FACT SHEET

CPUC DECISION IN SB 884 UNDERGROUNDING PROGRAM

THE RIGHT UNDERGROUNDING PROJECTS, IN THE RIGHT PLACES, AS QUICKLY AS POSSIBLE

Overview

- California needs more undergrounding to reduce wildfire risk and improve electric reliability. It also needs to direct undergrounding investments to the portions of the grid where they can deliver the greatest safety benefits and make the most effective use of limited ratepayer dollars.
- The California Public Utilities Commission's (CPUC) Nov. 19, 2026, decision establishes additional rules for the voluntary, expedited 10-year undergrounding program created by Senate Bill (SB) 884. The rules are designed to help identify the right projects, in the right places, while maintaining accountability for costs recovered from customers.
- The decision:
  - » Adopts a standardized methodology for calculating the benefit-cost ratio (BCR) of proposed undergrounding projects and alternative wildfire mitigations;
  - » Specifies an audit framework for verifying that undergrounding projects meet the program's requirements; and,
  - » Establishes additional cost recovery conditions to protect ratepayers.

How the CPUC's Decision Benefits Californians

The decision is designed to reduce wildfire risk, improve electric reliability, and ensure that ratepayer-funded undergrounding investments deliver meaningful and measurable benefits.

- **Targets the Highest-Risk Portions of the Grid:** The decision establishes a standardized framework for evaluating and prioritizing undergrounding projects in Tier 2 and Tier 3 High Fire-Threat Districts and wildfire rebuild areas. Under the decision, undergrounding plans must prioritize projects based on wildfire risk reduction, reliability benefits, and cost-efficiency.
- **Selects the Right Mitigation for Each Location:** Undergrounding can be highly effective, but other measures, including covered conductor and advanced protection technologies, may sometimes deliver comparable safety benefits at lower cost. The decision requires utilities to compare undergrounding with feasible alternative mitigations so that limited resources can protect more Californians.
- **Creates Standardized Project Evaluation:** The decision requires participating utilities to use a common benefit-cost methodology when evaluating undergrounding projects and alternative mitigation measures. This is intended to improve consistency, transparency, and comparability across utilities.

- **Protects Customers as Projects Develop:** Because many projects will not be fully scoped during the CPUC's initial review, the decision requires the use of more refined project information as projects move toward construction.
- **Pairs Regulatory Certainty with Accountability:** The decision requires ongoing oversight through independent audits, project-level reviews, and additional cost recovery conditions designed to verify that projects continue to satisfy the assumptions and performance thresholds underlying the SB 884 program.

Overall, the decision establishes additional rules governing how the costs associated with 10-year undergrounding plans are evaluated under SB 884, while supporting the statute's objectives of reducing wildfire risk, improving reliability, and promoting cost efficiencies.

SB 884 and Expedited Undergrounding

- The SB 884 program represents one of several different regulatory pathways that are available to utilities for seeking review and approval of undergrounding costs for recovery in rates.
- In contrast to traditional regulatory pathways such as the General Rate Case, where utilities present investments across four years, the SB 884 program offers an expedited review process (under SB 884, the CPUC must review any utility plan within nine months) and it offers the opportunity to the utilities to present undergrounding plans across 10 years.
- Under SB 884, the longer-term, 10-year review and planning horizon is intended to facilitate, among other things, economies of scale, a sustainable supply chain, and declining costs over time, with the goal of ultimately benefiting ratepayers.

Review Across Three Phases

- The SB 884 program occurs across three phases:
  - During Phase 1, the Office of Energy Infrastructure Safety (Energy Safety) reviews each utility's 10-year undergrounding plan, analyzes its risk reduction capabilities, and either denies or approves the plan.
  - If Energy Safety approves the 10-year plan, then, during Phase 2, the CPUC reviews the plan's forecasted costs and benefits and may conditionally approve costs within nine months.
  - Assuming costs are conditionally approved by the CPUC, during Phase 3, the utility undergrounds its lines, reports on its progress, records and recovers its costs, and an annual independent audit is undertaken to ensure costs recorded to the program's balancing account comply with the program's cost recovery conditions.

More Accurate Forecasts and Additional Cost Recovery Conditions

Due to the SB 884 program's longer-term, 10-year planning horizon, the CPUC's Resolution SPD-37 previously recognized that many project forecasts available during the CPUC's Phase 2 review will not be

sufficiently precise to adequately protect ratepayers because most projects have not yet been fully scoped. The decision addresses this issue by adopting additional cost recovery conditions that rely on more refined project information that becomes available later in project development.

The decision adds new requirements that are intended to compare:

1. Actual project costs and updated project information against forecasts developed after projects are fully scoped; and,
2. Undergrounding projects against alternative wildfire mitigation options using the adopted benefit-cost framework.

The decision finds that using more mature project information and forecasts will further protect ratepayers and help ensure that costs recovered through the program are just and reasonable.

Why Cost-Effectiveness Matters for Wildfire Safety

- California's wildfire risk is widespread, while ratepayer resources are limited. The decision recognizes that undergrounding can be highly effective at reducing wildfire risk and improving reliability, but it is also among the most expensive wildfire mitigation measures available.
- According to a recent CPUC report to the Governor, undergrounding distribution lines currently costs approximately $2.3 million to $5.6 million per mile, and undergrounding all distribution lines located within California's High Fire-Threat Districts would require an estimated $92 billion to $224 billion in capital investment.
- At the same time, wildfire-related costs already account for approximately 10 to 14 percent of a typical residential electric bill for California's three largest electric utilities.
- Because resources and customer affordability are not unlimited, the decision requires utilities to evaluate undergrounding alongside other available wildfire mitigations. When another mitigation can deliver comparable safety benefits at substantially lower cost, those savings may allow utilities to reduce wildfire risk across additional communities.
- The decision's benefit-cost framework is intended to help direct undergrounding investments toward projects that provide meaningful safety and reliability benefits while making the most effective use of limited ratepayer dollars.

Benefit-Cost Test Under the Decision

The decision adopts a standardized benefit-cost methodology for evaluating undergrounding projects.

- **Each Project is Measured by a BCR:** The value it delivers divided by its cost. The decision finds that a BCR of 1 means the project's benefits exactly equal its costs; a BCR of 2 means each dollar spent returns $2 of value.
- **Benefits Included in the Analysis:** Under the decision, benefits considered in the BCR may include:
  - » Estimated wildfire risk reduction;
  - » Estimated reliability improvements, including avoided outages; and,

  - » Estimated operations and maintenance savings (i.e., O&M Savings or Avoided Costs) associated with undergrounding.
- **Costs Included in the Analysis:** The decision refines what counts as costs in the BCR test. The decision finds that the full cost of building the project (i.e., Capital Costs) plus the cost of operating and maintaining it (i.e., O&M Costs) over its life, all expressed in today's dollars.
- Under the decision, the project must meet the following:
  - » **Test 1** Benefits must at least equal costs, meaning a BCR of 1 or more; and,
  - » **Test 2** Undergrounding must perform under the BCR test at least as well as the best wildfire mitigation alternative for the same line, such as covered conductor (overhead wire with a protective covering).
- **BCR Methodology Under the Decision:**
  - » **Uniform Framework:** The decision requires every project submitted through SB 884 be evaluated under the same benefit-cost framework, with common definitions for each component (costs, risk reduction, and discounting) applied uniformly across all three utilities.
  - » **Costs:** The present value of the revenue requirement for building the project, plus the present value of its incremental operating costs (i.e., O&M Costs), discounted consistently with benefits and kept as close to final project costs as possible.
  - » **O&M Savings are a Benefit:** The decision finds that O&M savings, such as reduced expenses for vegetation management and overhead line inspections, are a benefit and are appropriately placed in the numerator of the BCR (as a benefit and an output rather than subtracting them from costs). The decision finds that this prevents the BCR ratio from turning negative when O&M savings are large.
  - » **Uniform Risk Scaling:** Unless and until the CPUC adopts a unified risk scaling function in a separate proceeding, the decision requires the utilities to use unscaled (i.e., risk-neutral) risk values in their 10-year plans. Unscaled values still include rare, catastrophic fires in the risk calculation, and the decision finds that applying the same approach to all three utilities keeps projects comparable.
  - » **Common Discount Rate:** The decision finds that because undergrounding costs are incurred upfront while many benefits occur in the future, the CPUC must translate future costs and benefits into comparable present-day values. The decision requires each utility to discount both costs and benefits using its cost of capital, applied the same way to undergrounding and to alternative mitigations.
  - » **Measures Reliability Benefits Where They Occur:** The decision recognizes the importance of electric reliability and the value of avoiding outages. It requires reliability benefits to be measured based on the customers and communities that would actually benefit from a proposed undergrounding project, rather than relying on broad system-wide averages. The methodology distinguishes among residential and non-residential customers and accounts for differences between customers located inside and outside High Fire-Threat Districts. This approach is intended to ensure that reliability benefits are measured accurately and attributed to the people and places the investment is designed to serve.