Post-Workshop Questions for Stakeholders Regarding the CPUC SB 884 Guidelines

April 11, 2025

Instructions:

- If any question in this document calls for a "yes" or "no" answer, please explain your answer rather than simply providing a one-word answer.
- The reference to Office of Energy Infrastructure Safety (Energy Safety) Guidelines are available at https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=58006&shareable=true.
- The Commission SB-884 Guidelines refers to Resolution SPD-15, available at https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M526/K984/526984185.pdf

Definitions:

- **Cost Benefit Ratio (CBR**): calculated by dividing the dollar value of Mitigation Benefit by the Mitigation cost estimate.[1]
- **Circuit Segment**: refers to a specific portion of an electrical circuit that can be separated or disconnected from the rest of the system without affecting the operation of other parts of the network. This isolation is typically achieved using switches, circuit breakers, or other control mechanisms.[2]
- **Electric Undergrounding Program (EUP):** an expedited utility distribution infrastructure undergrounding program established by the CPUC pursuant to section 8388.5(a).[3]
- **Investor Owned Utility (IOU)**: Utility regulated by the Commission that seeks SB 884 cost recovery or submits an SB 884 Application or seeks Energy Safety approval for an SB 884 Plan.
- **Key Decision-Making Metric (KDMM):** Energy Safety's 10-Year Electrical Undergrounding Plan Guidelines describe Key Decision-Making Metrics as a collection of top-level metrics that the Large Electrical Corporation is allowed to use to evaluate the efficacy of an Undergrounding Project. They do not reflect financial considerations. The utility must report on seven mandatory KDMMs, and may include 5 additional KDMMs of its choice. The mandatory KDMMs include Ignition Risk and Outage Program Risk.[4]
- **Memorandum Account (MA):** In the context of Senate Bill (SB) 884 Program: CPUC Guidelines, the Memorandum Account refers an account where a large electrical corporation may record implementation costs that do not meet the Phase 2 Conditions. In Phase 3, the large electrical corporation may file an application and request rate recovery for these costs.
- **Office of Energy Infrastructure Safety (Energy Safety) Guidelines**: explained in "Instructions," above.
- **Phase 2 Conditions (Conditions):** The Phase 2 Conditions will include, but are not limited to, a total annual cost cap, two-year rolling average recorded unit cost cap, two-year rolling average recorded CBR threshold, and applying third-party funding to reduce the cost cap.[5]

[1] D.24-05-064, Appendix A at A-3. A higher CBR means more risk reduction is achieved for the same amount of cost, indicating greater cost-efficiency. For example, if Project A has a CBR of 2.0 and Project B has a CBR of 1.0, Project A delivers twice the risk reduction benefit per dollar spent compared to Project B.

[2] This concept refers to the same concept found within the Energy Safety Guidelines Appendix A.

[3] Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, A-1.

[4] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.7.3 at 31-32.

[5] For details see SPD-15, SB-884 Program: CPUC Guidelines at 10-11.

- **Protective Equipment and Device Settings (PEDS)**: advanced safety settings implemented by electric IOUs on electric utility powerlines to reduce wildfire risk.[6]
- **SB 884 Project List Data Requirements**: the list of data fields that the utility must complete for each project the utility includes in its EUP cost recovery Application. This data set must be submitted with the initial cost recovery Application and updated in the six-month progress reports. The detailed requirements are listed in Appendix 1 of SPD-15 or any future update to Appendix 1.
- **Screen 2 (Project Information and Alternative Mitigation Comparison)**: confirms there is sufficient information available on a Circuit Segment and requires comparison of undergrounding to alternative mitigations in order to determine which Eligible Circuit Segments can be treated as Undergrounding Projects.[7]
- **Screen 3 (Project Risk Analysis)**: the procedure for evaluating an individual Undergrounding Project in the context of the Portfolio of Undergrounding Projects and includes information obtained through the project development process resulting in a list of Confirmed Projects.[8]
- **Screen 4 (Project Prioritization and Finalization):** the procedure for prioritizing Confirmed Projects using the means of prioritization approved by Energy Safety in the Electrical Undergrounding Plan (EUP).[9]
- **Undergrounding Project**: an Eligible Circuit Segment that has completed Screen 2 including the SB 884 Project List Data Requirements from Appendix 1 of SPD-15 or any future update to Appendix 1.

A. Should the Commission Consider Supplementing the Phase 2 Application Requirements?

Background:

SPD-15 included a list of 20 requirements that must be included in any Application submitted to the Commission seeking conditional approval of Plan costs. Would it be appropriate for the Commission to consider adding the following requirements?:

1. Include the data associated with the list of all projects (SB 884 Project List Data Requirements) as required by Screen 2 of the Energy Safety Guidelines
    a. Require the utility to provide us with a forecasted scope of all projects for the ten-year plan, with the expectation that projects far in the future would change.
    b. This requirement would make it explicit that the Underground Project List, which is an output from Screen 2 in the Energy Safety Guidelines, must be ready for the Commission to review before an Application can be submitted.
2. Require the utilities to provide a detailed explanation for any spans that extend beyond the HFTD for any project included in the Underground Project List from Screen 2 of the Energy Safety Guidelines.[10]
    a. The Energy Safety Guidelines allow for undergrounding circuit segments with assets inside the HFTD, then each span that crosses the Tier 2 or 3 HFTD boundary and up to two adjacent spans outside of a Tier 2 or 3 HFTD may also be included in a project.
    b. This requirement would ask the utilities to provide a detailed explanation regarding why they must include any spans that extend beyond the HFTD.

[6] For details see https://www.cpuc.ca.gov/industries-and-topics/wildfires/protective-equipment-device-settings
[7] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.4.4 at 18-19
[8] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.4.5 at 19-20
[9] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.4.6 at 20
[10] For details see PUC 8388.5(c)(2) and Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.4.3.1 at 16.

3. Require utility to submit a depreciation study with updated information of the type of assets that are impacted by an SB-884 Application
    a. Depreciation studies are typically updated when a utility files its GRC.
    b. Because undergrounding projects have large capital expenditures, there is a potential that depreciation and salvage costs may be contested in an EUP cost recovery Application.
    c. This would require a depreciation study be included in the record, but it should be a depreciation study with updated information since an EUP cost recovery Application will not necessarily be submitted in the same time frame as a GRC.
4. Require both nominal and present value lifetime calculations for the capital expenditures for each project included in the Undergrounding Project List from Screen 2 of the Energy Safety Guidelines [11]
    a. PUC 739.15 specifically calls out the need for greater clarity on the lifetime cost and benefit of a capital expenditure project such as those submitted in an EUP cost recovery Application.
    b. This would require both nominal and present value lifetime calculations for the capital expenditure of each undergrounding project.
5. Require data retention policy for lifetime of EUP for tabular and geodatabase data. This should be required for both the initial application and any of the data updated through the six-month progress reports.
    a. Since there are no additional requirements for data retention related to an EUP, this will require the utility to retain all tabular and geodatabase information submitted as part of the EUP and any data included in six-month progress reports.
    b. Staff intend to hold data template working groups later in the spring.
6. Require utilities to submit the same Key Decision-Making Metrics (KDMM) data for Commission review as provided for in the submission to Energy Safety.

B. What, if Any, Additional Phase 2 Conditions Should the Commission Consider?

Background:

SPD-15 listed five Phase 2 Conditions that must be met for the costs of any project to be booked to a one-way balancing account. The parameters or threshold values of the Conditions will be established in the Phase 2 Decision based on the forecasted numbers presented in the cost recovery Application. As explained in the Instructions above, the five Conditions listed in SPD-15 include a total annual cost cap, a two-year rolling average recorded unit cost cap, a two-year rolling average recorded CBR threshold, a requirement to apply third-party funding to reduce the cost cap, and any further reasonable Conditions supported by the record of the proceeding and adopted by the Commission in the Phase 2 Decision.[12]

1. Should the Commission consider imposing Conditions on the Memorandum Account (MA)? If so, what Conditions should be considered?
    a. Option 1: Establish a maximum total cap for the MA, limiting it to no more than 25% of the total sum of the ten-year annual caps established for the balancing account.
    b. Others?
2. Should the Commission consider assessing the variance between the forecast data submitted according to the SB 884 Project List Data Requirements in the initial cost-recovery Application to

[11] See also PUC 739.15
[12] For details see SPD-15, SB-884 Program: CPUC Guidelines at 10-11.

the Commission and the updated data submitted according to the SB 884 Project List Data Requirements in a six-month progress report and if so how?

   a. Option 1: If the variance between the forecasted CBRs and unit cost of a project presented in an Application compared to the updated CBRs and unit cost of a project presented in a six month Progress Report (after a project passes Energy Safety's Screen 4) exceeds a certain threshold, then all costs for that project must be recorded in the MA.
   b. Others?

3. Should the Commission consider adopting a CBR Threshold, and if so, what should the criteria be?
   a. Option 1: Require all projects to have a CBR greater than a specified value.
   b. Option 2: If a project's recorded CBR is less than a specified value, the utility must provide a detailed justification for this project.
   c. Option 3: After Screen 2, any project ranked below a certain CBR percentile threshold is ineligible for cost recovery via the BA.
   d. Others?
4. Should the Commission consider requiring a comparative CBR analysis of project alternatives? If so, how should this analysis be conducted?
   a. Option 1: If an Undergrounding Project has a CBR above a specified CBR Threshold but the Alternative(s) has a CBR that is a specified amount greater than the Undergrounding Project's CBR, then the undergrounding project should not move forward.
   b. Others?
5. Should the Commission consider applying some of Energy Safety's KDMMs to the Commission's consideration of whether to grant cost recovery for projects and if so, how?
   a. Option 1: After Screen 3, if the reduction in Ignition Risk and/or Outage Program Risk does not meet the required Project Level Standard set in the approved Plan, the project will not be eligible for cost recovery via the one-way balancing account.
   b. Others?

C. What methods could the Commission use to address the Audits and/or Review Procedure?

Background:

The Commission's SB-884 Guidelines require that costs submitted in an SB-884 Application meet certain Conditions (Phase 2 Conditions) before they can be authorized for recovery via a one-way balancing account.[13] That one-way balancing account is subject to audit. If the audit finds that costs were incorrectly recorded or failed to meet the Phase 2 Conditions, the Commission may order a refund. SPD-15 stated that the details of this audit would be determined in a later decision or order. The questions below explore two potential structures for determining whether costs were appropriately recorded to the balancing account:

Questions:

1. Should the Commission consider adopting the following review structure to ensure a rigorous review of the costs associated with an EUP?
   a. Annual post-implementation review process with intervenor participation.
   b. Objectives of the review should include verifying project completion, cost overheads, CBR methodology and an incrementality showing.

[13] The Phase 2 Conditions will include, but are not limited to, a total annual cost cap, two-year rolling average recorded unit cost cap, two-year rolling average recorded CBR threshold, and applying third-party funding to reduce the cost cap. For details see SPD-15, SB-884 Program: CPUC Guidelines at 10-11.

c. Once deemed "used and useful" in a progress report, a project's costs may be included in rate base via an Advice Letter that must be disposed via Commission Resolution.
d. Commission Resolution will determine whether recorded costs met the Phase 2 Conditions and other objectives of the review.
e. Approved costs would enter rates via Annual True-up.

2. Should the Commission instead consider adopting the following review structure to audit the costs associated with an EUP?
    a. Annual audit by independent auditor with CPUC oversight.
    b. Objective of the audit should include verifying project completion, cost overheads, and an incrementality showing.
    c. Once deemed "used and useful" in a progress report, a project's costs may be included in rates via annual True-up and become subject to audit.
    d. If the audit finds that project costs were incorrectly recorded to the Balancing Account, then the utility must issue a refund to ratepayers.
3. Supporting Questions:
    a. How should the timing of the Independent Monitor's (IM) review and the utility's right to correct a deficiency found by the IM within 180 days (PUC 8838.5 (g)(2)) interact with the annual review of the costs of a project?
    b. How should projects that fail to meet key criteria be treated vis-a-vis cost recovery? What key criteria should be considered?
    c. Should intervenors participate in Options 1 and 2 above? If so, how and where?
    d. Should the Commission consider using a different option than 1 or 2 above? If so, explain each step in the proposed process. How and where would intervenor participation be accounted for in the proposed option?

D. How could the Commission address changes to approved projects?

Background:

Changes to project costs and implementation status can impact cost recovery under the SB-884 framework. Except for 25 projects that Energy Safety's Guidelines will require to pass through all four Screens, cost and risk data (including CBR calculations) presented will be associated with projects having passed Screen 2 at the time of Application submittal. However, it isn't until after projects have passed Screen 4 that their full scope is determined and more accurate data associated with project cost and risk (including CBR calculations) are provided. These updated data are expected to be received throughout the life of the 10-year Plans and submitted via the six-month progress reports. Accordingly, how should the Commission handle new costs added to projects after the Phase 2 Decision is issued, based primarily on Screen 2 data? How should the Commission treat costs from abandoned or incomplete projects? The following questions explore potential approaches for managing these changes.

1. Should new costs added to approved projects after the Phase 2 Decision be booked to the Memo Account?
    a. If the updated rolling average CBR falls below the Phase 2 Condition threshold, should all new costs be deemed non-recoverable?
2. Should certain categories of cost overruns (e.g., inflation-driven, safety-driven) be treated differently from discretionary cost increases?

E. Should the Commission include an Appendix with guidance for calculating the CBR of an undergrounding project?

Background:

The calculation of the CBR for undergrounding and alternative projects is a critical factor in determining project eligibility for cost recovery. In addition, the selection of CBR Year Zero[14] plays a pivotal role in accounting for the time value aspect of CBR calculations. Notably, the Energy Safety Guidelines define Total Utility Risk as the sum of Ignition Risk and Outage Program Risk.[15] The following questions explore how utilities should apply existing methodologies and present their results.

1. What level of granularity[16] should the utility use when applying the Interruption Cost Estimator (ICE) Calculator to generate a Monetized Value of Electric Reliability? Should the analysis be based on:
    a. HFTD and PEDS-activated circuits
    b. Operational Region and HFTD[17]
    c. Others?
2. How should the utility calculations of CBR be presented when using the three discount rate scenarios (Weighted Average Cost of Capital, Social and Hybrid) required by D.24-05-064?[18]
3. Since the Energy Safety Guidelines allow the utility to consider an Ignition Tail Risk Threshold and High Frequency Outage Program Threshold,[19] if the utility applies a convex risk scaling function to the calculation of CBR, how should the utility also present calculations that do not apply a convex risk scaling function, as required by D.24-05-064?[20]
4. How should the Commission consider the combined CBR benefits of Ignition Risk reduction and Outage Program Risk reduction, given that a proposed mitigation may also reduce outage program risk?
    a. Option 1: Calculate the CBR benefit based on the Ignition Risk reduction only.
    b. Option 2: Calculate the CBR benefit based on a combination of Ignition Risk reduction and Outage Program Risk reduction?
        i. Should the CPUC assume mutual exclusivity between Ignition Risk and Outage Program Risk when aggregating the CBR benefits? If not, how should these risks be comibined?
5. What is the appropriate point in time for utilities to use as CBR Year Zero in CBR calculations?
    a. Option 1: The first year of application cycle.
    b. Option 2 : The year the project is expected to become used and useful.

[14] The year that all Costs and Risk Reductions are discounted to for the purpose of CBR calculations.
[15] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.7.3 at 31.
[16] "Level of granularity," as used in this context, refers to the spatial scale at which it is expected the utility will organize data inputs for use with the ICE Calculator.
[17] For details see R.20-07-013, ALJ Ruling Entering Phase 4 Technical Working Group Materials and Related Staff Proposal into the Record and Setting Comment Schedule, Attachment 2: Proposed Data Template Guideline for RAMP and GRC Applications, February 7 at 5 and 18-19.
https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M556/K602/556602764.PDF
[18] See the requirement in D.24-05-064 at 102-105 and D.24-05-064, Appendix A, Row 25.
[19] For details see Energy Safety 10-Year Electrical Undergrounding Plan Guidelines, Section 2.7.9.1 at 42.
[20] See the requirement in D.24-05-064 at 97-98 and D.24-05-064, Appendix A, Row 7.