

Decision 84-10-005 October 3, 1984

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Re Resolution E-1930 authorizing )  
PACIFIC GAS AND ELECTRIC COMPANY )  
to establish a 1981 underground )  
conversion budget. )

Application 60809  
(Filed October 6, 1981)

OPINION AND ORDER ON  
LIMITED REHEARING OF D.82-12-069

Decision (D.) 83-02-065, dated February 16, 1983, granted a petition for rehearing of D.82-12-069 filed by the City and County of San Francisco (City). The rehearing was limited to determining whether a 13% increase accurately represents the extent by which the actual undergrounding costs of Pacific Gas and Electric Company (PG&E) have exceeded its estimated undergrounding costs for the years 1981 and 1982, as adopted in D.82-12-069 in Application (A.) 60809, PG&E's 1981 general rate proceeding.

The limited rehearing was held before Administrative Law Judge Martin Mattes on August 15, 1983 and the matter was submitted. Evidence was presented by PG&E. The City, the City of San Diego and the Commission staff participated in this phase of the proceeding.

Procedural Background

D.73078 (1967) (67 CPUC 490) stated that it is the policy of this Commission to encourage the undergrounding of utility lines. Each respondent electric utility was ordered to file annually with the Commission a statement setting forth its annual budgeted amount for the replacement of overhead with underground facilities, together with amounts allocated to each city and unincorporated area. Each respondent electric utility

also was ordered to submit annually a full report on the conversion work completed during the preceding year. The budgeted amounts for conversion which were not spent were to be carried over to the succeeding year, to be added to that year's budget.

Supplementary D.82-01-18, issued January 5, 1982, in Case (C.) 8209, found (Finding 1) that D.73078 provided that each respondent electric utility should determine the level of its commitment to fund conversion; thereafter, it was not intended that they should be able to reduce that commitment without findings and formal Commission approval. It was intended that the commitment stated in actual dollar terms should be periodically adjusted for increases in construction costs.

Resolution E-1930 of July 22, 1981 ordered PG&E to budget \$21,150,000 for its 1981 underground conversion program. This amount was required in order for PG&E to maintain its undergrounding conversion program at its initial level of effort, although PG&E had requested \$15,500,000 for 1981, an amount equal to its 1980 budget.

The Commission granted rehearing of Resolution E-1930 in D.93602, stating that it also would consider the proper levels for PG&E's underground conversion budgets for 1982 and subsequent years. In D.82-12-069, dated December 15, 1982, the Commission set forth 1981 and 1982 undergrounding budgets for PG&E of \$17.5 and \$20.5 million, respectively. It also provided for a new manner of formulating future PG&E undergrounding budgets, namely, that of determining them through consultation and negotiations between PG&E and the League of California Cities.

On January 13, 1982, City, one of the most active communities in utilizing undergrounding funds, filed its Petition for Rehearing of D.82-12-069. It asked that various modifications and additions to the decision be made, but limited its request for

rehearing to one issue, namely, the percentage whereby PG&E's actual costs of undergrounding have exceeded its estimated costs. City asserted that the record supported a percentage increment of 16% rather than the 13% granted in D.82-12-069. D.83-02-065, dated February 16, 1983, granted a rehearing, limited to determining whether a 13% increase accurately represents the extent by which PG&E's actual undergrounding costs have exceeded its estimated undergrounding costs.

The Evidence

In response to the order granting rehearing and data requests of City, evidence was presented by PG&E in Exhibit 20 showing:

(Tab A) A complete listing of undergrounding jobs started between January 1, 1968 and December 31, 1982.

(Tab B) A summary of the yearly cost information (both estimated or budgeted, and actual) on completed jobs contained in Tab A. Tab B shows the estimated costs and actual costs charged each year since the start of the program and cumulative totals for completed projects. Tab B shows a 13.7% cumulative overrun for projects completed since the start of the program in 1968.

Tab B also contains a compilation excluding data for the years 1968 through 1970, the first three years of the program during which very high overruns assertedly were experienced. With those data excluded, the cumulative overrun is 11.2%.

(Tab C) A listing of all jobs that were completed, closed and analyzed during 1982. The overruns average 12.3% during the year.

(Tab D) A study made in 1981 by PG&E's Valuation Department of a random sampling of 22 jobs, which indicated a 12.9% overrun on jobs started through 1980. The study concluded that the actual cost of such jobs would exceed the estimated costs charged to allocations by \$16,364,788 based on the 12.9% overrun.

The witness testified that it was his belief that 12 to 12.5% represents most closely what PG&E's average overrun is likely to be in the future based on data under Tab B. The witness stated that actual overruns may be even less because of new budgeting and management controls now in place.

Cross-examination of the witness by City developed that the longer the time between start and completion of a job, the greater likelihood that higher than average overruns will occur, and that not all jobs could be analyzed because they were not completed.

Position of City

City, the petitioner for rehearing, takes the position that based on the witness' testimony in the prior phase of the proceeding, there should be some increase in allocations for an inflation factor, and that there is no reason to expect lower overruns in the future.

City asserts that PG&E agreed in the prior phase that whatever differentiation exists between the estimated or budgeted cost and the actual cost should be added to the allocation. City contends that the proper figure to be used for the purpose of this proceeding is the cumulative 13.7% overrun since the start of the program, which also is the highest percentage developed in Exhibit 20. City apparently concedes that the 16% figure referred to in its petition for rehearing was testified to in

error by PG&E's witness in the earlier phase of this proceeding and that percentage is not supported by the evidence.

Discussion

The percentage overrun figure to be determined here has meaning only for PG&E's undergrounding budget for the years 1981 and 1982, as amounts budgeted after that period have been and will be determined through negotiation between PG&E and The League of California Cities.

It is clear that the 16% overrun figure referred to by City in its petition is not supportable in the record. The question to be decided is whether to use the cumulative figure of 13.7% advocated by City or the 12 to 12.5% figure recommended by PG&E.

For the limited purpose of this proceeding, we adopt the 13% figure underlying PG&E's 1981 and 1982 undergrounding budget adopted in D.82-12-069. That figure represents the middle ground between the cumulative percentage overrun for all completed jobs and the lower overrun percentages based only on the more recent data.

Findings of Fact

1. Based on the additional evidence adduced in the limited rehearing, a factor for costs overruns of 13% applied to PG&E's 1981 and 1982 undergrounding budgets is reasonable.

2. PG&E's undergrounding budgets of \$17.5 million for 1981 and \$20.5 million for 1982, as set forth in D.82-12-069, are reasonable.

Conclusion

Our approval of the PG&E's undergrounding budgets for 1981 and 1982, set forth in D.82-12-069, should be affirmed.

IT IS ORDERED that:

1. The undergrounding budgets of \$17.5 million for 1981 and \$20.5 million for 1982 approved for Pacific Gas and Electric Company set forth in D.82-12-069 are affirmed.

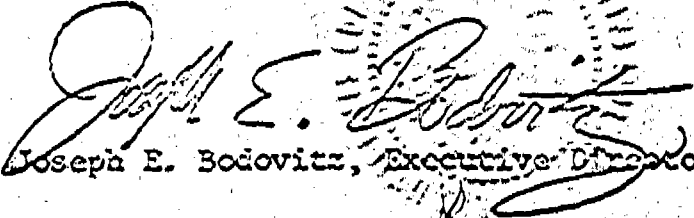
2. The limited rehearing of D.82-12-069 granted in D.83-02-065 has been concluded and A.60809 is closed.

This order becomes effective 30 days from today.

Dated October 3, 1984, at San Francisco, California.

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director

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