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Decision 82 01 18 JAN 5 1982

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 (Filed June 22, 1965) (Reopened May 22, 1979)

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John W. Witt and William S. Shaffran, Attorneys at Law, for City of San Diego; Richard Urbaniak, for City of Oakland; Thomas E. Farris and William Taylor, for City of Berkeley; George Agnost and Leonard L. Snaider, Attorneys at Law, for City of San Francisco; and Donald Wilson, for County of Orange; interested parties.

William J. Jennings, Attorney at Law, for the Commission staff.

O P I N I O N

Summary of Decision

In Case (C.) 8209, we established a program under which respondent electric utilities are required to annually budget funds for use by the communities they serve to convert a part of the utilities' overhead distribution systems to underground systems. C.8209 was reopened to reexamine the program, largely because of complaints from cities that all funds budgeted to the program were not being spent and because our staff wished to recommend changes in the program.

This decision authorizes changes in the previously adopted undergrounding conversion program by providing that:

1. Unexpended carryovers of budgeted funds should be reduced by requiring that the respondent utilities include a plan in their annual budgets submitted for approval by the Commission for reducing such carryover.
2. Funds allocated to communities for undergrounding which are not promptly spent may be reallocated by the utilities to other communities, under proper safeguards.
3. If the local governmental jurisdiction chooses, utilities will install the first 100' of underground facilities from the street distribution line to the point of connection with the customer's wiring.

The levels of funds annually budgeted for undergrounding will continue to be reviewed by our staff under present advice letter procedures.

Background

Fourteen years ago this Commission launched a long-range program to convert most existing overhead utility distribution lines to underground facilities. Decision (D.) 73078 (1967) 67 CPUC 490 accepted a commitment by all California investor-owned electric and

telephone utilities to convert part of their overhead distribution systems each year, using their own funds. The decision required each electric utility to adopt a new rule for conversions as part of its tariff (a typical Rule 20-A, that of Pacific Gas and Electric Company (PG&E), is contained in Appendix A).

Prior to that decision, underground conversions for esthetic purposes would normally have been funded directly or indirectly by affected consumers (often through formation of an assessment district). Generally speaking, utilities would spend their own money on conversions only when there was a demonstrable cost benefit to them or for their own operating convenience. Needless to say, there was little progress in clearing California's horizons of annoying visual clutter.

This program has several notable features. First, the Commission did not dictate how much should be spent or how soon utilities should complete their conversion activities. Each electric utility was allowed to decide these matters. The Commission merely reserved the power to review the amount each electric company earmarks for Rule 20-A projects. Until 1981 the Commission had never disapproved a budget. The staff had, in at least two other instances, persuaded a utility to increase its proposal before it was formally submitted to the Commission.

The Commission did not exercise the options to decide which projects should be funded. Each local community was allowed to decide where and how its annual share of utility funds for undergrounding should be spent. The rule does include broad guidelines for exercising this discretion; in practice, however, neither utilities nor the Commission has attempted to invoke those guidelines to challenge local decisions. For all practical purposes Rule 20-A functions like a subvention. It allows local governments to spend money on a specific type of public improvement without raising taxes.

The rule does, however, allow electric utilities some power to decide how long a community can accumulate funds before beginning a project. They also can determine the extent to which a community

can call for advances against future years' allocations. These limitations are applied liberally, allowing communities to opt for fewer larger projects rather than smaller, usually less cost-effective projects.

Each utility allocates funds among the communities it serves in proportion to the number of customers receiving service in each community. It was felt that this type of allocation would make it clear beyond question that ratepayers in one community were not compelled to subsidize expenditures mandated by elected officials of another local community.[1/]

Unlike electric utilities, telephone utilities do not have the power to determine how much they will spend or how fast they will complete conversion. Their activities are determined by the timetables of the electric utilities with which they share poles.

Once a local government decides that a group of such poles is to be converted, the telephone utility which shares those poles must also convert its lines. This open-ended commitment is tolerable because most of the cost of any project is normally attributable to the conversion of electric plant.[2/]

The rule does not govern telephone conversions in territory served by publicly owned electric utilities. It is assumed that such conversions will reflect whatever requirements are adopted by the electric utilities.

1/ As explained more fully below, San Diego Gas & Electric Company (SDG&E) and the City of San Diego have worked out an arrangement which they believe supersedes Rule 20. San Diego, purportedly exercising its franchise power, has mandated a conversion formula which required SDG&E to spend approximately $12 per year per customer on conversions when the other utilities were spending less than $5. Even though this utility has had difficult problems raising capital, staff representatives did not comment on the financial impact of this agreement. The staff representatives did not comment on the question of whether the San Diego requirement discriminated against SDG&E customers who live outside city boundaries.

2/ In similar fashion, CATV and city-owned alarm systems must be undergrounded when electric lines are converted. In many cases, streetlighting must also undergo substantial changes.

The Commission explained its decision not to establish a timetable or minimum level of expenditure at 57 CPUC, p. 510:

> "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. . . . The utilities will, of course, be expected to budget increasing amounts in subsequent years to meet the demand and need for aesthetic conversions."

The Commission also stated that, "the magnitude of future expenditures for conversion will be dependent on the public demand and on the impact of other changes on the economics of utilities' service."

The Commission recognized that with the electric utilities controlling the pace of conversions its program could not reach an acceptable level of completion until sometime in the next century. It found, however, that a more rapid pace would be prohibitively expensive.

The Commission also considered the opportunity for conversion presented by street-widening projects, commenting, "The record reveals that respondent utilities often are required to relocate their facilities due to street or highway widening. It appears that the practice of these utilities, when overhead facilities are involved, is to remove existing overhead and replace such facilities with new overhead facilities. In view of the fact that the cost differential between overhead and underground communication facilities has virtually been eliminated, such relocations must be given high priority under the conversion rule ordered herein."

The program described above has, over the past 14 years, permitted California to make steady progress toward placing all electrical overhead distribution lines underground.

The table below describes the status of the conversion program at the time of the last hearing in C.8209.

TABLE I

STATUS OF UNDERGROUNDING PROGRAM

Item	PG&E	Edison	SDG&E
	At December 31, 1979		
1978 Budget (M$)	14,500	12,500	10,044
1978 Carryover (M$)	24,747	4,838	4,403
1980 Proposed Budget (M$)	15,500	12,500	10,044
1980 Budget $/Customer	4.60	4.21	13.37
Distribution Lines (Miles)			
Overhead	79,160	44,055	7,429
Underground	7,418	9,411	2,498
Transmission Lines[a] (Miles)			
Overhead	13,340	9,497	1,057
Underground	94	50	19
	At December 31, 1980		
1980 Budget (M$)	15,500	13,250	10,044
1980 Carryover (M$)	23,532	7,903	4,251
1981 Proposed Budget (M$)	15,500	13,250	10,044
1981 Budget $/Customer	4.50	4.32	13.30
Distribution Lines (Miles)			
Overhead	80,064	44,252	7,450
Underground	8,114	10,386	2,767
Transmission Lines[a]			
Overhead	13,375	9,538	1,062
Underground	96	54	20

a/ Greater than 50 kV.

In more recent years, however, the Cities of San Francisco, Berkeley, and Long Beach began to criticize the system as too slow. The two Bay Area cities also criticized Pacific Gas and Electric Company (PG&E) alleging it had permitted too much carryover to accumulate. They demanded that cities which failed to use up their allocations should forfeit them to other communities which have unfunded projects ready to proceed.

Largely in response to these cities' complaints, the Commission reopened C.8209. In October 1979 the Commission staff (staff) served on each of the respondents a staff report containing its recommendations on each of the issues raised by an administrative law judge's (ALJ) ruling, issued July 3, 1979. On November 28, 1979 another ruling ordered respondent utilities to file and serve prepared testimony and exhibits on all parties by February 1, 1980. The same ruling directed that nonutility parties could instead file and serve a summary and outline. Five days of hearings before ALJ Gilman were held in February and March 1980. During these hearings presentations were made by the staff, Southern California Edison Company (Edison), SDG&E, The Pacific Telephone and Telegraph Company (Pacific), General Telephone Company of California (General), the City of San Diego, and the Cities of San Francisco and Berkeley, and Orange County.

In 1981 the Commission, at the urging of its staff, first required utilities to expend more than their proposed budgets. PG&E had proposed to earmark $15.5 million for that year's conversions; Edison had proposed to commit $13.25 million. The Commission adopted Resolutions E-1930 and E-1931 rejecting these proposals and increasing the utilities' budgets to $21.15 million and $17.155 million, respectively. In both instances the Commission found that the higher commitments were needed to maintain construction activity at the historical level with appropriate adjustments for increases in construction costs.[3/]

3/ The Commission on October 6, 1981 granted PG&E's petition for rehearing of Resolution E-1930 in D.60809 in Application (A.) 93602.

Position of the Parties

The following issues were raised in the ALJ's prehearing ruling.

1. Should the Present Per Customer Allocation Procedure Be Revised?

The staff asserted that the present per capita allocation method, among communities, does not reflect the current trend of population migration from cities to the suburbs. It proposed that allocations should instead be based on the number of meters served from overhead lines[4/]. It claimed that this would reverse an existing trend under which an increasing proportion of the conversion efforts is being shifted to suburban communities. Staff pointed out that suburban communities already benefit disproportionately from another undergrounding rule which required most post-1968 subdivisions to be built with all utilities underground.

Edison indicated it would be willing and able to adopt an allocation method based on the number of overhead meters. Edison argued, however, that the present system is not unfair and is easy to administer. Nevertheless, if the Commission should decide that a change is needed, Edison asserted that the overhead meter basis would be workable and fair to older communities.

PG&E believes that the present per capita allocation procedure is fair and equitable and should be retained. It would, however, offer no objection to freezing community allocation ratios at existing levels.

The County of Orange opposed the per meter allocation method since it would severely reduce its allocation.

Neither San Diego nor SDG&E took a position on this issue. Both apparently believed that the franchise agreement between them obviated any need to establish a new allocation method in that utility's service territory.

San Francisco contended that the present allocation method is inadequate both in theory and in practice. It urged the Commission

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4/ The proposal was a substitute for an earlier one which would have frozen each community's allocation at current levels.

to adopt another method which would provide a larger allocation to those cities with a greater need for conversions. It asserted that the present system wastes funds on localities which have no desire for undergrounding and starves the program in cities like San Francisco which would prefer a faster pace. It contends that the present system is therefore arbitrary. It sponsored a new allocation procedure designed to ensure that priority is given to those projects "deemed most beneficial." Its proposal emphasized the similarity between the allocation of conversion funds and the allocation of railroad crossing and grade separation funds. (PU Code § 1231 et seq.) Relying on this similarity, San Francisco urged us to adopt a procedure similar to that used to allocate grade crossing funds. This would involve an annual hearing to establish a statewide priority system which would rate each proposed conversion project in the State. San Francisco suggested that the number of people living in the vicinity, the traffic, the cost of the project, would all be relevant factors to be considered in rating projects. It also suggested that the most important factor should be the present ability of the affected city to proceed. It proposed that funds should only be allocated for imminent projects, and that there should be a requirement that they be spent in the year of allocation.

2. Should Carry-over Be Reallocated to Cities and Counties With More Active Undergrounding Programs?

This issue affects only PG&E; neither of the other electric utilities had accumulated any significant amount of uncommitted funds. (See Table L)

PG&E responded to San Francisco's accusation that it had permitted the accumulation of excessive carryover by contacting communities and urging them to start the procedural steps necessary to commit funds to specific projects. At the same time, it pointed out that much of the alleged carryover was actually assigned to cities which had designated specific projects but had decided to accumulate the funds for a single conversion rather than frittering

them away piecemeal. PG&E proposed that it should exercise the reallocation provisions which are a part of the rule. It contemplated that it should unilaterally determine which cities should be deprived of their accumulated carryover. These allocations would then be pooled and the Commission would select the most deserving cities and parcel the pooled allocations among them.

The staff concluded that PG&E's efforts to reduce its carryover were reasonable. It recommended that the Commission should generally direct utilities to reallocate carryover whenever the utilities found that a particular city was not proceeding expeditiously.

San Francisco and Berkeley both argued that PG&E should be required to reallocate moneys from cities which had failed to cooperate with the conversion program to other cities whose policies conform to the Commission's goals. San Francisco proposed to distribute unused funds to cities (itself included) which have unfunded projects ready to proceed. Berkeley suggested that the reallocated funds be distributed by a formula based on number of miles of overhead plant per customer.

SDG&E supported reallocation as a general concept, but argued that no changes in the rule are required.

Edison asserted that there is not likely to be any excessive carryover in its territory. It opposed mandatory reallocations.

3. Should Utilities Provide Funds for Conversions in Addition to Rule 20-A Budgets?

The staff recommended that each electric utility should be required to provide additional funds, in addition to its annual Rule 20-A budget, to be spent in those cities which have already exhausted their existing allocations and which cannot reasonably be allowed further advances against future years' budgets. The staff recommended that the utilities be required to fund one-half of all costs of such additional projects, including the costs of converting customer services. The staff reasoned that if a group of customers are willing to pay half the cost of undergrounding the electric plant in their neighborhood, the electric utility ought to be required to match their contribution.

PG&E supported this proposal. General Telephone opposed it. None of the other participants, including San Francisco, exhibited any enthusiasm for the proposal.

4. Should Utilities Bear More of the Cost of Service Conversion?

PG&E currently bears the cost of conduit (up to 100 feet) and of the conductors needed for conversion of customers' services to underground. Both of the other electric utilities also bear some portion of the cost of converting a customer's service to underground.

The staff recommended generally that property owners continue to be primarily responsible for converting their own services. It suggested, however, that some of the additional funds that the utilities would provide under the staff's proposal for extra Rule 20 financing be made available to pay half the costs of consumer conversions. It suggested that the Commission should also consider certain other alternatives: (1) that the utility might be required to absorb the entire cost of service conversion up to a ceiling based on the cost of an average customer conversion; (2) the customer might be made responsible to provide only the trenching and conduit with the utility installing the cable and converting the customer's meter at a minimum cost; (3) that a city or county might be authorized to require the utility to pay for all of customers' costs, the cost to be defrayed by a surcharge levied on all utility bills received in that city or county.

Edison claimed that adjoining property owners benefit directly from undergrounding through an increase in the market value of their property. It argued therefore that the property owners should bear a share of the total cost of the project. Where specified individuals are unable to pay the cost of service conversion, it believes the community, rather than the utility, should assist those customers.

Pacific supported the existing practice, as did PG&E and SDG&E.

San Diego urged that additional Rule 20-A funds be made available for service conversions. It claimed that unless we adopt such a rule, undergrounding may cease in residential and low-income commercial areas. Both of its witnesses testified that there is a growing reluctance and inability to pay for the rapidly increasing cost of trenching and reconstruction. It introduced evidence showing that the average cost of service conversion was approximately $250 in 1968 and that it has increased to $800 or even $1,000 today. One of its witnesses asserted that assigning only 5% of the total utility allocation to service conversion would cover the cost.

Berkeley contended that electric utilities should provide no-interest or low-interest loans to consumers for conversion costs. The staff did not support such a concept. Edison opposed it.

San Diego did not believe that a loan program would solve the problem. Its experience with its own cost deferral ordinance indicated that the consumers will not use even interest-free loans for conversion. San Diego did not believe that a loan program could be handled better by utilities than by cities or counties. PG&E believed that a program like the San Diego loan deferral program should be offered by other cities. It argues that this would be the best means of dealing with the cost of converting services.

SDG&E believed that the existing division of responsibility between customer and utility is just and reasonable. It argued that all ratepayers should not be burdened by the cost of a project beneficial in local areas only.

5. Should the Annual Allocation Be Formally Defined and/or Increased?

San Francisco claimed that the amount annually earmarked by PG&E is arbitrary[5/] since it does not take into account the amount of undergrounding which needs to be accomplished. It proposed that we find PG&E's 1968 expenditures to have been reasonable and require the utility to maintain comparable expenditures in future years.

5/ Generally speaking, PG&E earmarks an annual sum which varies with its electric revenues less revenues from ECAC, wholesale, and large industrial sales.

Comparability would be measured by an indexing formula designed to allow for past and future increases in the cost of conversions. Alternatively, it recommends that we should abandon dollar-based allocations altogether and require instead that the utilities commit themselves to underground a specific number of miles of line each year.

As noted above, a requirement for additional electric undergrounding will automatically require an increased expenditure by telephone utilities. Therefore, Pacific opposed any significant increase in the electric utilities' obligations. General also opposed rigid spending minimums for electrical undergrounding.

Staff opposed requiring a minimum or fixed allocation. It argued that we should continue to allow the electric utilities to fix their own allocations. The staff asserted that its annual review of utility proposals would provide it with sufficient power to ensure that electric utilities' efforts do not falter.

Edison agreed with the staff position on this issue. It argued that any formula for determining the annual Rule 20-A budget would suffer from inflexibility and arbitrariness. Edison believed that each utility should annually assess and "prioritize" underground conversion against other discretionary construction programs.

Berkeley recommended that both PG&E and Edison be required to adopt the formula agreed to by SDG&E in its franchise agreement with San Diego. Berkeley argued that Rule 20-A should establish the minimum amount available to any city; it recommended that any city having a pre-1911 charter[6] should be able to require an even faster rate of progress.

6/ Some such cities have retained the power to make and enforce police, sanitary, and other regulations concerning municipal affairs against public utilities. (Cal. Const. Art. XII § 8.)

6. Should the Utilities Bear the Cost of Converting Overhead Transmission Facilities Which Are On the Same Pole As Distribution Lines Scheduled for Conversion?

D.85497 in C.9365 (Investigation of Undergrounding, Transmission), held that such costs could be defrayed from Rule 20 funds. Staff originally criticized the result, but subsequently reversed itself. None of the other parties proposed any change in the existing rule. The issue is therefore moot and will not be considered further.

7. How Should We Treat Conversions of Overhead to Underground in Conjunction With Street-Widening Projects?

The basic staff position was that all funds for underground conversion should be included in a utility's Rule 20-A allocation. Consistent with this position, it recommenced that where street-widening projects have been decided upon, a city should be able to decide that existing overhead facilities should be relocated underground, charging the full expenditure against its Rule 20-A allocations.

Pacific challenged the dicta in the prior decision which suggested that there was no significant difference between the cost of overhead reconstruction and underground replacement. It believes that relocation or replacement with new overhead plant should be permitted when cost differential is great. General also sought a finding that there could be a very great cost differential between conversion and replacement in street-widening projects. It contended that the Commission should allow overhead replacement or relocation where the cost differential was large.

Edison agreed with the basic staff positions that conversion in conjunction with widening projects should be given high priority, and that all conversions including those in conjunction with widening should be charged against Rule 20-A funds. However, it agreed that there should be no statewide rule for street-widening projects, but that local communities should have discretion to decide whether or not to employ allocated funds for such a project.

DISCUSSION

The Resolutions referred to above mark a turning point in the Commission's practices with regard to conversion funding. In the future, our staff will continue to take a very active role in reviewing annual allocation budgets and company policies and successes in general. This new focus on staff responsibility and the annual review process is an appropriate response to all but a few of the issues raised by the parties. Those few issues which are not moot are discussed specifically below.

Allocation Methods

If we continue to use the per capita method to divide an electric utility's annual budget among communities, sooner or later we will begin to observe that newer cities have completed all of the worthwhile projects within their boundaries while older cities still are left with many miles of unconverted lines.

As our staff pointed out, newer cities typically have a substantial advantage over older communities. In the former, many miles of distribution lines have been initially constructed underground with developers paying the cost. In older cities where there are few recent subdivisions, any undergrounding which occurs will be a conversion and charged against Rule 20 allocations.

Our program ought to be modified so that all communities complete their conversions at roughly the same time. Without such a modification, future Commissions may have difficulty in defending a system which takes money from communities which no longer have anything to gain from the conversion program for expenditure in other cities.

We believe that it is preferable to introduce a small incremental change now, rather than waiting until the differences between communities become exaggerated by uneven progress. Accordingly, we will adopt the staff proposal; and allocation among communities shall be based on the number of electric meters serviced by overhead lines. Over a period of years, it will have the desired effect of speeding conversion in those communities which have the greatest amount to accomplish.

Orange County's opposition to the staff proposal is apparently based on a misunderstanding of its intended effects. The county will still be entitled, in the long run, to as much total conversion funding as before the change. Adopting the staff proposal will not create a loss of benefits to the county; they will merely be postponed.

San Francisco's proposal for an annual allocation proceeding to rank each conversion project in the State is unnecessarily cumbersome and expensive.

Annual Conversion Budgets

We would unfairly prejudge matters which could be decided in PG&E's pending rehearing of Resolution E-1930 (docketed as A.60809), if we were to decide any issues concerning the size of future electric utility conversion budgets. Therefore, the Order Granting Rehearing of that resolution includes not merely the question of whether PG&E's 1981 budget should have been fixed in the order rather than by resolution but also the question of how and at what levels its 1982 and subsequent undergrounding conversion budgets are to be determined.

SDG&E's and Edison's 1981 budgets have been established ex parte. Those utilities should be afforded a similar opportunity to influence the manner of fixing the level of their 1982 and subsequent budgets. They will therefore be permitted to participate in A.60809 in the same manner as PG&E, insofar as their 1982 budget, and the procedure for determining subsequent budgets are involved.

There is insufficient information in this record to deal with the lawfulness of the undergrounding contract between San Diego and SDG&E. We conclude that we should not attempt to rule on this issue without the receipt of additional facts.

Carryover

PG&E's current carryover is disturbingly large; even when we recognize that substantial portions of the reported amount may in fact first be committed to projects which are on schedule or have been delayed to meet the objectives of local governments.[7] The parties have suggested, but not proven, that this excessive carryover may be due to insufficient commitment on the part of PG&E management. PG&E in turn has suggested but not proven that much of the problem is attributable to decisions, many of them easily explicable, rendered by local officials.

The only specific remedy suggested by the parties was that PG&E should begin to use the reallocation power it has under the rule. (That suggestion is discussed in the next topic.)

In addition we believe that it is appropriate to use the existing budget approval procedure to exercise more direct supervision of the practices of any utility which has excessive carryover. Therefore, as long as any electric utility's net carryover[8] is in excess of its annual budget, we will expect its next proposal to include a plan for reducing the amount of uncommitted carryover. If the excess persists into a second year we will also require a detailed report of the previous year's successes and failures.

Reallocation Procedure

Resolution E-1930 required PG&E to "make every effort to commit the uncommitted funds from previous budgets as soon as possible." To carry out this directive, PG&E may have to induce cities which have been slow to implement conversion projects to use their accumulated carryover more expeditiously or to lose the carryover. Such a step is authorized under Rule 20.

7/ PG&E can be expected to have advanced or promised to advance funds against future years' budgets for certain cities. Since we are concerned with carryover as a systemwide problem, such advances should be treated as an offsetting adjustment to system carryover.

8/ "Net carryover" will be calculated by subtracting all advances, whether expended or committed to a specific project, from all funds unexpended from prior years' budgets not committed to a specific project. Advances will no longer be treated as advances after January 1 of the year in which they will become current. For example, an advance against a city's 1982 budget cannot be used in calculating a utility's 1982 carryover.

Before any utility takes the final step to transfer any community's accumulated conversion funds to another community it should provide the challenged city with notice.

It has been suggested that we use this decision to promulgate a set of standards which would be used to determine whether or not a local government has unreasonably delayed the process of conversion within its own boundaries. We will not accept the suggestion. None of the parties has suggested a specific set of standards on the record and those communities most likely to be affected have not received notice and opportunity to be heard.

Funding for Conversion of Services

We find reasonable San Diego's proposal that we make Rule 20 funds available for work on customer services (from the street to the point of connection with customer wiring), work which is now done solely at consumer expense when there is undergrounding conversion.

It was argued that consumers or local government officials might be encouraged to demand "gold-plated" (i.e. excessively costly) underground service installations if Rule 20 funds were made available. In our opinion this is not a valid reason for rejecting the proposal; local governments can in most cases be expected to conserve their allocations and resist pressures for unnecessary expenditures. If electric or telephone utilities find that this resistance is not strong enough, they are, of course, free at any time to propose remedial tariff rules.

Now when a utility and a community agree to convert a section of overhead lines underground under Rule 20 the individual utility customer must pay for the conversion from the distribution line to the residence. This ordinarily means paying for undergrounding from the street, including any modification to the electric service box. These costs vary with distance, the way the premises are

constructed (e.g. does a driveway or patio have to be dug up?) and other conditions. Under the new rules we adopt the utility will, if the local jurisdiction requests, pay for up to 100 feet of service between the street (or distribution line) and the service box. However, the customer will still be required to pay for any required modification to his wiring to accept underground service (e.g. modifying the service box). Having the utility pay for the first 100 feet of conversion from the street is consistent with Rule 16, governing installing new service. Further, if utilities were to modify customer wiring to accept underground service, they would be engaged in premises wiring, traditionally the domain and responsibility of customers, their electrical contractors, and local building inspectors. The change we do adopt, which is at the discretion of the local governmental entity, allows local government to determine whether all Rule 20 funds go for undergrounding along streets or whether a portion should go to assist customers with part of the conversion expense. Of course, if the utility installs the underground service from the street to the point of connection to the customer's wiring, those facilities belong to the utility, just as similar facilities installed under Rule 16 (new service).

Finally, the record did not consider the financial or ratemaking implications of requiring utilities to finance property (e.g. new service boxes) they do not own. Therefore, we have not authorized the expenditure of Rule 20 funds except to construct plant which the utility will own under its current tariff provisions.

Findings of Fact

1. Under per customer allocation method, communities with many recent subdivisions will tend to complete all of their worthwhile conversion projects much earlier than other communities.

2. It is not in the public interest that one group of communities should complete their worthwhile conversion projects while other communities still need funds: funding should be distributed so that all can finish worthwhile projects more nearly at the same time.

3. The transition from the existing per-customer allocation method to a per-meter method will lead to more even statewide undergrounding.

4. The staff proposal will accelerate funding for those cities which will, in the long run, need the most funding.

5. San Francisco's proposal would give an advantage to cities which can afford to maintain specialists to represent the city before the Commission. It would be likely to produce protracted and expensive litigation.

6. The annual budgeting process can and should be modified to monitor excessive carryover.

7. Local communities should be able to use part of their Rule 20 allocations for converting consumer services, if necessary, to encourage consumer acceptance for desirable projects.

8. Local communities will have some motivation to resist pressures for unnecessary expenditures on service connections.

9. Funding should be limited to facilities which the utility traditionally owns: Lines from the street/distribution line to the point of connection with the customer's wiring.

10. If requested by local authorities, electric utilities should be required to expend funds allocated to such local authority for up to 100 feet of underground electric lateral for each customer in an undergrounding district. Any local government electing to expend a portion of its allocation on lateral service construction should have the authority to establish limitations on the amount to be so expended for that purpose.

Conclusions of Law

1. 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, and it was not intended that any utility should have to seek approval from any local government agency for establishing or changing a funding commitment.

2. Before transfer of allocated but unused conversion funds from one local government to another, the community whose practices are challenged should receive notice from the utility.

3. Communities likely to be affected by standards for evaluating local conversion policies and decisions have not been given adequate notice and opportunity to be heard; the issue should not be considered.

4. We should not prejudge the question of the level and manner of fixing PG&E's 1982 and subsequent budgets, or the level and manner of fixing Edison's and SDG&E's 1982 and subsequent budgets.

O R D E R

IT IS ORDERED that:

1. Each respondent electric utility shall, under the procedures provided in General Order Series 96, modify its Rule 20-A.2 as follows:9/

> "2. ...shall be allocated in the same ratio that the number ~~of customers in each city or unincorporated area of any county bears to the total system customers~~ of overhead meters in such city or unincorporated area of any county bears to the total system overhead meters."

and shall add an unnumbered paragraph to follow A.3 reading,

> Upon request of the governing body, the utility will pay for no more than 100 feet of the customer's underground service lateral. The governing body may establish a smaller footage allowance, or may limit the amount of money to be expended on a single customer's service, or the total amount to be expended on consumer services in a particular project.

2. Respondent electric utilities may transfer any allocated but unused conversion entitlement from one city or county to another after providing notice to the affected cities or counties.

9/ ~~doe~~ indicates deletions.

3. Any electric utility respondent which has a sum of net carryover not assigned to an undergrounding district finally approved by any local authority larger than the current conversion budget approved by the Commission shall, with its next annual budget proposal, submit a detailed plan for each city having gross carryover for the next year's efforts to reduce or eliminate such carryover. If the excess persists into second or succeeding budgets, the utility shall also include a report on the progress achieved during the previous year.

4. This proceeding is terminated.

This order becomes effective 30 days from today.

Dated JAN 5 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

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

Joseph E. Bodovitz, Executive Director

Rule No. 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-way 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 or 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 customers in such city or unincorporated area bears to the total system customers. 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 of one block or 600 feet, whichever is the lesser.

(Continued)

Rule No. 20

REPLACEMENT OF OVERHEAD WITH UNDERGROUND ELECTRIC FACILITIES

(Continued)

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 roads 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 area 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 A)