations rely on cost savings (i.e., avoided costs) to justify the cost efficiency of undergrounding projects, it is reasonable to require that the large electrical corporations provide a methodology for ensuring such savings benefit ratepayers.
9. Consistent with the Public Utilities Code § 8388.5(e)(1)(A) requirement for Applications to discuss substantial improvements in safety risk and reduction in costs of undergrounding projects as compared to alternative mitigation measures, and to ensure that such comparisons are valid, it is reasonable to require the large electrical corporation to include equivalent data and information for both types of mitigations in its Application and that such comparisons utilize reasonable and comparable assumptions.
10. Consistent with the Public Utilities Code § 8388.5(j) requirement to apply third-party funding to offset ratepayer costs, it is reasonable to require accounting for such third-party funds and to deduct such funding from the conditionally approved annual cost caps for the year in which such third-party funding is obtained.
11. Public Utilities Code § 8388.5(e)(3) requires the Commission to consider not revisiting cost or mileage targets for undergrounding projects already approved or pending approval in a Commission proceeding or ratemaking mechanism. Accordingly, it is reasonable for the Commission to require large electrical corporations to clearly identify and report any such potential overlaps.
12. Public Utilities Code § 8388.5(f)(1) requires large electrical corporations with approved Plans and conditionally approved Applications to file

progress reports every six months with both Energy Safety and the Commission. Because the progress reports are filed with multiple agencies and at the same time, it is reasonable for Commission staff to endeavor to collaborate with Energy Safety staff to develop one set of requirements for these reports.

13. To reduce potentially conflicting data presentation requirements, it is reasonable for the Commission staff to coordinate with Energy Safety staff on the preliminary SB 884 Project List Data Requirements and GIS data requirements.
14. Pursuant to Public Utilities Code § 8388.5(h)(2), the Commission may assess penalties on a large electrical corporation that fails to substantially comply with a Commission decision approving its Plan.

THEREFORE, IT IS ORDERED THAT:

1. An expedited utility distribution infrastructure undergrounding program pursuant to Public Utilities Code § 8388.5 is hereby established.
2. The conditions and guidelines set forth in the *Senate Bill (SB) 884 Program: CPUC Guidelines* (Attachment 1) attached hereto are hereby adopted.
3. Following Energy Safety's publication of its SB 884 guidelines, SPD is authorized to convene a Technical Working Group (TWG) to review and align the preliminary CPUC SB 884 Project List Data Requirements and GIS data requirements with Energy Safety guidelines, adding any data elements necessary for Commission conditional approval purposes.
4. SPD is authorized to develop and issue the SB 884 Project List Data Template within 30 days of the final TWG meeting.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 7, 2024; the following Commissioners voting favorably thereon:

/s/ Rachel Peterson

RACHEL PETERSON
Executive Director

ALICE REYNOLDS
President

DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS

MATTHEW BAKER
(recused, did not participate)
Commissioners

ATTACHMENT 1

SB 884 Program: CPUC Guidelines With Appendices



California Public Utilities Commission

SB 884 Program: CPUC Guidelines¹

SAFETY POLICY DIVISION

March 2024

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

Table of Contents

Purpose:.....	1
Background:.....	2
SB 884 Program Process and Requirements:.....	4
Application Conditional Approval, Denial, or Modification & Resubmittal:	5
Pre-Submission Application Completeness Review:	5
Phase 2 – Application Submission and Review:.....	6
Application Submission Requirements:.....	6
Application Requirements:	6
Public Workshop & Comments:	10
Conditions for Approval of Plan Costs:.....	10
Phase 3 – Review of Memorandum Account Recorded Costs for Rate Recovery:.....	11
Conditions for Approval of Recorded Costs in Memorandum Account:.....	12
Progress Reports:.....	12
Wildfire Mitigation Plan Integration:	13
Compliance Reports:	13
Changes to the Plan:	13
Penalties:.....	14
Appendix 1: SB 884 Project List Data Requirements-Preliminary	15
Appendix 2: Statutory Requirements Cross-Reference	19

Purpose:

These *Guidelines* and the Commission Resolution adopting these *Guidelines* will satisfy the Commission’s statutory obligation, pursuant to Public Utilities Code Section 8388.5(a), to establish an expedited utility distribution undergrounding program consistent with SB 884.² These *Guidelines* address the process and requirements for the Commission’s review of any large electrical corporation’s 10-year distribution infrastructure undergrounding Plan (as defined below) and its related costs.

² McGuire; Stats. 2022, Ch. 819

Background:

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

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

- 1) Substantially increase reliability by reducing use of public safety power shutoffs, enhanced powerline safety settings, de-energization events, and other outage programs.
- 2) Substantially reduce wildfire risk.

If Energy Safety approves the large electrical corporation’s Plan, the large electrical corporation must submit to the Commission, within 60 days of Energy Safety’s approval, a copy of the Plan and an application requesting review and conditional approval of the Plan’s costs (hereafter, “Application”). However, prior to filing the Application with the Commission, the large electrical corporation shall provide a copy of the Application it intends to file to the Commission’s Safety Policy Division (SPD) for a completeness review. The intent of the completeness review will only be to identify any obvious omissions or errors in the intended Application. SPD will conclude its completeness review within 10 business days of receipt and issue a report noting any deficiencies that should be corrected before the Application is officially submitted and filed with the Commission.

On or before nine months after the Application’s official filing date, the Commission shall review and conditionally approve or deny the Application. The Commission may, however, require the large electrical corporation to (i) modify or (ii) modify and resubmit the Application prior to conditional approval. As explained further below, if the Commission or staff determines that minor corrections or clarifications are needed for the filed Application, then the Commission or staff may require the large electrical corporation to modify the Application and such minor corrections or clarifications shall be provided within five (5) business days. Whereas, if the Commission or staff determines that the filed Application 1) omits material information required pursuant to the Commission Resolution adopting these *Guidelines*, 2) omits material information deemed necessary to process the Application within nine months, or 3) omits information otherwise required by SB 884, then the Commission or staff may require the large electrical corporation to modify and resubmit the Application, and such resubmission will restart the nine-month clock for the Commission’s review.

If the Plan is approved by Energy Safety and the Application requesting review and conditional approval of the Plan’s costs is approved by the Commission, the large electrical corporation must file progress reports

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

with the Commission and Energy Safety every six months, include ongoing work plans and progress in its annual wildfire mitigation plan submissions, hire an independent monitor (selected by Energy Safety) to review and assess its compliance with the Plan, apply for all available federal, state, and other non-ratepayer moneys throughout the duration of the approved Plan, and use those non-ratepayer moneys to reduce the Plan’s costs to its ratepayers.

The independent monitor must annually produce and submit a report to Energy Safety no later than December 1 over the course of the Plan.⁴ The independent monitor’s report will identify any failure, delays, or shortcomings in the large electrical corporation’s compliance with the Plan and provide recommendations for improvements. After consideration of the independent monitor’s report and whether the large electrical corporation has corrected the deficiencies identified therein, Energy Safety may recommend penalties to the Commission. The Commission may assess penalties on a large electrical corporation that fails to substantially comply with the Commission decision approving its Plan pursuant to Public Utilities Code, Section 8388.5(i)(2).

Figure 1 below shows an overview of the timelines, events, and responsible parties for implementation of the SB 884 program.

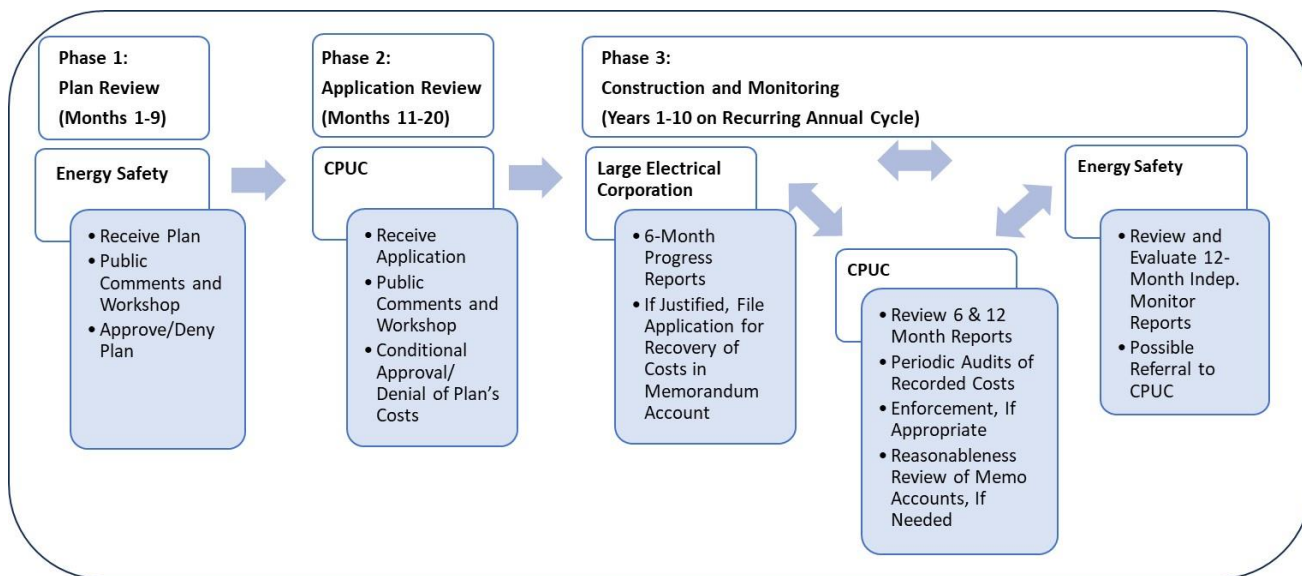


Figure 1: SB 884 Plan, Application, Reporting, and Cost Recovery Timeline

⁴ Pursuant to Public Utilities Code, Section 8388.5(h), Energy Safety is required to publish these reports on its website.

SB 884 Program Process and Requirements:

The SB 884 Program will be executed in up to three phases:

- 1) Phase 1: Energy Safety Plan review and approval/denial
- 2) Phase 2: Application submission and review for conditional approval.
- 3) Phase 3: Construction and periodic audits of costs recorded in the one-way balancing account, as well as just and reasonableness reviews of recorded costs in the memorandum account described below.

If Energy Safety approves the large electrical corporation's Plan, Phase 2 will commence with the large electrical corporation's submission of an Application for Commission consideration and conclude with the Commission's disposition of such Application (i.e., conditional approval or denial) via a Phase 2 Decision. The Commission will review the costs submitted in any Application. Only if costs⁵ meet certain conditions (Phase 2 Conditions), will the Commission authorize their recovery via a one-way balancing account, which shall remain subject to audit. If an audit demonstrates any costs recorded to the one-way balancing account did not meet the Phase 2 Conditions, subject to Commission review and determination, such costs may be subject to refund. The Phase 2 Conditions for recovering costs via the one-way balancing account will include those listed in the "Conditions for Approval of Plan Costs" section herein, as well as any other conditions the Commission deems appropriate in the relevant Application's proceeding. If the Commission approves cost recovery in the one-way balancing account, the Commission will also authorize the large electrical corporation to record, in a memorandum account, any Plan costs that fail to meet the Phase 2 Conditions.

If the Commission conditionally approves the large electrical corporation's Application, Phase 3 will commence upon the Commission's issuance of the Phase 2 Decision. During Phase 3, the large electrical corporation will execute its undergrounding Plan in accordance with the Resolution adopting these *Guidelines*, the Commission's Phase 2 Decision, any other Commission decision on an Application submitted pursuant to the SB 884 program, the large electrical corporation shall also report on its progress, and begin booking costs to the one-way balancing account established in Phase 2, which shall remain subject to periodic audits, and refund if the Commission so orders. In Phase 3, given the inherent uncertainties with planning across a 10-year period and the fact that certain costs may have been unforeseeable during Phase 2, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for any implementation costs that do not meet the Phase 2 Conditions, and were recorded in the designated memorandum account. During Phase 3, the Commission will review any Phase 3 Applications for recovery of costs recorded in the memorandum account to determine whether such costs were just and reasonable, and incremental to any other costs approved by the Commission. When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission's Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be found to be just and reasonable before they are authorized for recovery. Phase 3 will conclude with the Commission's disposition of the last cost recovery application associated with the memorandum account, or the final independent monitor report, whichever comes last.

Given the importance of the Phase 2 Conditions and the requirement that any costs recorded in the one-way balancing account must meet the Phase 2 Conditions, these *Guidelines* include a process to assess

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

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

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

Application Conditional Approval, Denial, or Modification & Resubmittal:

On or before nine months after the Application's filing date, the Commission shall review and conditionally approve or deny the Application. Before conditionally approving or denying the Application, the Commission or staff may require the large electrical corporation to (i) modify or (ii) modify and resubmit the Application.⁶ If the Commission or staff determines that minor corrections or clarifications are needed for the Application, then the Commission or staff may require the large electrical corporation to modify the Application and such minor corrections or clarifications shall be provided within five (5) business days. If the Commission or staff determines that the Application 1) omits material information required pursuant to the Commission Resolution adopting these *Guidelines*, 2) omits material information deemed necessary to process the Application within nine months, or 3) omits information otherwise required by SB 884, then the Commission or staff may require the large electrical corporation to modify and resubmit the Application, and such resubmission will restart the nine-month clock for the Commission's review.

Pre-Submission Application Completeness Review:

Before submission of the Application, the large electrical corporation shall provide a copy of the intended Application to Commission's Safety Policy Division (SPD)⁷ for a completeness review. The pre-submission process is a precursor to and separate from the Commission's Application review process. The intent of the completeness review will only be to identify any obvious omissions or errors and avoid unnecessary delays resulting from post-submittal modification of the Application for such omissions or errors, given the expedited schedule for review. SPD will conclude its completeness review within 10 business days of receipt and issue a report noting any deficiencies that should be corrected in the submitted Application.

Accordingly, it is the large electrical corporation's responsibility to provide SPD with a copy of the intended Application with sufficient time to conduct the completeness review (i.e., 10 business days) while ensuring that the 60-day deadline for Application submission, following Energy Safety's approval of the Plan, is met pursuant to Public Utilities Code, Section 8388.5(e)(1). SPD's report is solely for completeness review; it is not a substantive review or disposition of the Application and it in no way limits the Commission's or staff's

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

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

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

Phase 2 – Application Submission and Review:

These *Guidelines* recognize that Plans approved by Energy Safety will have been found to show that implementation of the Plan will substantially increase reliability and substantially reduce wildfire risk, as required in Public Utilities Code, Section 8388.5(d)(2). The Commission will then review such Plans and either conditionally approve or deny the costs, as presented in the subsequent Application.

Application Submission Requirements:

Applications submitted to the Commission seeking conditional approval of Plan costs shall meet all the following requirements.

Submission Deadline:

Applications for Commission review, and conditional approval or denial of the Plan’s costs, as such conditional approval is described herein, must be submitted to the Commission within 60 days following Energy Safety’s approval of the Plan.

Application Type:

Applications shall be submitted according to the Commission’s Rules of Practice and Procedure and any other requirements set forth in the Commission Resolution adopting these *Guidelines*.⁸ Each section of the Application shall indicate the person who sponsors the section and would serve as a witness if evidentiary hearings are required.

Application Submission:

The Application shall be filed and served with the Commission’s Docket Office, with a copy to the Commission’s Chief Administrative Law Judge, the service list for the large electrical corporation’s most recent general rate case (GRC), the SB 884 notification list linked here,⁹ as updated, SB884@cpuc.ca.gov, and any other service lists, as determined by the large electrical corporation, that will cause the Application to broadly reach interested parties. A copy of the application should also be sent to each communications company that has equipment on poles where undergrounding is planned.

Application Requirements:

For the purposes of these *Guidelines*, all program and project costs reported in the Application shall include the standard project costs including, but not limited to, program management, project execution, design, estimating, mapping, construction, internal labor, contracted labor, parts, tools, materials, overhead, and

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

⁹ The SB 884 notification list is periodically updated and uploaded to CPUC SB 884 webpage: <https://www.cpuc.ca.gov/about-cpuc/divisions/safety-policy-division/risk-assessment-and-safety-analytics/electric-undergrounding-sb-884>.

permitting. In addition, all ratepayer impacts shall be broken out by all ratepayer classifications (e.g., residential, agricultural, commercial, etc.) to the extent such information is available.

All cost and Cost-Benefit Ratio (CBR) data, required as described below, shall be supported by workpapers and Excel worksheets included with the Application submission.

The following is a list of required contents in Applications:

- 1) The Application shall present both capital and operating expense cost forecasts for each year of the 10-year Application period, consistent with the cost targets presented in the Plan approved by Energy Safety.
- 2) The Application shall clearly identify all undergrounding targets (e.g., miles to underground together with their conversion rate¹⁰) and cost forecasts¹¹ in the Plan that overlap with undergrounding targets and any and all related targets and cost forecasts either approved or under consideration in the large electrical corporation's most recent GRC or any other cost recovery venues. Furthermore:
 - a) Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts approved in the most recent GRC or other cost recovery venue, such undergrounding targets and costs shall be clearly identified and associated costs will be excluded from consideration for recovery in the Application.
 - b) Where undergrounding targets and cost forecasts in the Application overlap with undergrounding targets and cost forecasts still under consideration in a GRC or other cost recovery venue, the Application shall specify which overlapping targets and costs are under consideration and identify the proceeding or advice letter in which the Commission is considering them. The Application shall propose in which venue the Commission should consider the overlapping costs. Both costs and the corresponding mileage must be paired and presented for consideration in a single venue.
 - c) The Application shall include a detailed description of the controls the large electrical corporation will implement to ensure that undergrounding costs related to execution of the Plan are incremental to any other costs approved by the Commission.
- 3) The Application shall include the large electrical corporation's best estimate, including all underlying assumptions, of the proposed annual revenue requirements and proposed ratepayer impacts for each year that the large electrical corporation proposes will be necessary for rate recovery of the Application's forecasted annual costs.
- 4) The Application shall identify, for each year of the 10-year Application period, any forecast wildfire mitigation costs that will be reduced, deferred, or avoided because of implementing the proposed undergrounding Plan (e.g., vegetation management), collectively "savings," and how spending on such programs or areas of work will be affected, including any cost reductions, deferrals, or avoidances that are expected to continue beyond the 10-year Application period and the time period

¹⁰ As used in this context, "conversion rate" means the ratio of underground mileage required to replace the equivalent overhead lines. Given prior evaluation of undergrounding requests in other Commission proceedings, it is known that a mile of undergrounding corresponds to replacement of less than one mile of overhead assets.

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

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

- a) The Application shall distinguish between forecast costs already approved by the Commission for recovery and forecast costs that have not yet been the subject of a request for recovery.
 - b) For forecast costs already approved by the Commission for recovery, the Application shall identify any accounts used to track such costs; the amounts in each such account; and the Commission decision(s) authorizing recovery.
 - c) The application shall explain the proposed disposition of all identified savings and explain the methodology by which the Commission can ensure that all identified savings are passed on to ratepayers.
- 5) The Application shall include cost forecasts for each year of the 10-year Application period that, at a minimum, result in feasible and attainable cost reductions as compared to the large electrical corporation's historical undergrounding costs.
 - a) Cost forecasts shall be provided for each projected year in the 10-year Plan.
 - b) Annual historical undergrounding unit costs shall be provided for the previous 10 years, with separate categories for Rule 20 projects, other undergrounding projects, and wildfire mitigation projects, as available.
 - c) Comparisons between the Plan's unit cost targets and historical undergrounding unit costs shall be provided using the average historical wildfire mitigation undergrounding costs for the previous three years (before the Plan's first year). The comparison shall include a statement of how the targeted cost reductions are feasible and attainable compared to historical costs.
 - 6) The Application shall include an explanation of how the cost forecasts are expected to decline over time due to cost efficiencies and economies of scale.
 - 7) The Application shall include a description of a strategy for achieving cost reductions over time per Public Utilities Code, Section 8388.5(e), which may include factors other than cost efficiencies or economies of scale such as, but not limited to, identifying, developing, and deploying new technologies.
 - 8) The Application shall present the forecasted average Cost-Benefit Ratio (CBR) across all projects expected to be completed in each of the 10 years of the Application period, broken out by year and for the total Application period. Cost and Benefits must be calculated as defined in Commission Decision (D.)22-12-027¹³ or its successor. The calculated annual and total benefits must relate to the mitigation of overhead line miles, not miles of undergrounding.¹⁴ If projects will include secondary lines and service drops, those costs and benefits must be included.

¹² For examples of cost benefits that may be appropriate to include, refer to the Lawrence Berkeley National Laboratory white paper. Peter H. Larsen, "A method to estimate the costs and benefits of undergrounding electricity transmission and distribution lines" in *Energy Economics* Vol. 60, 2016 pp. 47-61. Please note that this methodology is referenced for illustrative purposes only. Different methodologies and/or cost categories may be appropriate to include.

¹³ CBR is calculated by dividing the dollar value of Mitigation Benefit by the Mitigation cost estimate. See D.22-12-027 Phase II Decision Adopting Modifications, Risk-Based Decision-Making Framework, Appendix A, p. A-3.

¹⁴ Based on information provided in PG&E's wildfire mitigation plans and current general rate case, the overhead to underground conversion rate is approximately 1.25. This means that it would require PG&E approximately 125 miles of underground circuit

- 9) The Application shall include the forecasted CBRs across all projects, broken out by year and for the total Application period, for each alternative wildfire mitigation hardening method considered, in place of undergrounding, including forecasted CBRs for combinations of non-undergrounding hardening mitigation measures. The calculated annual and total benefits must relate to the mitigation of overhead line miles, including any secondary lines and service drops, not miles of undergrounding.
 - a) The large electrical corporation shall use reasonable and comparable assumptions in its calculations of forecasted CBRs for both undergrounding and each alternative wildfire mitigation method considered, including combinations thereof.
- 10) The Application shall include a description of any substantial improvements in safety risk and reduction in costs compared to other hardening and risk mitigation measures over the duration of the Plan.
 - a) Substantial improvements in safety risks shall be substantiated using the above required benefits calculations by comparing undergrounding benefits to alternative hardening and risk mitigation measures, including combinations of alternative measures.
 - b) Reduction in costs shall be substantiated using the same cost calculations as required above by comparing undergrounding costs to alternative hardening and risk mitigation measures, including combinations of alternative measures.
- 11) For each project included in the Plan and Application, the large electrical corporation shall provide, at a minimum, all data listed in Appendix 1 in tabular format.¹⁵ This information shall be provided as both a Microsoft Excel file and searchable pdf file¹⁶ to supplement the Application. The data listed in Appendix 1 is preliminary, and will be refined in consultation with Energy Safety, as it develops Plan requirements, to support uniformity where possible.
- 12) For each project included in the Plan and Application, the large electrical corporation shall provide GIS data for all project boundaries in a Geodatabase or other suitable format.¹⁷
 - a) The GIS data shall include the entire circuit within which projects are planned and indicate the locations of which segments will be undergrounded.
 - b) The GIS data shall identify the locations of circuit segments that will continue to support overhead transmission lines (if any) after distribution lines are undergrounded.
 - c) The GIS data shall indicate the locations of poles which have lease agreements with communications companies, and which are jointly owned.
- 13) The Application shall include a list of all non-ratepayer moneys (i.e., third-party funding) the large electrical corporation has applied for and/or received to minimize the Plan’s costs on ratepayers. At a minimum, for each potential source of third-party funding, the list shall include:
 - a) The source of third-party funding;

miles to convert 100 miles of overhead infrastructure to underground. As such, calculated benefits would relate to the 100 miles of overhead infrastructure undergrounded and not the 125 miles of undergrounding required to do so. The underground conversion rate will vary per large electrical corporation.

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

¹⁶ See Rules of Practice and Procedure: California Code of Regulations Title 20, Division 1, Chapter 1. Article 1, Rule 1.3(b) for complete submission requirements of pdf files.

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

- b) The date when third-party funds were requested;
 - c) The amount of funding requested;
 - d) The status of the request, including funding already received;
 - e) Next steps, including timelines for processing of the funding request; and
 - f) The amount of funding granted/authorized (if any).
- 14) The Application shall include a description of how any net tax benefits associated with the third-party funding will be disposed of to the benefit of ratepayers.
- 15) The Application shall include a statement affirming costs, tax benefits, and tax liabilities associated with federal funding sources used to fund projects included in the Plan are being tracked consistent with Resolution E-5254.¹⁸
- 16) The Application shall include an attestation that the large electrical corporation will continue to search and apply for third-party funding to reduce the cost of the Plan to ratepayers throughout the duration of the Plan.
- 17) The Application shall include a description of how the large electrical corporation plans to coordinate with communication companies to maximize benefits to California, including but not limited to:
- a) The ownership and use of existing utility poles where undergrounding projects are planned;
 - b) How the large electrical corporation will address the affected shared poles, including who will own and maintain the poles if the responsible communication provider opts not to concurrently underground their infrastructure;
 - c) The full array of currently offered or discussed proposals for how to add conduit for such communication companies in the large electrical corporation's trenches, including, wherever possible, the proposed unit costs associated with such offerings or proposals.
- 18) The Application shall include a plan of how and when the large electrical corporation will remove poles from its rate base whose ownership is transferred to a communications company.
- 19) The Application shall include workforce development cost forecasts for each year of the plan.
- 20) The Application shall include a copy of the Plan approved by Energy Safety.

Public Workshop & Comments:

The Commission will facilitate a public workshop for presentation of the Application and take public comment for at least 30 days in accordance with Public Utilities Code Section 8388.5(e)(4). Formal comments from the workshop will be solicited by a ruling in the proceeding, and a workshop report provided by the parties who participated in the workshop may be ordered.

Conditions for Approval of Plan Costs:

Public Utilities Code, Section 8388.5(e)(1) specifies that an Application may request “conditional approval of the plan’s costs...” To protect ratepayers from unexpected and inefficient cost overruns, the Commission establishes the following conditions for any costs booked to the one-way balancing account established in Phase 2:

¹⁸ Resolution E-5254 adopted procedural mechanisms for review and approval of electric and gas investor-owned utility cost recovery requests related to various federal funding and grant programs. Resolution E-5254 is available on the Commission’s website at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M506/K016/506016078.PDF>.

- 1) Total annual costs must not exceed a cap based on the approved cost cap for that specific year.¹⁹
- 2) Third-party funding obtained, if any, shall be applied to reduce the established cost cap for the specific year in which the third-party funding is obtained, so that ratepayers receive the benefit. The large electrical corporation shall file an advice letter documenting which annual cost caps are reduced based on third-party funding received.
- 3) The average recorded unit cost for all projects completed in any given two-year period (the current year, and the prior year) must not exceed the approved average unit cost cap for the current year. The unit costs shall be calculated per mile of undergrounding performed, rather than per mile of overhead replaced, to focus on reduction of construction costs.
- 4) The average recorded CBR²⁰ for all projects completed in any given two-year period (the current year, and the prior year) must equal or exceed the approved threshold CBR value²¹ for the current year.
- 5) Any further reasonable conditions supported by the record of the proceeding and adopted by the Commission in the Phase 2 Decision.

Phase 3 – Review of Memorandum Account Recorded Costs for Rate Recovery:

Phase 3 of the program will be initiated if the Commission conditionally approves a Phase 2 Application submitted by a large electrical corporation. During Phase 3, the large electrical corporation will execute its undergrounding Plan in accordance with the Resolution adopting these *Guidelines*, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to the SB 884 program, the large electrical corporation shall also report on its progress, and begin booking costs to the one-way balancing account established in Phase 2, which shall remain subject to periodic audits, and refund if the Commission so orders. In Phase 3, the large electrical corporation may also request rate recovery (via a separate Phase 3 Application) for any implementation costs that do not meet the Phase 2 Conditions, and were recorded in the designated memorandum account. The large electrical corporation may only seek recovery for costs recorded in the memorandum account by filing a Phase 3 Application. The purpose of any Phase 3 Application will be to determine whether the costs recorded in the memorandum account meet the conditions set forth in the “Conditions for Approval of Recorded Costs in Memorandum Account” section below. When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be just and reasonable. No more than one Phase 3 Application may be filed each year.

The elements of recorded costs must be consistent with the elements included in the costs presented in the Application, including but not limited to, program management, project execution, design, estimating, mapping, construction, internal labor, contracted labor, parts, tools, materials, overhead, and permitting.

¹⁹ Any costs exceeding the cap shall be recorded in a memorandum account and are subject to review and approval as described in the Phase 3 section of these *Guidelines*.

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

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

The Phase 3 Application must include, at a minimum, all biannual progress reports and annual compliance reports submitted pursuant to this program, relevant information from wildfire mitigation plan filings and compliance reports, and the following program data presented in Table 1 for the requested recovery period.²² The project data that supports the program recorded cost values requested for recovery shall be provided in tabular format in a sortable Excel spreadsheet. Additional data requirements for a Phase 3 Application may be included in the Phase 2 Decision.

Table 1: Conditionally Approved Target and Actual Recorded Cost Data

Conditionally Approved Targets for the Recovery Period	Actual Recorded Costs in the Recovery Period
Program Cost	Program Cost
Program CBR	Program CBR
Program Unit Cost	Program Unit Cost
	Project Data for the Recorded Projects

Conditions for Approval of Recorded Costs in Memorandum Account:

To further protect ratepayers from unexpected and inefficient cost overruns:

- 1) The Commission will closely scrutinize any Phase 3 Application to determine whether the costs recorded were prudently incurred, incremental to other funding granted to the large electrical corporation, and just and reasonable.
- 2) When making these determinations the conditions set forth in the Resolution adopting these *Guidelines*, the Commission’s Phase 2 Decision, and any other Commission decision on an Application submitted pursuant to SB 884 should be considered in light of the fact that such costs must be just and reasonable.
- 3) No costs recorded to the memorandum account established in the Commission’s Phase 2 Decision shall be approved unless and until the large electrical corporation has shown that it has applied all third-party funding previously received to reduce its relevant balancing account cost cap.
- 4) No costs recorded to the memorandum account established in the Commission’s Phase 2 Decision shall be approved unless such costs are consistent with the approved Plan.

Progress Reports:

Public Utilities Code Section 8388.5(f)(1) requires large electrical corporations with approved Plans and conditionally approved Applications to file progress reports every six months with both Energy Safety and the Commission. Because the progress reports are filed with multiple agencies and at the same time, these *Guidelines* anticipate that Energy Safety and Commission staff will collaborate to develop a singular set of requirements for these reports. Aligning the requirements for these progress reports may eliminate any unnecessary duplication of effort and optimize efficiency of available resources. However, it is possible that each agency will require distinct information in the progress report. Staff understand that Energy Safety

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

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

- 1) Total recorded costs to date;
- 2) Third-party funds received, with an explanation of how third-party funding was used to reduce the burden on ratepayers;
- 3) Average recorded CBR for completed projects in any given two-year period;
- 4) Average recorded unit cost per mile of undergrounding for completed projects in any given two-year period;
- 5) Miles of overhead replaced by undergrounding by circuit protection zone or isolatable circuit segment;
- 6) Miles of undergrounding completed by circuit protection zone or isolatable circuit segment;
- 7) GIS data showing location and status of each project (in Geodatabases or other suitable format);²⁴
- 8) An updated list of all third-party funding the large electrical corporation has applied for, as specified in Application Requirements 13-15; and
- 9) Total and average avoided costs and workpapers showing calculation of avoided costs.

Wildfire Mitigation Plan Integration:

Public Utilities Code Section 8388.5(f)(2) requires large electrical corporations to include ongoing work plans and progress relating to their undergrounding plans in annual wildfire mitigation plan filings. Staff understands that further guidance on incorporating this information into annual wildfire mitigation plan filings will be provided by Energy Safety.

Compliance Reports:

Public Utilities Code Section 8388.5(f)(3) requires a large electrical corporation with an approved Plan and conditionally approved Application to hire an independent monitor selected by Energy Safety. The independent monitor must assess whether the large electrical corporation's progress on undergrounding work is consistent with the objectives identified in its approved Plan.²⁵ For each year the Plan is in effect, the independent monitor must annually produce a compliance report detailing its assessment by December 1.²⁶ The independent monitor's compliance report must also specify any failure, delays, or shortcomings of the large electrical corporation and provide recommendations for improvements to accomplish the objectives set forth in the approved Plan.²⁷

Changes to the Plan:

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

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

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

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

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

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

Penalties:

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

Appendix 1: SB 884 Project List Data Requirements-Preliminary²⁸

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

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

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

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

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

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

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

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

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

Appendix 2: Statutory Requirements Cross-Reference

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

Code Section	Statutory Language	Guidelines Section (Page Number)
8388.5(e)(6)	The commission shall consider continuing an existing commission-approved balancing account ratemaking mechanism for system hardening for the duration of a plan, as determined by the commission, and shall authorize recovery of recorded costs that are determined to be just and reasonable.	SB 884 Program Process and Requirements (p. 6-7), Conditions for Approval of Plan Costs(p. 12) , Phase 3 (p. 13, 14) ,and Progress Reports (p. 14)
8388.5(i)(2)	The commission may assess penalties on a large electrical corporation that fails to substantially comply with a commission decision approving its plan.	Background (p. 4) , and Penalties (p. 15)
8388.5(j)	Each large electrical corporation participating in the program shall apply for available federal, state, and other no ratepayer moneys throughout the duration of its approved undergrounding plan, and any moneys received as a result of those applications shall be used to reduce the program’s costs on the large electrical corporation’s ratepayers.	Background (p. 4) Application Requirements (p. 11), Conditions for Approval of Plan Costs(P. 12) Conditions for Approval of Recorded Costs in Memorandum Account (14), and Progress Report (p. 14)