FACT SHEET

CPUC Proposed Decision in SB 884 Undergrounding Program

Implementing Additional Rules For California's Expedited Undergrounding Program

Overview

- On Oct. 16, 2026, the California Public Utilities Commission (CPUC) issued a Proposed Decision in Application (A.) 26-02-005 to further implement Senate Bill (SB) 884. The Proposed Decision will be on the CPUC's Nov. 19, 2026, Voting Meeting agenda for consideration.
- SB 884 requires the establishment of a voluntary and expedited 10-year undergrounding program for California's large electrical corporations (i.e., Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E)).
- SB 884 is intended to reduce utility wildfire risk, improve reliability, and achieve cost efficiencies.
- Under SB 884, 10-year undergrounding plans are first reviewed by the Office of Energy Infrastructure Safety (Energy Safety) and then submitted to the CPUC for review of forecasted costs and potential conditional approval of cost recovery.
- If adopted by the CPUC's Commissioners, the Proposed Decision would:
  - Adopt a standardized methodology for calculating the benefit-cost ratio (BCR) of proposed undergrounding projects and alternative wildfire mitigations;
  - Specify an audit framework for verifying that undergrounding projects meet the program's requirements; and,
  - Establish additional cost recovery conditions to protect ratepayers.

Key Elements of the CPUC's Proposed Decision

The Proposed Decision implements SB 884 by establishing a common statewide framework for reviewing undergrounding costs for recovery in rates.

- **Prioritizing Undergrounding in High Fire-Risk Areas:** The Proposed Decision would establish 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 Proposed Decision undergrounding plans must prioritize projects based on wildfire risk reduction, reliability benefits, and cost-efficiency. The Proposed Decision adopts requirements for evaluating projects and comparing them to alternative mitigations.

- **Standardized Project Evaluation:** The Proposed Decision would require 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.
- **Comparison of Undergrounding and Alternatives:** The Proposed Decision would require undergrounding projects to be evaluated against alternative mitigation measures using the adopted methodology and evaluation criteria.
- **Additional Ratepayer Protections:** The Proposed Decision would establish additional conditions governing cost recovery and project performance before certain costs may be recovered through the SB 884 program.
- **Accountability After Approval:** The Proposed Decision would require 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 Proposed Decision would establish 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 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 conditionally approves costs.
  - 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 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 Proposed Decision addresses this issue by adopting additional cost recovery conditions that would rely on more refined project information that becomes available later in project development.

The Proposed Decision would add 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 Proposed 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.

Benefit-Cost Test Under the Proposed Decision

The Proposed Decision would adopt 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 Proposed 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 two dollars of value.
- **Benefits Included in the Analysis:** Under the Proposed 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 Proposed Decision refines what counts as costs in the BCR test. The Proposed 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 Proposed 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 Proposed Decision:

- **Uniform Framework:** The Proposed 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 Proposed 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 Proposed 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 Proposed 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 Proposed Decision finds that applying the same approach to all three utilities keeps projects comparable.
- **Common Discount Rate:** The Proposed 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 Proposed 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.
- **Recognizing the value of electric reliability:** The Proposed Decision uses the Lawrence Berkeley National Laboratory's Interruption Cost Estimate Calculator to estimate the value of avoided outages and distinguish values among residential and non-residential customers. The Proposed Decision finds it reasonable to incorporate values of avoided outages between customers residing inside and outside high-fire-threat districts.

Next Steps Regarding the Proposed Decision

- Written comments by parties to A.26-02-005 on the Proposed Decision are due by Nov. 5, 2026, with reply comments due by Nov. 10.
- The public can comment on the proceeding's Docket Card.
- The Proposed Decision may be modified in response to comments.
- The Proposed Decision is currently scheduled to be on the Nov. 19, 2026, CPUC Voting Meeting agenda.