

ORIGINAL

Decision S2 09 026 SEP 8 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Re Resolution E-1930 authorizing)
 Pacific Gas and Electric Company)
 to establish a 1981 Underground)
 Conversion Budget.)

Application 60809
 (Filed October 6, 1981)

Daniel E. Gibson, Merek E. Lipson and
A. Kirk McKenzie, Attorneys at Law, for
Pacific Gas and Electric Company, applicant.
John W. Witt, City Attorney, by William S.
Shaffran, Deputy City Attorney, for City of
San Diego; Maya Sanchez and Vincent
Master, Attorneys at Law, for San Diego Gas
& Electric Company; Donald M. Clary,
Attorney at Law, for Southern California
Edison Company; Andrew Thanos, for himself;
William Taylor, for Citizens Committee on
Undergrounding Utilities; George P. Agnost,
City Attorney, by Leonard Snaider, Deputy
City Attorney, for City and County of
San Francisco; Thomas E. Farris, for himself
and City of Berkeley; Robert Storchheim, for
City of Irvine; Richard Urbaniak, for City of
Oakland; Ralph Kirkup, for City of
Burlingame; M. Margaret DePriester, for
City of Moraga; Walter V. Graham, for City
of Vacaville; Daniel B. Harrison, for League
of California Cities; Michael D. Miller, for
Upper Ashbury Citizens' Advisory Committee;
Daniel K. Whitehurst, Attorney at Law, for
City of Fresno; William R. Rugg, for City of
San Leandro; Richard A. Spellmann, Attorney at
Law, for El Cerrito City Council; Kenneth S.
Blonski, for Clear Creek Community Services
District; Jerome Woehl, for City of San Jose; and
Frank J. Addiego, for City of Redwood City;
interested parties.
James Scarff, Jeff Thomas, and R. S. Kahlon,
for the Commission staff.

INTERIM OPINION

Summary of Decision

This decision grants a request by the City and County of San Francisco for an interim order requiring the Pacific Gas and Electric Company (PG&E) to continue its policy of advancing three years' allocations to cities that already are fully using their current allocations.

Background

In Case (C.) 8209, the Commission established an underground conversion program for the electric utilities. Each utility was required to promulgate new tariff rules and to budget funds every year for the conversion of overhead distribution lines to underground systems. The annual conversion budgets were submitted for approval by advice letter to the Commission and usually were approved without hearing by a Commission resolution.

By advice letter dated April 2, 1981, PG&E requested approval of an underground conversion budget for fiscal year 1981 of \$15,500,000, which is equal to its 1980 budget. In Resolution No. (Res.) E-1930 adopted July 22, 1981, the Commission found that PG&E would have to budget \$21,150,000 for 1981 "...[I]n order to maintain its underground conversion program at the initial level of effort..." Accordingly, PG&E was ordered to budget \$21,150,000 for its 1981 program and to make every effort to commit that money as well as the uncommitted funds from previous budgets as soon as possible. PG&E filed an Application for Rehearing of Res. E-1930 on August 11, 1981.

In D.93602 issued October 6, 1981, the Commission granted rehearing and created the instant Application (A.) 60809. The scope of A.60809 was limited to the appropriate level of PG&E's 1981 underground conversion budget. However, in D.82-01-18 issued January 5, 1982, the Commission redefined the scope of A.60809 in stating:

"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." (Emphasis added.)

Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) were invited to participate in A.60809 "...to influence the manner of fixing the level of their 1982 and subsequent budgets."

Prepared testimony was submitted by PG&E, SCE, and SDG&E concerning their 1982 budgets and the manner in which subsequent budgets should be determined. The City and County of San Francisco (CCSF), the City of Berkeley, the City of San Jose, the City of San Leandro, and the League of California Cities submitted prepared testimony responding to the utilities' showings. The Commission staff also submitted a report.

Hearings were held in Los Angeles on July 28, 1982 and in San Francisco on August 3-5, 1982. Testimony from the parties' witnesses sponsoring their prepared testimony was received as well as statements from representatives of the cities of Irvine, El Cerrito, Redwood City, Clear Creek, Vacaville, Fresno, Moraga, Burlingame, and the Citizen Advisory Committee of the Upper Ashbury. The hearings were concluded after oral argument regarding interim relief was made by CCSF and PG&E. Briefs are to be filed on or before September 3, 1982.

This interim opinion addresses only the request for interim relief made by CCSF.

CCSF's Request For Interim Relief

CCSF has scheduled two new underground projects for fiscal year 1982: The Northern Waterfront Part 3 and the Upper Ashbury. However, PG&E intends to proceed only with the Northern Waterfront project since the 1982 funding allocation plus any net carry-over from prior years for CCSF does not contain enough money to cover the Upper Ashbury project.

CCSF contends that if PG&E maintains its past policy of advancing three years' allocations to cities which are fully utilizing their current allocations, both of CCSF's projects could be funded and started in 1982. PG&E's advance policy which was followed from 1979-1981 is stated in a letter dated April 2, 1981 from Daniel E. Gibson as follows:

"We will advance up to three years' allocation to cities and counties that have active programs and which are fully utilizing their current allocations. Additionally, where special circumstances so dictate, further advancement of future years' allocations is permitted." (Exhibit 7, Attachment.)

CCSF argues that PG&E's advance policy should be followed in 1982. CCSF's reasoning is twofold.

First, CCSF states that it will suffer serious harm if the advance policy is not continued in 1982. CCSF already has set aside funds for the Upper Ashbury project to underground police and fire protection lines in 1982. If overhead electric lines are not converted to an underground system at the same time, CCSF claims that the trench will have to be reopened when the lines are eventually converted. CCSF maintains that adherence to the advance policy will allow the entire job to be done at one time starting in 1982. Unnecessary work, expenditure of money, and prolonged inconvenience to local residents could be avoided if the Upper Ashbury project is coordinated with the planned fire and police line work in 1982.

Second, CCSF alleges that PG&E's 1982 test year general rate case decision was based upon the best available information, which at that time included an advance policy in the underground

conversion program. CCSF argues that if PG&E is permitted to end its advance policy in 1982, it will not be making all of the expenditure it claimed for ratemaking purposes that it would make in 1982. CCSF concludes that this departure from general rate case assumptions would result in excessive rates for PG&E.

In closing, CCSF stated that it will not receive any "permanent gain" if the advance policy is continued since the advances will be subtracted from future years' allocations. CCSF and the residents of the Upper Ashbury area will benefit only by avoiding the expense and inconvenience of undergrounding facilities two times rather than once. Accordingly, CCSF asks for an interim order requiring PG&E to follow its advance policy in 1982.

PG&E's Response

PG&E opposes the interim relief sought by CCSF. PG&E points out that the advance policy at issue was a voluntary undertaking by PG&E to reduce what PG&E perceived was a large carry-over of conversion funds. PG&E was not ordered by the Commission or its staff to follow an advance policy.

More important, PG&E no longer finds that it has the large carry-over that it previously believed existed. PG&E now computes carry-over based upon actual undergrounding costs rather than estimated costs. PG&E has found that actual costs exceeded estimated costs by about 16% each year. As a result, prior calculations of carry-over based solely upon estimated costs understated the correct charges to allocations and created an illusion of a large carry-over. When actual expenditures are offset against the yearly allocations, the carry-over disappears.

PG&E maintains that its advance policy was initiated only to reduce what it perceived to be a large carry-over. Now that the large carry-over no longer exists, PG&E has decided to do away with the advance policy with the exception of street widening projects and projects already under construction.

PG&E also asserts that the new method of computing carry-over based on actual costs conforms with language in D.82-01-18 and a letter directive from H. Sipe of the Commission staff. The change was made so that the three utilities will compute carry-over on a uniform basis.

In summary, now that PG&E has a better understanding of what its carry-over actually is, PG&E submits that it is appropriate and logical to end its previous advance policy since a large carry-over no longer exists.

Discussion

We are persuaded by CCSF's argument that a termination of the advance policy will result in increased expense and unnecessary duplication of work in the Upper Ashbury area. Continuation of the advance policy will avoid these problems and will enable local residents to complete their renovation projects on a coordinated basis.

We understand PG&E's point that the advance policy was devised solely to resolve the carry-over "problem". However, it is our policy to promote underground conversion in California and to encourage cities and other local communities that are actively pursuing an underground conversion program. Apart from reducing any carry-over, PG&E's advance policy helps those cities that already are using their current allocations and still desire to start additional undergrounding projects. We find this to be a desirable feature which should be continued in 1982. Accordingly, we will order PG&E to continue its advance policy in 1982, pending a final decision in this proceeding. We will decide all other issues after receipt of the briefs due September 3, 1982.

Findings of Fact

1. PG&E from 1979-1981 has followed a policy of advancing three years' allocations of undergrounding funds to cities and counties that are fully using their current allocations.
2. PG&E has decided to end its advance policy in 1982.

3. CCSF plans to start two new undergrounding projects in 1982: the Upper Ashbury and the Northern Waterfront Part 3.

4. If PG&E's advance policy is discontinued in 1982, CCSF will not have enough undergrounding funds to start its Upper Ashbury project in 1982.

5. CCSF already has committed funds for the undergrounding of police and fire lines in the Upper Ashbury area.

6. If the Upper Ashbury project is coordinated with the scheduled police and fire line work, cost savings will result and disruption of the local area will be reduced.

7. This order should take effect on the date of issuance so that PG&E and CCSF can immediately determine when the Upper Ashbury project can be started.

Conclusion of Law

PG&E should be required to continue its advance policy in 1982 pending a final decision in this proceeding.

INTERIM ORDER

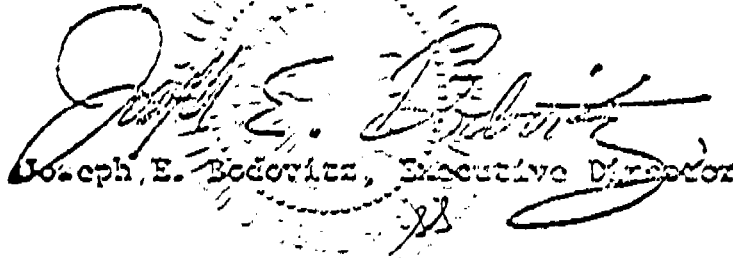
IT IS ORDERED that Pacific Gas and Electric Company shall continue in 1982 its past policy of advancing three years' allocations to cities from its underground conversion budget that already are fully using their current allocations.

This order is effective today.

Dated SEP 8 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

INTERIM ORDER

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