BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider Revisions to Electric Rule 20 and Related Matters.	Rulemaking 17-05-010 (Filed May 11, 2017)

COMMENTS OF THE COUNTIES OF MENDOCINO, NAPA, AND SONOMA ON THE SCOPING MEMO

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In accordance with the Assigned Commissioner's Scoping Memo and Ruling, and Administrative Law Judge Wildgrube's email ruling extending time for comments on the Scoping Memo, the County of Mendocino, the County of Napa, and the County of Sonoma (the Counties) submit these comments on the issues identified in the Scoping Memo. The Counties have filed a motion for party status concurrently with these comments.

I. INTRODUCTION

The docket card for this proceeding shows the importance to local government entities of undergrounding electrical infrastructure and the need to reform the existing rules. The Counties, all of whom are subject to PG&E's Rule 20A undergrounding program, join their fellow local governments in the effort to ensure that the utilities' undergrounding regimes meet the needs of the communities they serve.

The Counties bore the brunt of the Northern California wildfires in October 2017; CAL FIRE determined that all but one of the fires that burned the Counties were caused by

PG&E electrical equipment.[1] PG&E's current Rule 20A program does not adequately address the threat of wildfires posed by overhead electrical equipment in its service territory. Because the Rule 20A program was originally developed to underground power lines for *aesthetic* reasons, PG&E's program requires that undergrounding be performed along roads that are extensively used by the public and carry a heavy volume of pedestrian or vehicular traffic; roads that adjoin or pass through a civic area or public recreation area; roads that are considered arterial or major collectors; or roads that have an unusually heavy concentration of overhead electric facilities.[2] These requirements limit PG&E's undergrounding program to urban or busy suburban locations and areas of "unusual scenic interest." None of these existing criteria will allow a local government entity to underground overhead power lines on rural or less-traveled roads—the very roads that have the highest wildfire risk due to the fact that they tend to be surrounded by significant amounts of vegetation.

And because the program was originally designed for aesthetic purposes, the level of funding associated with the credits allocated to local government entities is minimal compared to the actual costs of undergrounding power lines on a per-mile basis. The Rule 20A program allocates credits to local government entities using a baseline number of electric meters that was established close to 30 years ago, with an adjustment based on the ratio of a city's overhead meters and total number of meters to the total system meters. As a result, it takes local governments years, if not decades or centuries, to accumulate enough credits to underground a single mile of overhead powerlines, whether they bank the credits first or perform the work and

[1] The Counties refer to the Central LNU Complex Fires (the Nuns Fire, the Partrick Fire, the Norrbom Fire, the Adobe Fire, the Pressley Fire, the Oakmont Fire, the Pythian Fire, the Pocket Fire, and the Tubbs Fire), and the Redwood Valley Complex Fire. The cause of the Tubbs Fire is still under investigation.
[2] PG&E Electric Rule 20A.1.a.

pay off the deficit afterward. For example, as of late 2016, the County of Napa had a roughly $12 million undergrounding deficit for projects performed in St. Helena; with Napa's $155,792 per year credit allocation, it will be 77 years before the debt is retired.[3] The city of Fort Bragg in Mendocino County will need approximately 27 years, at an annual allocation of $36,697, to accumulate $1 million, which is the median cost of undergrounding a single mile of overhead power lines in a rural area.[4] Point Arena, which receives $2,950 per year in allocations, will need 339 years to bank $1 million in credits. The cities of Cloverdale and Cotati in Sonoma County, which receive between $20,000 and $25,000 per year in credits, will have to wait 40 to 50 years to accumulate $1 million, and between 55 and 68 years to reach the roughly $1.367 million median for suburban undergrounding.[5] If the primary reason to underground electrical facilities were still aesthetic, the significant under-allocation and under-funding of those allocations for rural and suburban areas would not pose a serious problem. But recent years have shown that the utilities' Rule 20A undergrounding programs should be primarily focused on fire prevention. As such, current allocation and funding levels do nothing to address the serious public safety issues undergrounding can ameliorate.

Accordingly, the Counties' comments focus on near-term improvements to credit allocation and how the Rule 20A program can be restructured to better reflect the public interest.

[3] *Program Review, California Overhead Conversion Program, Rule 20A*, Policy and Planning Division, p. 10, Table 10 (November 23, 2016) ("Rule 20A Report").
[4] Rule 20A Report, p. 1 (median of $158,100 and $1,960,000 is $1.06 million).
[5] *Ibid*. (median of $313,600 and $2,420,000 is $1.367 million).

II. COMMENTS

A. Near-Term Improvements to Credit Allocation

The Scoping Memo poses a number of questions regarding how, if at all, the Rule 20A program can be improved within its current structure in the near future. The Counties address specific questions below.

Question 9(a). Should different methodologies be used for rural, urban, and suburban areas? Yes. Credits should be allocated to cities and counties with rural and suburban populations in increased fire-risk areas on the Commission's Fire-Threat Map using a different metric than the ratio of electric meters in the city or county to the meters on PG&E's entire system.[6] Allocating credits based on the miles of overhead electric lines in the suburban and rural areas of a city or county is a metric directly related to the practical and policy goals of the Rule 20A program in the era of extreme wildfires. The allocations should be large enough to allow a rural or suburban community in a high fire risk area to accumulate enough credits to underground, or pay off the estimated costs of the undergrounding work, in a maximum of five years.

The Counties recommend a two-tiered approach for the new allocation methodology. The first tier would allocate a baseline number of undergrounding credits to local government entities with suburban and rural populations in the Tier 2 and Tier 3 risk areas of the Commission's Fire-Threat Map, in lieu of the current meter-ratio-based credit allocations. The allocation can be calculated based on miles of overhead electric lines in high-risk areas alone or the ratio of miles of overhead electric lines in the fire-risk area to the total miles of overhead

[6] The Counties' proposal is made specifically with PG&E's Rule 20A program in mind. The Counties take no position on whether a different allocation methodology is appropriate for the small and multi-jurisdictional utilities.

lines in the total fire threat zone in the utility's service territory, as is currently done with SDG&E's Rule 20D program.[7]

Where local government entities want to underground power lines, or in areas where the fire risk from overhead lines indicates that undergrounding is in the public interest, the credits allocated should bear some relationship to the costs of undergrounding and the need to perform the work in a timely manner. The second allocation tier should require local government entities or the utility to identify high-risk power lines, as is currently done under SDG&E's Rule 20D, and additional credits should be allocated for those specific segments. The Commission's 2016 report on the large utilities' Rule 20A programs determined that the cost per mile for undergrounding in suburban areas is between $313,600 and $2,420,000, and the cost per mile for rural areas ranges from $158,100 to $1,960,000.[8] The credits for identified high-risk segments of overhead power lines should enable the local government entity to cover the median per-mile cost of undergrounding in five years. Using the Commission's figures, the median cost to underground suburban power lines is $1.367 million per mile, which yields a five-year allocation of $273,400 per mile, per year. The mean cost for rural undergrounding is $1.06 million per mile, which produces a $212,000 per mile, per year allocation. This would produce a significant increase over the funding currently allocated under Rule 20A, at least in PG&E's territory, but a much larger investment in undergrounding is necessary than is currently provided for under Rule 20A.

The funds ultimately collected from ratepayers through the large IOUs' general rate cases for undergrounding allocations should be offset by any amounts the IOUs propose to collect for fire safety-related undergrounding in their general rate cases. For instance, PG&E's

[7] SDG&E Rule 20D.2.
[8] Rule 20A Report, p. 1 (November 23, 2016) ("Rule 20A Report").

current GRC, A.18-12-005, includes $5 billion for the proposed Community Wildfire Safety Program, which will involve the undergrounding of overhead power lines.[9] If the Program is adopted, PG&E would compare, on an annual basis, the undergrounding work to be performed in the coming year under the Community Wildfire Safety Program with the undergrounding projects identified by local government entities under Rule 20A; where the undergrounding work overlaps, PG&E would not need to allocate the increased second-tier credits because the funds are already being collected from ratepayers through the GRC mechanism. Depending on the level of credit funding ultimately adopted for communities in heightened fire risk areas, the Commission may also approve a bill surcharge for fire safety-related undergrounding or encourage local government entities to negotiate a franchise fee with the utility, similar to the franchise fee that partially funds undergrounding in SDG&E's service territory.

Question 9(e). Under what circumstances, if at all, should unused credits be re-allocated among communities? Unused credits from communities that have no interest in undergrounding, or where undergrounding is not necessary to reduce fire risk, should be reallocated to communities that have undertaken undergrounding work and have a negative credit balance and to communities that are in the process of undergrounding. In light of the heightened risk of wildfires related to overhead power lines, it may be appropriate to reallocate credits based on a combination of existing undergrounding credit deficits—or credit accumulation shortfall—and the level of fire risk in a particular community.

Question 12. How should rising project costs and lengthy project timelines (from district formation to project completion) be addressed? The Counties believe that requiring the large IOU to delegate significantly more of the undergrounding process to the local

[9] See, e.g., A.18-12-005, PG&E Exhibit 4, Vol. 1, ch. 2A, p. 2A-39 (lines 22–31).

government entities and their departments of public works, and to independent companies that can perform the work, will improve both the cost overruns and project delays. The large IOUs' capital projects generally carry significant price tags, due in part to the ubiquitous 25%-plus overhead adder. Increased cooperation between the large IOUs, local departments of public works, and private contractors, in combination with competitive solicitations, should establish lower cost levels for undergrounding projects. Reducing the financial burden on the large IOUs' ratepayers and on communities with heightened fire risk related to overhead electric facilities is in the public interest.

The IOUs have significant responsibilities and do not necessarily prioritize undergrounding work. Placing the responsibility for performing undergrounding work on parties other than the IOUs should also reduce the project timeline. If local governments are able to perform the work themselves, or if a private company can be selected through a competitive solicitation, local governments will not be dependent on the IOUs' schedule and constraints.

Increasing third-party planning and construction will not increase the large IOUs' risk exposure: the IOUs cannot delegate the ultimate responsibility to ensure that infrastructure work performed by third-party contractors is safe and properly done.[10] Allowing experienced, licensed third parties to share the workload will not degrade public safety or raise costs for ratepayers. Given its manifest infirmities, a fresh approach to the Rule 20A process is necessary. The rash of significant infrastructure failures that the large IOUs have experienced in the last decade is a rejoinder to any argument that the IOUs' historical approach to capital projects is necessary to ensure the safe and reliable operation of their systems. The utilities should, instead,

[10] See, e.g., D.18-08-007, *Decision Regarding Energy Resource Recovery Account Issues for Southern California Edison Company*, pp. 22–23 (affirming the California Supreme Court's 1955 ruling that activities performed under public franchise or authority that involve possible danger to the public carry a non-delegable duty for harm caused by contractors).

make use of the public works departments of the local government entities that are undergrounding power lines, and should also employ private companies, to undertake the bulk of the undergrounding work.

If the Commission adopts this proposal, the Rule 20A contract between the IOUs and local government entities should be modified accordingly.

Question 13. Should other jurisdictions outside of San Diego County be able to adopt Rule 20D utility undergrounding surcharges to their electric bills in order to promote enhanced overhead to underground conversion? Yes. The Counties believe this is a viable means of facilitating increased undergrounding activity in high fire-risk areas.

Question 21.a. How, if at all, should project eligibility standards or "public interest" criteria for use of Rule 20A work credits be modified? The "public interest" criteria should be expanded to include public safety. As with SDG&E's Rule 20D program, the public interest considerations for the other large IOUs should include a determination of whether the undergrounding will occur in a Tier 2 or Tier 3 fire risk zone, or where it has been determined that undergrounding is the preferred method to reduce fire risk. Reliability may also be a consideration. Alternatively, the Commission can adopt Rule 20D programs for PG&E and SCE.

Question 24. If the Rule 20A program is to continue, should the IOUs each be subject to regular program reviews/audits, or file periodic accountability reports? The large IOUs should be required to submit regular reports that show the existing credit allocations, status of undergrounding projects, credit deficits and estimated time to "pay off" the deficit, a full accounting of undergrounding funds authorized versus funds spent, and an explanation of any reallocation of authorized undergrounding funds for other uses.

III. CONCLUSION

The Counties believe that undergrounding of overhead electric facilities is crucial to preventing wildfires and ensuring public safety. It is also important that financial assistance from the utilities to aid local government entities in undergrounding continue. The existing Rule 20A program for the large utilities has significant flaws, but the Counties see opportunities for improvement. SDG&E's Rule 20D program provides a useful template for changes to PG&E's and SCE's programs that will allow communities to address the increasing risks posed by wildfires. The Commission should not discontinue the Rule 20A program, but should instead amend it so that it more accurately reflects undergrounding costs and timelines, and better safeguards the public interest.

Respectfully submitted January 11, 2019, at San Francisco, California.

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