July 10, 2001

Advice 2134-E
(Pacific Gas and Electric Company ID U 39 E

Public Utilities Commission of the State of California

Subject: Rule 20 Section B clarification.

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its Rule 20. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

The purpose of this filing is to formally advise the Commission of PG&E's interpretation and administration of electric Rule 20, Section B, and to add clarifying language to Section B.2. that explains the applicant's responsibility for removal costs of the old overhead system. PG&E proposes the following:

1) To make clearer that the cost of converting overhead lines to underground includes the cost to remove the existing overhead system and that customers who request and receive undergrounding of electric service facilities under the provisions of Rule 20, Section B must pay the resulting removal costs for the existing overhead facilities.

2) Addition of language to Rule 20, Section B.2.c. making clearer that the estimated costs of completing the underground system and the cost of a new equivalent overhead system includes the costs of transformers, meters and services.

Background

Charging for Pole Removal Costs

On March 27, 2001, the Commission issued Decision 01-03-051 in the Barratt American, Inc. vs Southern California Edison Company (SCE) complaint case. The decision found that "[i]n 1997, SCE reviewed its tariff and concluded that pole removal costs are part of the conversion project, and should be charged to the applicant." The decision states that, pursuant to G.O. 96-A, SCE should have sought the approval of the Commission prior to changing its practice of charging for pole removal costs.

Based upon this Decision, PG&E believes that it is necessary to file this Advice

Letter confirming its 1995 change in the Company's interpretation of its Electric Rule 20.B.

Until 1995, PG&E maintained the practice of not charging for pole removal. In 1995, PG&E re-evaluated this practice, and began charging applicants the cost for the removal of the overhead system[1]. When changing its practice, PG&E considered the language in the tariff which states that PG&E will agree to underground facilities at an applicant's request when the applicant has "paid a nonrefundable sum equal to the excess, if any, of the estimated costs, of completing the underground system and building a new equivalent overhead system" subject to the provision that "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."[2]

To put this change in practice in perspective, it should also be noted that it was contemporaneous to the Commission's first decision in the Line Extension OIR (Rulemaking 92-03-050). The Commission's position in the Line Extension OIR decision D.94-12-026[3], and in the subsequent D.97-12-098, is that it is more appropriate to charge costs to the applicant/property owner who has requested and received the benefit of the work than to impose these costs on the general ratepayers.

PG&E's change in its practice is also consistent with the provisions of Electric Rule 16, Section F.2.b. which provides that the relocation of facilities "at the request of Applicant (aesthetics, building additions, remodeling, etc.) and agreed upon by PG&E shall be performed in accordance with [Rule 16] Section D…except that Applicant shall pay PG&E its total estimated costs. Section F.2.b. further provides that '[i]n all instances, PG&E shall abandon or remove its existing facilities at the option of PG&E rendered idle by the relocation or rearrangement." PG&E believes that the remaining overhead facilities, after the Rule 20B project is completed, are rendered idle due to the request of the applicant and therefore the removal of these facilities is analogous to the removal of idle facilities under Rule 16.F.2.b, and therefore should be performed at the applicants expense.

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[1] SDG&E maintained the same practice as PG&E until 1995, and also changed its practice of charging for pole removal that year.

[2] With respect to the similar language in SCE's tariff, the Commission in the Barratt American decision states that, "when the tariff language is considered as a whole – including the Rule 20.B.3 provision specifically addressing removal of overhead facilities," charging the applicant for pole removal costs appears to be a valid interpretation of the tariff.

[3] The Commission states that the changes to the allowance provisions of the line extension rules which were ordered in D. 94-12.026 were intended "so that cost-causers would indeed be cost-payers."

Prior to the issuance of D. 01-03-051, PG&E did not recognize that it was necessary under the provisions of G.O. 96-A to file a request for Commission approval of the Company's change in its practice of charging for pole removal under Rule 20.B. In 1997, in response to an inquiry from a third party consultant, the Energy Division asked PG&E to clarify its interpretation of Rule 20.B. PG&E informed the Energy Division of its change in practice in a letter dated November 13, 1997[4]. The Energy Division, while offering the informal opinion that the practice of charging for pole removal would discourage underground conversions in opposition of the Commission's 1967 policy[5], stated in a letter back to the consultant[6] that "there is nothing in Tariff Rule 20-B to order further, [therefore] we cannot now order PG&E to pay the cost for [pole] removal." Based upon this response from the Energy Division, PG&E believed that the Commission was not concerned with the Company's Rule 20.B. tariff interpretation. PG&E further believed that its improved practice was clearly consistent with the tariff. . For these reasons the Company did not believe that a tariff change specifying this change in practice was required.

PG&E also respectfully requests that the pole removal costs which have, since 1995, been charged to the applicants who benefited from the work not be retroactively shifted to ratepayers.

Transformers, Meters and Services

Prior to July 1, 1998, Rule 20 Section B.2.c specifically excluded the cost of transformers, services and meters (TSM) in the calculation of the estimated costs of the a new equivalent overhead system and the underground system. On December 16, 1997, the Commission issued Decision 97-12-098 in the Line Extension OIR proceeded. D.97-12-098 concluded that utilities should modify their service extension rules such that the "cost of TSM equipment provided by the utility to applicants should be included as costs that will be covered by allowances only to the extent that they are revenue-justified." The decision found that the "provision of TSM equipment at no cost to the applicant is a holdover from the general promotional practices adopted in decades past, a policy that the Commission has long since abandoned."

In compliance with D.97-12-098, PG&E filed revised tariffs in Advice Letter 1765-E. Consistent with the Decision, this advice letter included revisions to Electric Rule 20, which deleted any reference to transformers meters and services in Section

[4] November 13, 1997 letter from PG&E's Les Guliasi to Mr. Bill Gaffney is included as an Attachment 3 to this Advice Letter.

[5] Commission decision 73078, issued in 1967, established Electric Rule 20.

[6] February 13, 1998 letter from Mr. Bill Gaffney to Mr. Gary A. Krause of Krause and Associates is included as an Attachment 4 to this Advice Letter.

B.2.c. These tariff changes became effective July 1, 1998. This allowed PG&E to include these specific costs in future calculations of the estimated costs of a new equivalent overhead system and the underground system for the purpose of calculating the applicant's nonrefundable payment for the Rule 20B work. However, PG&E would like to make clearer the language in Rule 20.B, so that the applicant's responsibility for TSM equipment is explicitly stated. Thus, PG&E is proposing a modification to this tariff section, as shown in Attachment 2.

No cost information is required for this advice filing[7].

Protests

Anyone wishing to protest this filing may do so by sending a letter within 20 days of the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

Effective Date

[7] PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

The Company requests that this advice filing become effective on regular notice, **August 19, 2001**, which is 40 days after the date of filing.

Notice

In accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Attachments

RULE 20—REPLACEMENT OF OVERHEAD WITH UNDERGROUND ELECTRIC FACILITIES
(Continued)

B. In circumstances other than those covered by A above, PG&E 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 PG&E's rules and that PG&E 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 PG&E 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 PG&E's specifications, or, in lieu thereof, paid PG&E to do so;

   b. Transferred ownership of such facilities, in good condition, to PG&E; and

(D)

   c. Paid a nonrefundable sum equal to the excess, if any, of the estimated costs, of removing the existing overhead system and constructing the new underground system, including transformers, meters, and services, and the estimated costs of building and equivalent overhead system, including associated transformers, meters, and services. (N) | | | (N)

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.

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