

MAR 31 1992

Decision 92-03-065 March 31, 1992

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.
(Subsurface v. Padmount
Transformers.)

ORIGINAL

Case 8209

(Filed June 22, 1965)

(Petitions for Modification
filed August 24, 1990 and
June 21, 1991)

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Carol A. Schmid-Frazee, Attorneys at
Law, for Southern California Edison
Company; Keith W. Melville and Monica
Sorensen, Attorneys at Law, for San
Diego Gas & Electric Company; Roger I.
Peters and Mark R. Huffman, Attorneys
at Law, for Pacific Gas and Electric
Company; respondents.

John W. Witt, San Diego City Attorney, by
William S. Shaffran and Deborah Berger,
for the City of San Diego; Jesse A.
Schwarz and John L. Hunter, for the
Building Industry Association of
Southern California; and James D.
Squeri, Attorney at Law, for himself,
interested parties.

Julian Ajello and Kerrie Evans, for the
Division of Ratepayer Advocates.

OPINION

Petitions for modification of Decision (D.) 76394 were
filed by Southern California Edison Company (Edison) on August 24,
1990 and Pacific Gas and Electric Company (PG&E) on June 21, 1991.
The petitions request that the Commission modify D.76394 to
authorize them to charge developers the difference in cost between
subsurface and padmounted transformers within residential

subdivisions when the installation of subsurface transformers is requested by the developer. The petitions are protested by the Builders Industry Association of Southern California (BIA).

Public hearing was held before Administrative Law Judge O'Leary on September 19, 1991 at Los Angeles. The matter was submitted subject to the filing of concurrent briefs which were filed by all appearances except the Division of Ratepayer Advocates (DRA) on November 2, 1991.

Background

D.76394 was issued on November 4, 1969, in Case (C.) 8209, which was an investigation into electric and communication utilities' line extension rules. D.76394 (70 CPUC 339) established tariff rules for the respondent utilities for underground extensions within new residential subdivisions. In D.76394 we stated:

"We will not permit the difference cost charges for subsurface transformers since it would probably retard the development of full underground systems. We recognize that an immediate requirement for the exclusive use of subsurface transformers is not practicable but will expect the utilities to make rapid progress in further improving the aesthetics and operations of underground systems."

Positions of the Parties

Edison

Edison contends that the primary reason for the installation of subsurface transformers in residential subdivisions is for aesthetic enhancement. The vast majority of ratepayers do not benefit from this enhancement. The only real beneficiaries are the people living in the subdivision. Therefore, the excess cost of the subsurface transformer should be borne by the developer requesting the installation of the subsurface transformer or by the people living in the subdivision. Ratepayers should not be required to continue to subsidize the installation of subsurface

transformers since padmounted transformers provide adequate service.

Edison also plans to charge the cost differential between subsurface and padmounted transformers to developers in cases where physical constraint requires installation of subsurface transformers as well as in cases where their use is requested for aesthetic enhancement.

Edison cites three cases interpreting its Tariff Rule 15.1 wherein the Commission has adopted a policy that Edison's ratepayers should not be required to pay for certain underground facilities associated with extensions of service to new residential subdivisions when such costs benefit only a few ratepayers. The first case to consider this issue was Raney Development Co. v. Southern California Edison Company (D.88613 in C.10313, 1978 unreported). In the Raney case, a complainant, the developer of a subdivision in Edison's service territory, alleged that it should not be required to provide feeder conduit to be used for Edison's future expansion. In that decision, the Commission stated that:

"If [Edison] is required to bear the cost of the conduit installed in anticipation of future developments, that cost will become part of [Edison's] rate base. [Edison's] ratepayers, only a fraction of whom will benefit from the installation, will pay a return on this investment."

The second case, Villa Building Co. v. Southern California Edison Company, (D.89908 in C.10454, 1979 unreported) interpreting Rule 15.1 also concerned whether a developer is required to furnish and install a feeder conduit backbone system to interconnect the service to the developer's subdivision with service to subsequent developments outside the subdivision. In the Villa case, the Commission stated:

"We are also persuaded by Edison's argument that our adoption of Villa's position would result in a gross inequity to Edison's existing ratepayers."

The Commission specifically concluded that developers should be required to pay for feeder conduit to provide for the potential growth in this area.

The third case interpreting Rule 15.1 was Andreas Palms Development Corp. v. Southern California Edison Company (D.83-10-042 in C.83-05-04, 1983 unreported). In that case, the developer contended that Edison should implement a plan to charge future developers a pro rata share of backbone system costs incurred by the first developer. The Commission held that any slight inequity of requiring the first developer to bear the cost of the conduit backbone system does not justify burdening the ratepayers with the cost of the recordkeeping and other costs associated with implementing such a plan.

Edison contends that in each of the three cited cases, the Commission has required developers, rather than Edison's ratepayers, to pay for feeder conduit and/or backbone systems associated with the development of residential subdivisions. Because only a very small fraction of Edison's ratepayers residing in the new subdivisions or adjacent new subdivisions benefit from the installation of such underground systems, the Commission cannot justify imposing these costs on all of the ratepayers. Edison further contends that charging developers, rather than Edison's ratepayers, for subsurface transformers in new residential subdivisions is a logical extension of the Commission's policy to require developers to pay for feeder conduit and/or backbone systems in new residential subdivisions.

PG&E

PG&E's petition is very similar to the one filed by Edison. It contends there is no need to modify Rule 15.1 since D.76394, rather than the language of Rule 15.1, requires the use of subsurface transformers.

PG&E recommends that padmounted transformers be made the standard in residential subdivisions and developments. This would

result in consistent application of electric rules without regard to customer type or classification. PG&E points out that currently, neighborhood shopping centers served under Electric Rule 15.2 or residential customers served under Electric Rule 16 would have padmounted transformers as their standard installations (Ex. 3, PG&E/Dunlap, pp. 4-5). Modifying D.76394 to provide that padmounted transformers are the standard installation for new residential subdivisions and developments would, therefore, provide for consistent treatment for all types and classifications.

PG&E requests that D.76394 be modified to require developers to pay the difference in cost between padmounted transformers and subsurface transformers, as special facilities costs, when subsurface transformers are installed in new residential subdivisions and developments, unless subsurface transformers are required for engineering reasons.

SDG&E

SDG&E requests that any ruling allowing utility charges for subsurface transformers in Underground Residential Distribution Systems should apply only to the petitioners and not to SDG&E. SDG&E does not offer the option of subsurface transformers to residential developers. Compelling SDG&E to use subsurface transformers would impose an unreasonable burden on its financial and personnel resources.

BIA

It is the position of the BIA that the cumulative force of fees and regulatory costs has a significant negative impact on the affordability of housing in Southern California. It alleges that this position is supported by a recent report prepared by a special Housing and Urban Development (HUD) Commission on barriers to affordable housing. It further alleges that HUD estimates that from \$15,000 to \$30,000 is added to the cost of an average new home as a result of these fees and regulations. It requests that the petition of Edison be denied.

Discussion

At the time D.76394 was issued the difference in cost was not substantial; however, since the issuance of D.76394 the cost differential between padmounted and subsurface transformers has increased significantly.

Also, as Edison points out, since the issuance of D.76394 the Commission has developed a policy to avoid charging costs of underground systems associated with residential subdivisions to all ratepayers when only a small fraction of those ratepayers benefit.

We agree with PG&E that there is no need to modify Rule 15.1. Padmounted and subsurface transformers are considered components of underground distribution systems. It is only necessary that we specify what is the standard which we have done in Ordering Paragraph 1.

We will grant the petitions of Edison and PG&E to the extent that the differential cost between the installation of padmounted and subsurface transformers shall be borne by the developer in those instances where padmounted transformers could be installed but subsurface transformers are requested. This includes, of course, the circumstance where the subsurface transformers are to be installed because of the requirements of a local ordinance. It would be inappropriate to require developers to bear the differential costs between the installation of padmounted and subsurface transformers when the latter are required because of a utility engineering specification.

Comments to the Proposed Decision

The ALJ's revised proposed decision was filed and mailed to the parties on February 13, 1992. Comments on the proposed decision were filed by Edison and PG&E. No other appearances filed comments nor were any replies to the comments filed.

The comments of Edison suggest that the proposed decision be clarified to indicate that ratepayers should be required to pay the differential cost of subsurface transformer installation only

when required by the utility's engineering specification. Edison suggests that the language on page 7 just prior to Findings of Fact be modified to specify that the engineering specification referred to is that of the utility rather than a third party.

The comments of PG&E suggest that the proposed decision be clarified to indicate that ratepayers should not be required to pay the differential of subsurface transformer installation when the request for subsurface transformers is a result of a local ordinance.

The comments of both Edison and PG&E also request that the proposed decision be changed so that Rule 15.1 is not modified. Edison cites three valid reasons why Rule 15.1 should not be modified as follows:

1. Utility customers ordinarily pay the differential cost between non-standard equipment and standard equipment as an added facilities charge;
2. Any revision of Rule 15.1 must meet the requirements of Section 783 of the Public Utilities Code;
3. Since Appendix A to D.76394 was developed in 1969, there have been a number of modifications to Edison's Rule 15.1 therefore the proposed change set forth in the proposed decision could not be made verbatim to Edison's existing rule.

Edison suggests the elimination of Ordering Paragraph 2 and that the following be added as the first sentence of Ordering Paragraph 1: "The utility's standard transformer equipment in a residential subdivision is a padmounted transformer unless due to the utility's engineering consideration a padmounted transformer is not feasible."

PG&E also requests the elimination of Ordering Paragraph 2 for similar reasons. It suggests that Ordering Paragraph 1 be revised to provide the installation of subsurface

transformers when not required from the utility's engineering consideration be treated as a special facilities cost to be borne by the developer.

We agree with the comments of both Edison and PG&E. This decision incorporates the suggested changes to the ALJ's revised proposed decision.

Findings of Fact

1. D.76394 does not authorize utilities to assess developers the cost differential between padmounted and subsurface transformers.

2. At the time of the issuance of D.76394 the cost differential between padmounted and subsurface transformers was not substantial.

3. Today the cost to install a subsurface transformer is substantially more than the cost of a padmounted transformer.

4. There are instances when subsurface transformers are preferred merely because of aesthetics.

5. There are other instances when subsurface transformers rather than padmounted transformers must be installed because of the utility's engineering specification.

Conclusion of Law

The petitions of Edison and PG&E should be granted to the extent set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. Decision (D.) 76394 is modified to provide that:
"The utility's standard transformer equipment in a residential subdivision is a padmounted transformer unless due to the utility's engineering consideration a padmounted transformer is not feasible. In the event a developer requests the installation of subsurface transformers rather than padmounted transformers when padmounted transformers are

feasible from the utility's engineering perspective the cost differential between subsurface transformers and padmounted transformers shall be treated as special facilities cost to be borne by the developer. In no event shall the cost differential between padmounted and subsurface transformers be passed on to the developer when subsurface transformers are required because of the utility's engineering consideration."

2. To the extent not granted herein the petitions for modification of D.76394 filed by Southern California Edison Company on August 24, 1990 and by Pacific Gas and Electric Company on June 21, 1991 are denied.

3. The Executive Director shall serve a copy of this decision on all respondents providing electric service within the state in addition to the appearances herein.

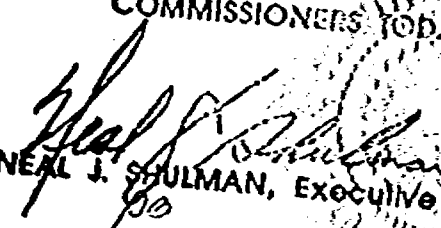
This order becomes effective 30 days from today.

Dated March 31, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President

JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director