ALJ/FJO/pc

Decision 90 05 032 MAY 4 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own Motion into the Tariff Schedules, Rates, Rules, Charges, Operations, Practices, Contracts, Service, and Aesthetics and Economics of Facilities of All Electric and Communication Public Utilities in the State of California.	Case 8209 (Petition for Modification filed February 3, 1989)

(See Appendix A for appearances.)

O P I N I O N

In 1965, we instituted this investigation to determine what revisions of rules, what new rules, or new rates would be required to stimulate, encourage, and promote the undergrounding, for aesthetic as well as economic reasons of electric and communications services and facilities.

After 36 days of hearing during which 55 witnesses testified, 75 exhibits were received and 4,502 pages of transcript recorded the Commission issued Decision (D.) 73078 (1967) 67 CPUC 490. D.73078 set forth three separate and distinct parts that the investigation could be divided into as follows:

a. service connections

b. conversions

c. new construction

which were defined as follows:

a. "Service connections" as used for electric service means overhead and underground conductors leading from a point where wires leave the last pole of the overhead system or the distribution box or manhole, or the top of the pole of the distribution line, to the point of connection with the customer's outlet or wiring. Conduit used for underground service is included herein.

b. "Conversions" means the removal of existing overhead facilities and the installation of new underground facilities to serve existing customers.

c. "New construction" means the installation of underground facilities to supply new applicants for service.

D.73078 was an interim order which promulgated rules concerning service connections and conversions to be filed by all

electric and communications utilities. Rules concerning new construction were promulgated by D.76394 (1969) 70 CPUC 339.

The rule promulgated with respect to conversions (Rule 20) was set out in Appendix D of D.76394. On May 22, 1979, the Commission reopened Case 8209 in order to resolve questions raised by several cities concerning the allocations of funds designated for the purpose of converting existing overhead electric lines to underground. As a result of the evidence adduced after the reopening of the proceeding D.82-01-18 (1982) 7 CPUC 2d 757 was issued wherein certain revisions to Rule 20 were adopted. Rule 20 as amended is set forth in Appendix B hereof.

On February 3, 1989 the League of California Cities (League) filed a Petition for Modification of D.82-01-018 (petition). The petition requests that Rule 20 A.2 be modified to read as follows:

"2. The Utility's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated as follows:

"a. The amount allocated to each city and county in 1990 shall be the highest of:

"(1) The amount allocated to the city or county in 1989, which amount shall be allocated in the same ratio that the number of overhead meters in such city or unincorporated area of any county bears to the total system overhead meters; or

"(2) The amount the city or county would receive if the Utility's total annual budgeted amount for undergrounding provided in 1989 were allocated in the same ratio that the number of overhead meters in each city or the unincorporated area of each county bears to the total system overhead meters based on the latest count of overhead meters

available prior to establishing the 1990 allocations; or

"(3) The amount the city or county would receive if the Utility's total annual budgeted amount for undergrounding provided in 1989 were allocated as follows:

"(a) Fifty percent of the budgeted amount allocated in the same ratio that the number of overhead meters in any city or the unincorporated area of any county bears to the total system overhead meters; and

"(b) Fifty percent of the budgeted amount allocated in the same ratio that the total number of meters in any city or the unincorporated area of any county bears to the total system meters.

"b. Except as provided in Section 2.c., the amount allocated for undergrounding within any city or the unincorporated area of any county in 1991 and later years shall use the amount actually allocated to the city or county in 1990 as the base, and any changes from the 1990 level in the Utility's total annual budgeted amount for undergrounding shall be allocated to individual cities and counties as follows:

"(1) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the number of overhead meters in any city or unincorporated area of any county bears to the total system overhead meters.

"(2) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the total number of meters in any city or the unincorporated area of any

county bears to the total system meters.

"c. When a city incorporates, resulting in a transfer of utility meters from the unincorporated area of a county to the city, there shall be a permanent transfer of a prorata portion of the county's 1990 allocation base referred to in Section 2.b. to the city. The amount transferred shall be determined:

"(1) Fifty percent based on the ratio that the number of overhead meters in the city bears to the total system overhead meters; and

"(2) Fifty percent based on the ratio that the total number of meters in the city bears to the total system meters.

"When territory is annexed to an existed city, it shall be the responsibility of the city and county affected, in consultation with the Utility serving the territory, to agree upon an amount of the 1990 allocation base that will be transferred from the county to the city, and thereafter to jointly notify the Utility in writing.

"d. However, Section 2 a, b and c shall not apply to any utility where the total amount available for allocation under Rule 20-A is equal to or greater than 1.5 times the previous year's statewide average on a per customer basis. In such cases, the utility's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated in the same ratio that the number of overhead meters in the city or unincorporated area of any county bears to the total system overhead meters.

"e. The amounts allocated in accordance with Section 2 a, b, c or d may be exceeded where the Utility establishes that additional participation on a project is

> warranted. Such allocated amounts may be carried over for a reasonable period of time in communities with active undergrounding programs. In order to qualify as a community with an active undergrounding program the governing body must have adopted an ordinance or ordinances creating an underground district and/or districts as set forth in Section A.1.b. of this Rule. Where there is a carry-over, the Utility has the right to set, as determined by its capability, reasonable limits on the rate of performance of the work to be financed by the funds carried over. When amounts are not expended or carried over for the community to which they are initially allocated they shall be assigned when additional participation on a project is warranted or be reallocated to communities with active undergrounding programs."

Shortly after the filing of the petition 3 pieces of correspondence supporting and 1 piece of correspondence opposing the requested modification were received. The support came from the City of Camarillo and the Counties of Lake and El Dorado. The opposition came from the City of Santa Paula.

On September 20, 1989 Pacific Gas and Electric Company (PG&E) filed its response to the petition wherein it stated that PG&E had participated in numerous meetings with the League, the County Supervisors Association of California, Southern California Edison Company (Edison) and San Diego Gas and Electric Company (SDG&E). The response also stated that the meetings culminated in proposed tariff language acceptable to these parties.

Prehearing conferences were held before Administrative Law Judge (ALJ) Frank J. O'Leary in San Francisco on September 26, 1989 and in Los Angeles on September 28, 1989. At the prehearing conferences Edison and SDG&E confirmed the representation contained in PG&E's response that they did indeed support the petition.

Pacific Bell also voiced its support of the petition and GTE California, Incorporated stated it was taking a neutral position.

Public hearings were held in San Francisco and Los Angeles, before ALJ O'Leary on November 20 and December 1, 1989 respectively. The matter was submitted with the filing of the transcript on January 4, 1990.

Daniel B. Harrison, the research and information director for the League, testified that after the effects of the modifications enacted by D.82-01-018 became known, some cities found their ability to do conversions almost eliminated. Those cities approached the League to request that the League support them in developing a rule that would allow them to resume a progressive undergrounding effort. After discussion, city officials from a variety of cities in the state who serve on various committees of the League were convinced that real problems did indeed exist and agreed to work toward a solution. The League believes two significant problems exist with the current formula: the first being an equity problem and the second a problem of long-term support. According to Harrison the inequities that have resulted under the existing formula are as follows:

a. Some communities have eligible projects but allocations that are so small as to be meaningless.

b. All ratepayers contribute to Rule 20-A but some have only a tiny fraction of their contributions returned for use in their communities.

Harrison also testified that the League wishes to maintain interest in and support for this program over the long-term. Some cities are threatening legal action to terminate the program if they and the ratepayers they represent do not have an opportunity to implement a meaningful conversion program.

The League's proposal was developed by a task force which included representatives from the following: variously situated

cities and counties throughout California, The County Supervisors Association of California, Edison, PG&E, and SDG&E. All of the parties who participated on the task force agreed to support the proposal that was developed. During 1988 the League's Housing, Community & Economic Development Policy Committee considered the proposal and recommended it be approved by the League Board. The League Board of Directors approved the proposal in July, 1988, and directed that the petition be filed with the CPUC.

Allocations of funds to the various cities and counties, under the present Rule 20-A are based upon the following formula:

$$\text{total amount budgeted in 1989} \times \frac{\text{OH-served meters per community}}{\text{system total OH-served meters}} = \text{individual community's allocation}$$

Allocation of funds to the various cities and counties under the proposed revision to Rule 20-A would be based upon the following formula:

$$50\% \times \frac{\text{OH-served meters per community}}{\text{system total OH-served meters}} \times \text{total amount budgeted in 1989} \quad \text{PLUS}$$

$$50\% \times \frac{\text{total meters per community}}{\text{system total meters}} \times \text{total amount budgeted in 1989} = \text{individual community's allocation}$$

The proposed revision is opposed by the City of Berkeley (Berkeley) and the Eucalyptus Hill Improvement Association (EHIA). Both Berkeley and EHIA request that the proposed revision be rejected and that the utilities allocate more monies for underground conversion of overhead lines.

Berkeley presented a resolution of its city council wherein it authorized Tom Farris to appear on its behalf and to present its position that Rule 20-A allocations should continue, and the present allocation procedures and rules should be retained (Exhibit 97).

EHIA presented evidence through the testimony of a landscape architect and its president. Approximately 50 percent of the residents of the Eucalyptus Hill neighborhood, which is located partially within and partially outside the city limits of Santa Barbara, are members of EHIA.

EHIA is in the process of developing a suburban scenic corridor with landscaped walking paths, bus stops, and scenic lookout and rest areas. A feasibility study has been financed with private money and is now being done by the Los Angeles-based landscape architectural firm, "Land Images." The widening of the road and construction of these paths will require the relocation of power poles or the undergrounding of power lines.

EHIA presented Exhibit 92 which is a diagram of all the utility poles within the Eucalyptus Hill neighborhood. The exhibit states that Edison has confirmed that the average life expectancy for a utility pole in the Santa Barbara area is about 30 years. The median age of the poles in the Eucalyptus Hill neighborhood is over 30 years. Some of the poles according to the exhibit are over 50 years old.

EHIA is opposed to the modification proposed because it believes that older communities such as Santa Barbara will be allocated less funding under the revised rule than under the present rule.

EHIA can not be a direct participant in the allocation process. It must obtain funding under this process either through the City of Santa Barbara or Santa Barbara County. Further we should point out that funding for undergrounding is available through other means namely the formation of an assessment district or the sale of municipal bonds for such a purpose. It would appear that EHIA should voice its concerns to the appropriate local jurisdiction either the City or County of Santa Barbara to obtain funding for its undergrounding project.

In D.73078 we stated that:

> "In order that any program be sufficiently flexible, it would be unwise to place an absolute limit on the amounts to be expended or, on the other hand, to require minimum expenditures. It is the utility's responsibility to proceed with conversion projects and annually to budget amounts to accomplish this end. On this record we believe the large electric utilities could budget significant amounts for 1968 for aesthetic conversions, over and above what they presently project to be expended for operational convenience conversions or to meet commitments. The utilities will of course, be expected to budget increasing amounts in subsequent years to meet the demand and need for aesthetic conversions."

The allocation rule as originally devised was based upon a ratio of the total number of customers in a given incorporated city or unincorporated area to the total number of customers system wide. That rule failed to take into consideration the number of overhead meters. The allocation rule as modified by D.82-01-18 is based solely on a ratio of total number of overhead meters in a given incorporated city or unincorporated area to the total number of overhead meters system wide. The modification proposed herein is a compromise between the original rule and the rule in its present form in that it takes into consideration the ratio of total customers and total overhead meters.

The original rule promulgated by D.73078 was modified by D.82-01-18 because of complaints and criticism by various communities. The modification requested here by the League is the result of complaints of inequities in the rule as presently constituted. No rule that we promulgate is going to satisfy everyone of the participants in the program, however the modification here proposed by the League appears to be an equitable solution that should be adopted.

Comments to Proposed Decision

The ALJ's proposed decision was filed and mailed to the parties on April 4, 1990. Comments on the proposed decision were filed by Edison, PG&E, SDG&E, and Berkeley. The comments of Edison, PG&E, and SDG&E address the language in the first paragraph on page 11 and Conclusion of Law 2 of the proposed decision. The comments allege factual error with regard to the provision that "No allocation will be made to any community that has no overhead distribution facilities to be replaced with underground distribution facilities." Edison alleges that some communities may have overhead distribution facilities even though they have no overhead meters. PG&E alleges that the proposed language conflicts with two decisions concerning Rule 20 namely D.85497 and 85788. SDG&E suggests that Conclusion of Law 2 be modified as follows: "No allocation will be made to any community that has no overhead facilities which qualify under this Rule to be replaced with underground facilities." In view of the comments by Edison and PG&E, we have deleted the ALJ's proposal in this regard from the decision.

The comments of Berkeley urge that there should be no monies allocated to communities with no facilities to underground. This is also the subject of the comments of Edison, PG&E, and SDG&E as set forth above. We have deleted the ALJ's proposal in this regard as set forth above. The time to address this issue is when there is evidence that there are communities with no facilities to underground. At that time a petition to further modify Rule 20 may be filed. Berkeley's comments also address the fact that SDG&E always allocates at least 1.5 times the previous years' statewide average on a per customer basis because of its franchises with the cities of San Diego and Chula Vista. This method of allocation results in more monies being allocated than required by Section 2 a, b, and c of the proposed rule. Section 2 d exempts utilities allocating at least 1.5 times the previous years' statewide average

on a per customer basis. Berkeley assumes that if the proposed merger is approved, the exemption will apply to the merged company. Such an assumption is pure speculation and need not be dealt with here. The time to deal with that issue, if indeed it needs to be dealt with, is after the merger is decided. Berkeley also alleges that the proposed decision is in error by stating that the allocation of funds would be based upon a 50 percent-50 percent formula in that for the first year (1990), the allocation to each community will be the higher of the amount allocated under the new rule or the amount allocated under the old rule. Berkeley is correct in this allegation. We have added Ordering Paragraph 3 to insure that utilities do in fact allocate the higher of the two amounts during the transition year of 1990. The remainder of the comments of Berkeley is argument and need not be further discussed herein.

Findings of Fact

1. The modification of Rule 20 which was enacted by D.82-01-018 caused some cities to be unable to convert overhead distribution facilities to underground distribution facilities.

2. Two inequities that have resulted from the existing Rule 20 are the following:

   a. Some communities have eligible projects but allocations that are meaningless.

   b. All ratepayers contribute to Rule 20 funding but some have a very small fraction of their contributions returned for use by their communities.

3. The modification proposed by the League was conducted by a task force representing the cities, counties, and the utilities.

4. The modification proposed by the League is a combination of the allocation formula originally adopted and the allocation formula presently in effect.

5. The proposed modification is an equitable solution to the problems of the parties who originally requested a change and the parties who are now raising problems with the allocation formula.

6. Letters supporting the proposed modification are included in Exhibit 86 from the following cities: Buena Park, Camarillo, Irvine, Laguna Beach, Long Beach, San Mateo, and Thousand Oaks; the following counties: Contra Costa, El Dorado and Lake; and the County Supervisors Association of California.

7. Letters opposing the proposed modification are included in Exhibit 86 from the City of Santa Paula and EHIA.

8. EHIA is in the process of developing a suburban scenic corridor with landscaped walking paths, bus stops, and scenic lookout and rest areas.

9. Funds under Rule 20 process can not be allocated directly to EHIA. EHIA can only obtain funds under the Rule 20 process from either the City and/or County of Santa Barbara, neither of which indicated support or opposition to the proposed modification.

Conclusion of Law

The requested modifications to Rule 20 should be authorized.

O R D E R

IT IS ORDERED that:

1. Each respondent electric utility shall under the procedures provided in General Order 96 modify its Rule 20 as set forth in Appendix C attached hereto.

2. In all other respects D.73078 as modified by D.82-01-18 shall remain in full force and effect.

3. During the transition year 1990, the allocation, for each community, shall be the higher of the amount computed based on the rule set forth in Appendix B and the rule set forth in Appendix C.

This order becomes effective 30 days from today.

Dated MAY 4 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

NEAL J. SHULMAN, Executive Director

APPENDIX A

List of Appearances

Petitioners: Daniel B. Harrison and William R. Rugg, for League of California Cities.

Respondents: Thomas J. Ballo, Attorney at Law, for Pacific Bell; Gene Mc Elroy, for San Diego Gas and Electric Company; Keith Melville, for San Diego Gas and Electric Company; Roger J. Peters, Mark Huffman, and Barbara S. Bensen, Attorneys at Law, for Pacific Gas and Electric Company; Mark T. Shine, for Citizens Utilities Company of California; Richard K. Durant, Carol B. Henningson, and Frank A. Mc Nulty, Attorneys at Law, for Southern California Edison Company; and Kenneth K. Okel and Janet S. Wong, Attorneys at Law, for GTE California, Incorporated.

Protestant: Thomas E. Farris, for City of Berkeley.

Interested Parties: Davis, Young, Beck & Mendelson, by Jeffrey F. Beck and Sheila A. Brutoco, Attorneys at Law; Leslie J. Girard, Attorney at Law, for City of San Diego; Diana Hull, for Eucalyptus Hill Improvement Association; Frederick Bolte, for Eucalyptus Hill Association; and Grant R. Brimhall, for City of Thousand Oaks.

(END OF APPENDIX A)

Rule 20

Replacement of Overhead with Underground Electric Facilities

A. The utility will, at its expense, replace its existing overhead electric facilities with underground electric facilities along public streets and roads, and on public lands and private property across which rights-of-ways satisfactory to the utility have been obtained by the utility, provided that:

1. The governing body of the city or county in which such electric facilities are and will be located has:

   a. Determined, after consultation with the utility and after holding public hearings on the subject, that such undergrounding is in the general public interest for one or more of the following reasons:

      (1) Such undergrounding will avoid or eliminate an unusually heavy concentration of overhead electric facilities;

      (2) The street or road or right-of-way is extensively used by the general public and carries a heavy volume of pedestrian or vehicular traffic; and

      (3) The street or road or right-of-way adjoins or passes through a civic area or public recreation area or an area of unusual scenic interest to the general public.

   b. Adopted an ordinance creating an underground district in the area in which both the existing and new facilities are and will be located requiring, among other things, (1) that all existing overhead communication and electric distribution facilities in such district shall be removed, (2) that each property served from such electric overhead facilities shall have installed in accordance with the utility's rules for underground service, all electrical facility changes on the premises necessary to receive service from the underground facilities of the utility as soon

as it is available, and (3) authorizing the utility to discontinue its overhead service.

2. The utility's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated in the same ratio that the number of overhead meters in such city or unincorporated area of any county bears to the total system overhead meters. The amounts so allocated may be exceeded where the utility establishes that additional participation on a project is warranted. Such allocated amounts may be carried over for a reasonable period of time in communities with active undergrounding programs. In order to qualify as a community with an active undergrounding program the governing body must have adopted an ordinance or ordinances creating an underground district and/or districts as set forth in Section A.1.b. of this rule. Where there is a carry-over, the utility has the right to set, as determined by its capability, reasonable limits on the rate of performance of the work to be financed by the funds carried over. When amounts are not expended or carried over for the community to which they are initially allocated they shall be assigned when additional participation on a project is warranted or be reallocated to communities with active undergrounding programs.

3. The undergrounding extends for a minimum distance or one block or 600 feet, whichever is the lesser.

   Upon request of the governing body, the Utility will pay for the installation of no more than 100 feet of each customer's underground electric service lateral occasioned by the undergrounding. The governing body may establish a smaller footage allowance, or may limit the amount of money to be expended on a single customer's electric service, or the total amount to be expended on all electric service installations in a particular project.

B. In circumstances other than those covered by A above, the utility will replace its existing overhead electric facilities with underground electric facilities along public streets and road or other locations mutually agreed upon when requested by an applicant or applicants when all of the following conditions are met:

1.a. All property owners served from the overhead facilities to be removed first agree in writing to have the wiring changes made on their premises so that service may be furnished from the underground distribution system in accordance with the utility's rules and that the utility may discontinue its overhead service upon completion of the underground facilities, or

b. Suitable legislation is in effect requiring such necessary wiring changes to be made and authorizing the utility to discontinue its overhead service.

2. The applicant has:

a. Furnished and installed the pads and vaults for transformers and associated equipment, conduits, ducts, boxes, pole bases and performed other work related to structures and substructures including breaking of pavement, trenching, backfilling, and repaving required in connection with the installation of the underground system, all in accordance with utility's specifications, or, in lieu thereof, paid the utility to do so;

b. Transferred ownership of such facilities, in good condition, to the utility; and

c. Paid a nonrefundable sum equal to the excess, if any, of the estimated costs, exclusive of transformers, meters, and services, of completing the underground system and building a new equivalent overhead system.

3. The area to be undergrounded includes both sides of a street for at least one block or 600 feet, whichever is the lesser, and all existing overhead communication and electric distribution facilities within the are will be removed.

C. In circumstances other than those covered by A or B above, when mutually agreed upon by the utility and an applicant, overhead electric facilities may be replaced with underground electric facilities, provided the applicant requesting the change pays, in advance, a nonrefundable sum equal to the estimated cost of the underground facilities less the estimated net salvage value and depreciation of the replaced overhead facilities. Underground services will be installed and maintained as provided in the utility's rules applicable thereto.

D. The term "underground electric system" means an electric system with all wires installed underground, except those wires in surface mounted equipment enclosures.

(END OF APPENDIX B)

Rule 20

Replacement of Overhead with
Underground Electric Facilities

A. The utility will, at its expense, replace its existing overhead electric facilities with underground electric facilities along public streets and roads, and on public lands and private property across which rights-of-ways satisfactory to the utility have been obtained by the utility, provided that:

1. The governing body of the city or county in which such electric facilities are and will be located has:

a. Determined, after consultation with the utility and after holding public hearings on the subject, that such undergrounding is in the general public interest for one or more of the following reasons:

(1) Such undergrounding will avoid or eliminate an unusually heavy concentration of overhead electric facilities;

(2) The street or road or right-of-way is extensively used by the general public and carries a heavy volume of pedestrian or vehicular traffic; and

(3) The street or road or right-of-way adjoins or passes through a civic area or public recreation area or an area of unusual scenic interest to the general public.

b. Adopted an ordinance creating an underground district in the area in which both the existing and new facilities are and will be located requiring, among other things, (1) that all existing overhead communication and electric distribution facilities in such district shall be removed, (2) that each property served from such electric overhead facilities shall have installed in accordance with the utility's rules for underground service, all electrical facility changes on the premises necessary to receive service from the underground facilities of the utility as soon

as it is available, and (3) authorizing the utility to discontinue its overhead service.

2. The Utility's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated as follows:

   a. The amount allocated to each city and county in 1990 shall be the highest of:

      (1) The amount allocated to the city or county in 1989, which amount shall be allocated in the same ratio that the number of overhead meters in such city or unincorporated area of any county bears to the total system overhead meters; or

      (2) The amount the city or county would receive if the Utility's total annual budgeted amount for undergrounding provided in 1989 were allocated in the same ratio that the number of overhead meters in each city or the unincorporated area of each county bears to the total system overhead meters based on the latest count of overhead meters available prior to establishing the 1990 allocations; or

      (3) The amount the city or county would receive if the Utility's total annual budgeted amount for undergrounding provided in 1989 were allocated as follows:

         (a) Fifty percent of the budgeted amount allocated in the same ratio that the number of overhead meters in any city or the unincorporated area of any county bears to the total system overhead meters; and

(b) Fifty percent of the budgeted amount allocated in the same ratio that the total number of meters in any city or the unincorporated area of any county bears to the total system meters.

b. Except as provided in Section 2.c., the amount allocated for undergrounding within any city or the unincorporated area of any county in 1991 and later years shall use the amount actually allocated to the city or county in 1990 as the base, and any changes from the 1990 level in the Utility's total annual budgeted amount for undergrounding shall be allocated to individual cities and counties as follows:

(1) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the number of overhead meters in any city or unincorporated area of any county bears to the total system overhead meters.

(2) Fifty percent of the change from the 1990 total budgeted amount shall be allocated in the same ratio that the total number of meters in any city or the unincorporated area of any county bears to the total system meters.

c. When a city incorporates, resulting in a transfer of utility meters from the unincorporated area of a county to the city, there shall be a permanent transfer of a prorata portion of the county's 1990 allocation base referred to in Section 2.b. to the city. The amount transferred shall be determined:

(1) Fifty percent based on the ratio that the number of overhead meters in the city bears to the total system overhead meters; and

(2) Fifty percent based on the ratio that the total number of meters in the city bears to the total system meters.

When territory is annexed to an existed city, it shall be the responsibility of the city and county affected, in consultation with the Utility serving the territory, to agree upon an amount of the 1990 allocation base that will be transferred from the county to the city, and thereafter to jointly notify the Utility in writing.

d. However, Section 2 a, b and c shall not apply to any utility where the total amount available for allocation under Rule 20-A is equal to or greater than 1.5 times the previous year's statewide average on a per customer basis. In such cases, the utility's total annual budgeted amount for undergrounding within any city or the unincorporated area of any county shall be allocated in the same ratio that the number of overhead meters in the city or unincorporated area of any county bears to the total system overhead meters.

e. The amounts allocated in accordance with Section 2 a, b, c or d may be exceeded where the Utility establishes that additional participation on a project is warranted. Such allocated amounts may be carried over for a reasonable period of time in communities with active undergrounding programs. In order to qualify as a community with an active undergrounding program the governing body must have adopted an ordinance or ordinances creating an underground district and/or districts as set forth in.

Section A.1.b. of this Rule. Where there is a carry-over, the Utility has the right to set, as determined by its capability, reasonable limits on the rate of performance of the work to be financed by the funds carried over. When amounts are not expended or carried over for the community to which they are initially allocated they shall be assigned when additional participation on a project is warranted or be reallocated to communities with active undergrounding programs.

3. The undergrounding extends for a minimum distance or one block or 600 feet, whichever is the lesser.

   Upon request of the governing body, the Utility will pay for the installation of no more than 100 feet of each customer's underground electric service lateral occasioned by the undergrounding. The governing body may establish a smaller footage allowance, or may limit the amount of money to be expended on a single customer's electric service, or the total amount to be expended on all electric service installations in a particular project.

B. In circumstances other than those covered by A above, the utility will replace its existing overhead electric facilities with underground electric facilities along public streets and road or other locations mutually agreed upon when requested by an applicant or applicants when all of the following conditions are met:

   1.a. All property owners served from the overhead facilities to be removed first agree in writing to have the wiring changes made on their premises so that service may be furnished from the underground distribution system in accordance with the utility's rules and that the utility may discontinue its overhead service upon completion of the underground facilities, or

b. Suitable legislation is in effect requiring such necessary wiring changes to be made and authorizing the utility to discontinue its overhead service.

2. The applicant has:

a. Furnished and installed the pads and vaults for transformers and associated equipment, conduits, ducts, boxes, pole bases and performed other work related to structures and substructures including breaking of pavement, trenching, backfilling, and repaving required in connection with the installation of the underground system, all in accordance with utility's specifications, or, in lieu thereof, paid the utility to do so;

b. Transferred ownership of such facilities, in good condition, to the utility; and

c. Paid a nonrefundable sum equal to the excess, if any, of the estimated costs, exclusive of transformers, meters, and services, of completing the underground system and building a new equivalent overhead system.

3. The area to be undergrounded includes both sides of a street for at least one block or 600 feet, whichever is the lesser, and all existing overhead communication and electric distribution facilities within the are will be removed.

C. In circumstances other than those covered by A or B above, when mutually agreed upon by the utility and an applicant, overhead electric facilities may be replaced with underground electric facilities, provided the applicant requesting the change pays, in advance, a nonrefundable sum equal to the estimated cost of the underground facilities less the estimated net salvage value and depreciation of the replaced overhead facilities. Underground services will be installed and maintained as provided in the utility's rules applicable thereto.

D. The term "underground electric system" means an electric system with all wires installed underground, except those wires in surface mounted equipment enclosures.

(END OF APPENDIX C)