

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Communications Division
Carrier Oversight & Programs Branch**

**RESOLUTION T- 17261
June 23, 2011**

R E S O L U T I O N

Resolution T-17261. Verizon California Inc. (U-1002 C) requests authority to deviate from Public Utilities Code Section 320 requiring undergrounding of aerial facilities along Scenic Highway 1 in Santa Barbara County near the towns of Las Cruces and Lompoc.

By Advice Letter No. 12412 filed June 18, 2009.

Summary

On June 18, 2009, Verizon California Inc. (Verizon) requested by Advice Letter (AL) 12412 a deviation from the undergrounding requirements of Pub. Util. Code ¹ (Section or § 320) which requires that all communications or electric utility facilities within 1,000 feet of a scenic highway be placed underground. Verizon is requesting this deviation for approximately 16,917 feet of aerial facilities along Highway 1 near the towns of Las Cruces and Lompoc.

This resolution imposes a penalty on Verizon in the amount of \$5,000 for violating § 320 and requires Verizon to underground facilities at Mile Marker (MM) 17.65. We approve this request for deviation in accordance with Decision (D.) 80864, conditional upon Verizon paying the specified fine amount and submitting a plan to the Commission to ensure compliance for California Scenic Highways.

Background

Section 320 was enacted in 1971, and reads in relevant part as follows:

The legislature hereby declares that it is the policy of this state to achieve, whenever feasible and not inconsistent with sound environmental planning, the undergrounding of all future electric

¹ All citations are to the Public Utilities Code unless otherwise indicated.

and communication distribution facilities which are proposed to be erected in proximity to any highway designated a state scenic highway pursuant to Article 2.5 (commencing with Section 260) of Chapter 2 of Division 1 of the Streets and Highways Code and which would be visible from such scenic highways if erected above ground. The Commission shall prepare and adopt by December 31, 1972, a statewide plan and schedule for the undergrounding of all such utility distribution facilities in accordance with the aforesaid policy and the rules of the Commission relating to the undergrounding of facilities. The Commission shall require compliance with the plan upon its adoption.

The Commission is responsible for the administration of § 320. After hearings were conducted in Case 9364, the Commission, through state legislation, implemented D.80864, which states:

In order to facilitate administration, letter requests for deviations² will be accepted, reviewed by the Commission staff and, where appropriate, approved by Commission resolution.³

D.80864 held that no communications or electric utility shall install overhead distribution facilities “in proximity to” and “visible from” any prescribed corridor on a designated scenic highway in California unless a showing is made before the Commission and the Commission finds that undergrounding would not be feasible or would be inconsistent with sound environmental planning. This Decision also defines “in proximity to” as being within 1,000 feet from either edge of the right-of-way of a designated state scenic highway.

D.80864 further stipulates that when repairs or replacement of existing overhead facilities in the same location do not significantly alter the visual impact of the Scenic Highway, they should not be considered as new construction and need not be converted to underground.

Notice/Protests

Verizon’s AL 12412 filed June 18, 2009, appeared in the Commission’s Daily Calendar on July 10, 2009. CD staff found Verizon’s initial service list for AL 12412 filing to be insufficient, and therefore, requested Verizon to file a more comprehensive list to include additional parties in Santa Barbara County. Verizon complied with this request by filing supplemental AL 12412a on September 18, 2009, which included the revised Service List.

² In its filing Verizon refers to its request for a “waiver”. The language in Section 320 is “deviation.”

³ 74 CPUC 457, D.80864

On November 23, 2009, Stephen Kalish, a resident of Mono County, filed a protest to Verizon's AL 12412a, requesting the Commission deny the deviation request and require Verizon to underground the telecommunications facilities.

Mr. Kalish asserted that Verizon provided insufficient notification to himself and other interested parties and questioned why Verizon was asking for relief. He further claimed that Verizon provided no documentation from local government agencies supporting the project; no environmental planning and visual impact analysis, a poor project description, unreasonable cost analysis and did not file for a request to deviate from § 320 with the Commission.

On December 2, 2009, Verizon responded to Mr. Kalish's protest stating that all requested information had been provided and the relief requested is consistent with law and Commission precedent.

Comments

In compliance with § 311(g), a notice letter was emailed on May 24, 2011, informing the interested parties of the availability of the draft of this Resolution for public comments at the Commission's website <http://www.cpuc.ca.gov>. This letter also informed parties that the final Resolution adopted by the Commission will be posted and will be available at the same website.

Discussion

The Commission has evaluated this deviation request considering the following factors (1) the nature of the project; (2) local government recommendations; (3) visibility, aesthetics, environmental impact and (4) economic feasibility. Our conclusion here is based on tangible evidence and analysis of these factors.

Nature of the Project

This project was constructed along Highway 1 in Santa Barbara County. The starting pole number of this project is R007879Y and the ending pole number is R00796Y.

Scenic Highway 1 cuts through the project area of Santa Barbara County. The landscape behind these facilities is mountainous terrain forming hilly down-slopes covered with foliage, brush and trees on each side of the road. Miles and miles of highway and flat rugged terrain with ditches can be seen with a few barns scattered on private property.

PG&E electric facilities were placed in 1962 and Verizon's predecessor, General Telephone Company of California (General Telephone, then later, "GTE California", or

“GTEC”) began placing communications facilities before 1971. Highway 1 was designated a Scenic Highway in 1971. GTEC constructed communication facilities through 2000 later acquired by Verizon in 2005.

There are two sections of the Verizon project.⁴ Section One entails 5,130 feet of cable placed on existing Pacific Gas and Electric (PG&E) aerial electrical distribution facilities. Portions of this placement located at Mile Marker (MM) 9.89 to MM 10.50 were above unstable ground prone to frequent landslides and washouts, occasionally closing the highway, prompting Caltrans to specifically request overhead deployment for that section⁵.

There are also three placements where telecommunications facilities cross Highway 1 at MM 3.27, MM 5.0 and MM 7.1. To underground these crossings would provide limited aesthetic benefit for the appearance of the corridor because the electrical facilities would remain visible.

Section Two of the project entails 11,787 feet of cable placed on existing aerial electrical distribution facilities as joint pole attachments. Section Two is located almost entirely on private property.

The entire project serves 39 telephone lines and 14 T-1 circuits for multiple cell sites.

During a field visit on Sept. 21, 2009, CD staff observed that the aerial facilities were operational and looked to be in sound condition. These facilities included:

- (1) 1,000 feet of cable to the east placed on private property at MM 7.1 in 1982;
- (2) 2000 feet of cable to the north and south placed on private property at MM 5.0 in 1982;
- (3) 2,000 feet of cable to the north and south placed on private property At MM 4.1 in 1987;
- (4) 5,787 feet of cable from east to west placed on private property at MM 3.27 to 4.1 in 1989; and
- (5) 1,000 feet of cable to the east placed on private property at MM 17.65 in 1995.

⁴ For the purposes of analysis, CD named the two sections, Section One and Section Two in Verizon’s project. However, Verizon did not present the project in this manner to the Communications Division.

⁵ Undergrounding of aerial facilities in the right-of-way along Highway 1 did not occur between MM 9.89 to 10.50, where Caltrans requested overhead deployment because of unstable ground.

Local Government Recommendations

Verizon provided a copy of an Encroachment Permit from the California Department of Transportation (Caltrans) in San Luis Obispo to relocate facilities along Highway 1 in Santa Barbara County at MM 9.89 to 10.50 on March 12, 1996.

CD also requested information from Caltrans regarding permits for GTEC, Verizon's predecessor prior to 1995 to determine if it had obtained permits or licenses for the noted aerial facilities. However, the information received from Caltrans was unclear and did not correspond with dates Verizon outlined regarding the construction of the aerial facilities.

On August 4, 2009, CD requested additional information from Verizon to further process its request for deviation from § 320. In response to this Data Request, Verizon was unable to provide any opinions from local government agencies supporting its project in accordance with D.80864.⁶

Verizon submitted no documentation showing results of an Environmental Impact or Negative Declaration statement prepared by any public agency having permitting authority (with the exception of Caltrans between 1982-2000) over the Verizon projects.

Visibility, Aesthetics, Environmental Impact

The visual impact of the aerial facilities is minimal on Highway 1 because much of the project is hidden by trees or covered by heavy brush located in deep ditches or crossing private property covered by foliage.

Section One (5,130 feet of cable) does not adversely impact or significantly alter the environment with the exception of MM 9.89 to MM 10.50 which was relocated to a more stable area at the request of Caltrans. Section Two (11, 787 feet) also does not adversely impact the aesthetic value or the environment because of the trees and brush covering the area. However, there is one area of exception, located at the end of the project at MM 17.65. A line of aerial cable along Highway 1 that is highly visible and drops underground for an additional 2,750 feet. The segment currently above ground should be undergrounded as there are no other visible overhead electrical distribution facilities in this area. Verizon states that the approximate cost to underground MM 17.65 is \$12,000.

⁶ Ordering Paragraph 3 (B) "Respondents shall review with, and seek an expression of opinion from, the appropriate local governmental agency prior to requesting Commission authorization for deviation from the requirements of paragraph 1 of this order."

Economic Feasibility

Verizon Placement Costs: Highway 1, Santa Barbara County		
	Overhead Deviation	Underground Requirement
Section One of aerial cable	\$27,248	\$49,180
Section Two of aerial cable	\$65,983	\$144,586
Total cable	\$93,231	\$193,766
Underground to Overhead Ratio	2:1	
Cost Differential	\$100,535	

Violation of Public Utilities Code, Fines, Penalties and Remediation

The Commission may impose fines for violations of the Public Utilities (P.U.) Code. In D.98-12-075⁷ the Commission concluded that “disregarding a statutory, or Commission directive, regardless of the effects on the public, will be accorded a high level of severity.” P.U. Code 702 states “Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees.” As set forth below, CD finds that Verizon violated this rule.

It was not until June 18, 2009, fully eighteen years post-construction of aerial facilities along Highway 1, that Verizon requested authority to deviate from the undergrounding requirements. Verizon filed AL 12412 requesting a deviation from § 320 only after receiving inquiries from CD staff. Moreover, because Verizon failed to stay abreast of the Commission directives governing this project, Verizon was negligent, thus violating § 320.

Verizon does not contest that the aerial facilities were constructed in violation of § 320 but Verizon does not propose a remedy other than requesting this deviation. CD staff asserts that prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes keeping abreast of all

⁷ Rulemaking to Establish Rules For Enforcement of the Standards of Conduct Governing Relationships Between Energy Utilities and Their Affiliates Adopted By the Commission. April 9, 1998

applicable laws and regulations pertaining to telecommunication carriers. Based on CD staff's analysis, we find that Verizon failed to meet the requirements of § 320.

Remediation Efforts for Future Compliance

Verizon would benefit from having a planned course of action for future proposed construction in designated state scenic highway areas protected by § 320. The purpose of the statute is to protect California's natural beauty and environment.

Verizon's non-compliance with D.80864 and § 320 is unacceptable. It is Verizon's responsibility as a regulated carrier to comply with all CPUC codes and regulations specific to California Scenic Highways. Verizon has provided no reasonable justification to excuse its inability to meet the requirements of § 320. Therefore, requiring Verizon to submit a written plan for future compliance with § 320 within Verizon's territory is appropriate. As a consequence, CD proposes two specific remediations directed to future compliance and past non-compliance.

The submitted plan should contain all the actions necessary for proposed construction of communications facilities including procedures for:

- Discerning whether proposed construction of facilities is within a Designated State Scenic Highway area.
- Obtaining permits and/or authorization from government agencies, including a list of government agencies from which permits and/or authorization would be necessary.
- Providing notification to government agencies with interest, including the Commission, and facilitation for public comment by interested parties.
- The plan should be submitted to the Commission within 60 days of this Resolution.

Penalties for Failure to Apply for § 320 Exemption Before Construction

CD staff has calculated a fine of \$5,000 for operating without a deviation according to the requirements of § 320 Designated Scenic Highways in California. The following sections provide a discussion and justification of this penalty amount.

Commission Penalty Directives

Under § 2107, the Commission has regulatory authority to assess a penalty ranging from \$500 to \$20,000 per offense, for which a penalty has not otherwise been provided. Furthermore, P.U. Code § 2108 states that each day that a violation continues may constitute a separate offense, or that various parts of a project in violation of the statute may stand as separate and distinct offenses in and of themselves for the purpose of assessing fine amounts. Decision 98-12-075 serves as a guide in assessing a suitable penalty for violations of the Commission's rules and regulations. The decision states that, "the purpose of a fine is to go beyond restitution to the victim and to effectively deter further violations by this perpetrator or others." As they apply to this case, these criteria will be considered in this analysis: 1) severity of the offense; 2) conduct of the utility; 3) financial resources of the utility; 4) totality of the circumstances; and 5) Commission precedent. The Commission fines Verizon \$5,000 for this offense.

1. Severity of the Offense

In D.98-12-075 the Commission found that the penalty amount should be commensurate with the severity of the violation. To determine the severity of the offense CD staff considered (a) physical harm, (b) economic harm, (c) harm to the regulatory process and (d) the number and scope of violations.

(a) Physical Harm

CD did not find that Verizon significantly impaired the natural beauty of Highway 1 with the exception of MM 17.65 which is highly visible with no other aerial electrical distribution facilities in the area.

(b) Economic Harm

Verizon unlawfully constructed facilities without expending resources to secure necessary exemptions. As these fiber optic facilities have been and are currently in use and generating income, Verizon gained a competitive and/or operational benefit by violating § 320.

(c) Harm to the Regulatory Process

In D.98-12-075 the Commission concluded that "disregarding a statutory or Commission directive, regardless of the effects on the public, will be accorded a high level of severity." There is no evidence to show that Verizon as a regulatory entity tried to file a deviation request prior to 1982. There is no evidence to show that Verizon tried to prevent this situation from occurring but rather was negligent in their failure to

observe Commission rules and statutes governing scenic highways. Such negligence undermines the proper functioning of the regulatory process. CD finds that Verizon was negligent and disregarded § 320 and considers the offense severe according to D.98-12-075.

(d) Number and Scope of Violations

Verizon has submitted one of four requests for deviation in violation of § 320, all filed after construction of the aerial facilities. These requests show a pattern of negligent behavior that consistently fails to adhere to Commission laws and regulations that protect scenic highways. The magnitude of these violations suggests a pattern of ongoing illegal practices.

2. Conduct of the Utility

In D.98-12-075, the Commission held that the size of the fine should also take into account the utility's conduct in preventing, detecting, and resolving the violation.

Prior to filing a request for deviation from § 320, June 18, 2009, with the Commission, Verizon did nothing to prevent or deter the construction of aerial facilities along Highway 1 in Santa Barbara County. Rather a resident of Mono County filed a complaint with the Commission to address Verizon's failure to meet the requirements of § 320. Consequently, CD asked Verizon in 2008 to identify any other instances in California where Verizon had deployed overhead distribution facilities subject to § 320 requirements.

Verizon complied with this request and undertook an analysis to identify all scenic highways in Verizon service territory; placements of overhead distribution facilities along any scenic highway after the highway received such designation; and any associated § 320 waivers the Commission had granted. This analysis identified Scenic Highway 1 in Santa Barbara County along which Verizon or its predecessor company GTEC, had placed overhead distribution facilities without obtaining a waiver pursuant to § 320. Verizon filed AL 12412 to address this violation with no remedy for future compliance.

3. Financial Resources of the Utility

CD has evaluated Verizon's financial records for 2008-2009 to assess the company's financial resources to pay the penalty amount. Based on the chart below, Verizon has the resources to pay the recommended fine by CD.

Net Income - Verizon Communications, Inc. and Subsidiaries (2009 Annual Report)	2009 - \$10.4 billion 2008 - \$12.6 billion 2007 - \$10.6 billion
§ 320, D.80864	Violated from 1982-2000
§ 2107, authority to assess penalty	Authorizes fines of \$500 to \$20,000 per each offense.
Imposed Penalty	\$5,000
Total fine amount	\$5,000

4. Totality of the Circumstances in Furtherance of the Public Interest

In D.98-12-075, the Commission held that the fine level should be set such that it effectively deters further unlawful conduct by the company, while being specifically tailored to the unique facts of the case. The facts mitigate the degree of wrongdoing balanced with those that aggravate the level of wrongdoing.

CD staff’s analysis demonstrates that Verizon was severely negligent and failed to comply with all Commission statues, rules and regulations governing § 320, prior to seeking this waiver. The imposed penalty amount of (\$5,000) should serve as a deterrent for future occurrences, act as restitution for the wrongdoing, confirm Verizon’s adherence to all Commission rules and regulations, assure further protection for all California Scenic Highways and protect against a competitive advantage and illegal construction of aerial facilities.

5. Role of Precedent

Aside from Verizon’s recent failures to comply with § 320, we have not found a prior § 320 post-construction violation for Verizon to apply as a precedent.

Conclusion

Based on the analysis and recommendation provided by CD, Verizon’s application for deviation from § 320 should be approved for approximately 16,917 feet of aerial cable with the exception of MM 17.65 which should be undergrounded. This is the only aerial facility along Highway 1 that is visible with no other aerial electrical distribution facilities in the area. Verizon states that the approximate cost to underground MM 17.65 is \$12,000.

Verizon has documented its efforts to seek authority to relocate aerial facilities along Highway 1 to another location at Caltrans' request because of unstable ground. However, CD staff found no additional documentation from Verizon or its predecessor, GTEC, showing that the company received a license or permit approving the facilities constructed after 1982.

Based on all the data and information reviewed by CD staff, Verizon's request for a deviation in accordance with § 320 is reasonable, and therefore, granted conditional upon submission of a plan for future compliance with § 320 and payment of a fine in the amount of \$5,000.

The penalty amount of \$5,000 shall be paid in full 60 days following the date of this Resolution. Payment shall be made to the California Public Utilities Commission and remitted to the CPUC's Fiscal Office, 3rd Fl. Rm. 3000, 505 Van Ness Avenue, San Francisco, CA 94102-3298. The resolution number and fine amount should be noted in the memo section of the check, and a copy of the transmittal shall be provided to the Director of the Communications Division.

Findings

1. Public Utilities Code Section (Section or §) 320 was enacted in 1971.
2. Decision (D.) 80864 (74 CPUC 457) authorizes the California Public Utilities Commission (Commission) to accept, review and, where appropriate, approve § 320 waiver permission by Commission Resolution.
3. Highway 101 in Santa Barbara County received designation as a Scenic Highway in 1971 by the California Department of Transportation (Caltrans).
4. By letter dated June 18, 2009, Verizon California Inc. (Verizon) requested authority to deviate from the undergrounding requirements of § 320 of the Public Utilities Code.
5. The Commission administers § 320 of the Public Utilities Code requiring undergrounding of utility lines along designated scenic highways and accept letter requests for deviations.
6. Verizon has requested multiple exemptions from § 320 for non-compliant completed construction, indicating the need for a written plan for compliance with § 320 prior to beginning any new construction near a scenic highway.

7. Verizon does not contest that the aerial facilities were constructed after designation of Scenic Highway 1 in violation of § 320 and does not propose any remedy other than requesting a waiver.
8. There is no “expression of opinion” from an appropriate local government agency or representative supporting the project required by § 320.
9. There is no Environmental Impact Analysis discussing the ramifications of the project as required by § 320.
10. The California Department of Transportation (Caltrans) (Encroachment Permit, March 12, 1996) shows that Verizon adhered to a request by Caltrans to relocate aerial facilities in Section One along Highway 1 between Mile Marker (MM) 9.89-10.50 due to an unstable environment.
11. The Commission finds no evidence or documentation from 1982 to 2000 showing permits or licenses that approve the construction of the aerial facilities outlined on the maps provided by Verizon or its predecessor General Telephone Company of California (GTE).
12. The Commission finds Verizon’s cost analysis supports undergrounding of MM 17.65 which visually impairs the natural beauty of Highway 1 in Santa Barbara County.
13. The Commission finds that it would not be economically feasible to underground all of the aerial facilities in Sections One and Section Two along Highway 1 in Santa Barbara County with exception of MM 17.65.
14. The Commission finds Verizon noncompliant for failure to comply with the requirements of § 320 causing harm to the regulatory process.
15. The Commission finds Verizon should pay a penalty amount of \$5,000 in 60 days following the date of this Resolution for failure to comply with the requirements of § 320.

THEREFORE, IT IS ORDERED that:

1. Verizon California, Inc.'s request to deviate from Public Utilities Code Section 320 for 16, 917 feet of aerial facilities along Highway 1 in Santa Barbara County is approved with the exception of Mile Marker 17.65 to be undergrounded.
2. Verizon California Inc. must underground its aerial facilities at Mile Marker 17.65.
3. Verizon California Inc. must pay a penalty in the amount of \$5,000 to the Commission 60 days following the date of this Resolution for its failure to comply with the requirements of Public Utilities Code Section 320.
4. Verizon California Inc. must also provide a copy of the Payment Transmittal to the Director of the Communications Division.
5. Verizon California Inc. must submit a plan for future construction of communications facilities within California Designated State Scenic Highway areas. This plan should contain all the actions necessary for construction of communications facilities including procedures for:
 - a. Discerning whether construction of facilities is within a Designated State Scenic Highway area;
 - b. Obtaining permits and/or authorization from government agencies, including a list of government agencies from which permits and/or authorization would be necessary;
 - c. Providing notification to government agencies with interest, including the Commission, and facilitation for public comment by interested parties should Verizon California, Inc. seek additional exemptions to Public Utilities Code Section 320.
6. Verizon California Inc. will have 60 days upon approval of this resolution to meet and complete the above remediations, and will attest to the completion of the above conditions by filing a Tier II Advice Letter with the Communications Division.

This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at its regular meeting of the Public Utilities Commission of the State of California held on June 23, 2011, the following Commissioners voting favorably thereon:

PAUL CLANNON
Executive Directive