PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4180**
December 18, 2008

R E S O L U T I O N

Resolution E-4180. Pacific Bell Telephone Company dba AT&T California and Pacific Gas and Electric Company. Grants exemption from Undergrounding Requirement of Public Utilities Code (PU Code) Section 320, and resolves related issues regarding a Rule 20/Rule 32 project in Gualala, Mendocino County.

SUMMARY

This Resolution exempts Pacific Bell Telephone Company dba AT&T California (AT&T) and Pacific Gas and Electric Company (PG&E) from a ban on installing utility poles needed to transition between existing overhead distribution facilities in Gualala, Mendocino County and a community undergrounding project formed pursuant Electric Rule 20 and Communications Rule 32; and resolves related issues to allow the project to proceed, including project phasing, project boundary revisions, riser poles, and treatment of an area currently having no developed frontage.

BACKGROUND

In this Resolution the Commission interprets for this case how the utilities are tocarry out its tariff rules, it coordinates responsibilities, and it approves a sequence of events needed to complete the Gualala undergrounding project without delay. Where possible the Commission defers to community preferences, as expressed by Mendocino County in this case, which is the recipient of the utility underground conversion funds. The Resolution does not intend to direct utilities to take action that is not in their best interests or those of ratepayers. In general, details of project implementation that are normally negotiated by the parties are not covered in the scope of this Resolution.

Section 320 requires undergrounding along designated Scenic Highways

Public Utilities Code Section 320 (PU Code Section 320) was enacted in 1971, Chapter 1697, and reads in 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 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.

To implement Section 320 the Commission conducted Case 9364 and issued Decision (D) 80864 which states 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 a finding made by the Commission that undergrounding would not be feasible or would be inconsistent with sound environmental planning.

The Decision also states

- "in proximity to" as being within 1,000 feet from each edge of the right-of-way of designated State Scenic Highways;
- letter requests for deviations will be accepted, reviewed by the Commission staff and, where appropriate, approved by Commission resolution; and 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.

Tariff Rules 20 of PG&E and 32 of AT&T govern undergrounding conversion programs

The current undergrounding program was instituted by the Commission in 1967 and consists of two parts. The first part, under Tariff Rules 15 and 16, requires new subdivisions to provide underground service for all new connections. The utilities, both electric and telephone, then bear the costs of cables, switches, and transformers, as they would with overhead service, and

developers bear other costs. Parties can seek an exemption from these rules by petitioning the Commission.

The second part of the program governs both when and where a utility may remove overhead lines and replace them with new underground service, and who shall bear the cost of the conversion. PG&E's Tariff, Rule 20, and AT&T's Rule 32 are the vehicles for the implementation of the underground conversion programs[1].

Rule 20 sets three levels, A, B, and C, of ratepayer funding for the projects as shown by the gross estimates of **TABLE 1**.[2]

In summary, under Rule 20C, any electric customer may convert to undergrounding as long as it reimburses the utility for all costs, less the estimated net salvage value and depreciation of the replaced overhead facilities. The customer must make a non-refundable advance to the utility equal to the cost of the underground facilities, less the estimated net salvage value and depreciation of the replaced overhead facilities.

Rule 20B provides limited ratepayer funding for the cost of an equivalent overhead system, and any work on overhead facilities, but the balance of the costs, including cables, conduits, transformers, and structures, must be paid by the customer requesting undergrounding. Rule 20B projects must 1) be agreed to by all property owners served by the overhead lines; 2) include both sides of the street; and 3) extend for a minimum of 600 feet or one block. Additionally, the lines must be along public streets and roads or other locations mutually agreed upon.

---

[1] For the most part, and except as discussed below, AT&T's Rule 32 mirrors PG&E's Rule 20.

[2] Like all other electric utility investments, the electric utility does not collect from the ratepayers on undergrounding projects until the project is put into service. Under Rule 20, the Commission authorizes the utility to spend a certain amount of money each year on conversion projects, the utility records the cost of each project in its electric plant account for inclusion in its rate base upon completion of the project. Then, the Commission authorizes the utility to recover the cost from ratepayers until the project cost is fully depreciated.

Under Rule 20A, however, utility ratepayers bear most of the cost of undergrounding conversions. Rule 20A funds are available only when undergrounding is "in the public interest" for one or more of the following reasons:

a. Such undergrounding will avoid or eliminate an unusual heavy concentration of overhead electric facilities;

b. 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 ;

c. 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; and

d. The street or road or right-of-way is considered an arterial street or major collector as defined in the Governor's Office of Planning and Research General Plan Guidelines.[3]

The determination of "general public interest" under these criteria is made by the local government, after holding public hearings, in consultation with the utilities.

TABLE 1

Rule	Ratepayer Contribution Through Utility Rates	Contribution by Customer Receiving Undergrounding
20A	80%	Max: cost from street to meter Min: zero if use mainline funds
20B	20%	80%
20C	De minimus	100%

AT&T incentives to pursue undergrounding projects differ from PG&E's

[3] Criterion d. was added to Rule 20 in 2001 but has not yet been added to Rule 32.

For underground conversion projects as for any other capital project PG&E and AT&T must first advance the funds. The utilities budget the activity and then arrange the capital and debt to pay for project labor and materials.

PG&E, when the project is complete, adds the total project cost to its ratebase. Periodically rates are re-set to allow PG&E to earn a return of and on investments like this, a positive incentive.

For AT&T however, incentives if anything are the reverse, because the Commission has eliminated traditional cost of service regulation and went further to eliminate all retail price regulation except basic residential services [4] for AT&T and other major incumbent local exchange carriers (ILECs). Instead, to oversimplify, funds for undergrounding compete with other projects and with shareholder returns. Expenditures must be clearly required and justified by Rule 32.

Under these conditions the Commission must assist the utility's management to prioritize projects by interpreting their need and timing. In this case due to the desires of the County and the community of Gualala, and the amount of time elapsed since the project was first authorized in August 2000, the Commission directs AT&T and PG&E to take all action within their control as soon as possible to prioritize planning, design and construction, and completion of Phases 1 and 2, and of Phase 3 unless the County chooses to delay Phase 2 in order to start Phase 3 at the same time.

History

Gualala is an unincorporated community about 100 miles north of San Francisco extending for about a mile along coast Highway 1 in Mendocino County, a state designated Scenic Highway. While AT&T often builds communication lines below PG&E's on the same pole, in Gualala there are for the most part two separate poles lines along Highway 1, one owned by PG&E and the other by AT&T. Gualala intends to convert all its power and communication facilities

[4] AT&T, Verizon, SureWest and Frontier's basic residential rates are capped until January 1, 2011.

along Highway 1 from overhead to underground, largely with utility funding under provisions of Rules 20 and 32.

Utility allocations to fund undergrounding projects are made to Mendocino County in this case and not to the community of Gualala.

In August of **2000** the Mendocino County Board of Supervisors passed the first of three Resolutions creating an undergrounding district in Gualala in order to utilize ratepayer funds under Rules 20 and 32.[5] The undergrounding district boundary in Mendocino's first Resolution includes both sides of Highway One for about a half-mile through a developed area of Gualala.

In **2001** PG&E and AT&T accepted the Gualala Rule 20A project. For the next several years into **2004**, parties including PG&E, AT&T, Mendocino County and the Gualala Municipal Advisory Committee (GMAC), Caltrans, and Chevron worked to resolve numerous obstacles to progress on the project, including initial work on street and sidewalk issues. Chevron agreed to dispose of soil contaminated by an abandoned gas station, and Caltrans agreed to AT&T's request to trench across Highway 1 instead of Caltrans' more costly initial requirement to bore under the highway. In addition Caltrans verbally committed that it had no plans to increase the width of State Highway 1 through the original downtown developed area adopted by the County's first Resolution in 2000. Widening the highway could obligate utilities to later relocate at their expense any facilities installed in street side franchise areas.

In **2005** the utilities turned their attention to the location of the single joint trench typically shared by all participating utilities in Rule 20/32 conversion projects for efficiency and minimal community disruption.[6] For the most part, the existing AT&T pole line runs on the east side of Highway 1 in a franchised area granted by the County and Caltrans along the sreet side of properties.

---

[5] The first Mendocino County Resolution No. 00-145 dated August 2000. Besides AT&T and PG&E, unregulated cable services, which are tenants on the poles, are a third entity sharing the cost of this undergrounding project.

[6] All three entities including cable service share project costs but one of them on each project, often PG&E but AT&T in this case, is the lead utility which secures permits and conducts trenching for example.

PG&E's pole line however, runs west of Highway 1 mostly in private yard easements owned by PG&E away from the property frontage on Highway 1. Before developing plans with the County and GMAC and committing to joining AT&T in a joint trench on the east side of the highway PG&E needed Commission permission to give up the existing pole-line easements because they were purchased with ratepayer funds. PG&E's Advice Letter filing to abandon these easements and move to a street side franchise is discussed below.

In **2006** GMAC asked the County to double the length of the project to approximately one mile (5600 feet) along Highway One. The County held public meetings, approved an expansion[7], and hired a consultant to survey and define the expansion.

Late in **2006** while developing its Advice Letter for permission to transfer its easements PG&E received from the County an outline of an expanded area of the undergrounding district.[8] PG&E attached the County's outline without fully assessing it so that the Commission's permission could also apply to easements in the expanded scope, in order to save the time needed for the Commission to process a second Advice Letter.

Early in **2007** PG&E filed the Advice Letter, 2971-E, and in June **2007** the Commission approved it as filed. The so-called 851 Resolution granted permission under P.U. Code Section 851 to relocate PG&E's existing overhead facilities from the rear lot easement to the street side underground joint trench with AT&T in a franchise area.

In August **2007,** following the survey work for its first boundary expansion, the County passed a third Resolution which was its second boundary expansion.[9] The County "provided the lead design utility, AT&T, with appropriate drawings, mapped in 2006, showing community-owned facilities, such as sewer, water and storm drains."

---

[7] Second Mendocino County Resolution No. 06-206, dated October 24, 2006.

[8] CPUC Resolution E-4100 dated June 21, 2007.

[9] Third Mendocino County Resolution No. No. 07-163 dated August 14, 2007.

In December of **2007** the County and utilities met in Gualala for the first step in implementing the first boundary expansion, which the County had adopted in 2006, which is to physically walk the route.

At the December **2007** Gualala meeting the County also provided the utilities their first view of the second expansion of the district boundary, which the County had adopted in August **2007**.

In June **2008** the County wrote to Commission staff requesting it to "reaffirm the expanded undergrounding area, the one-mile along Highway 1 in Gualala, and direct that the project be completed in one stage as soon as practically possible."[9]

The parties have referred to the three County Resolutions, stages, phases, or sections as green, red, or blue/purple, as shown in APPENDIX 1 – *Map of ORIGINAL District Boundaries.* In this CPUC Resolution the County Resolution boundaries will generally correspond to Phases 1, 2 or 3 respectively, as shown in APPENDIX 2 - *Map of PROPOSED District Boundaries.*

NOTICE

Notice of Draft Resolution E-4180 was made by email service to attendees of utility and county meetings and others interested in the matter.

DISCUSSION

PUBLIC UTILITIES CODE SECTION 320

On May 20, 2008 in an email to staff, PG&E and AT&T summarized CPUC actions needed including an exemption from the prohibition on erecting transition poles necessary to connect newly undergrounded facilities with remaining overhead facilities.

New poles will need to be installed as permanent or temporary riser, primary, or service poles at several locations throughout the Gualala project. The location depends on design and construction work yet to be completed in the phases. This Resolution grants authority to the utilities to place poles where needed to construct the project as designed in cooperation with local authorities.

EASEMENTS

The Commission granted PG&E's January 2007 AL request to relocate its distribution line easements in Gualala

Resolution E-4100, June 21, 2007 granted PG&E's request to abandon the private easements it owned for overhead lines on the west side of Highway 1, and allowed PG&E to join AT&T in its franchise right of way on the east side of Highway 1.

PG&E had attached an outline map to its AL 2971-E seeking Resolution E-4100 which encompassed both the original and expanded boundaries adopted in the first two County Resolutions. The Commission's Resolution E-4100, however, focused on the information required for the Section 851 transfer, and included only a general boundary description without discussing specific boundaries of the project area:

On p.3: *The property is located in the unincorporated community of Gualala, extending from Center Street northerly to Hubert Ave, along Highway One…*; and

On p.4: *PG&E requests permission to relocate approximately 4,000 feet of its existing overhead… .*

County to provide all easements to the utilities at no cost

After the utilities complete preliminary engineering the utilities will submit easement requirements to the County who will obtain rights-of-way. The sequence of steps is shown in APPENDIX 3.

Rules 20 and 32 require the County to obtain for the IOUs any necessary easements and rights of way satisfactory to and at no cost to the utilities. Easements required may include those for trench locations, underground electric wiring and conduits, above ground temporary or permanent poles, wires, and anchors and access for tree trimming or other vegetation clearances to meet IOUs' safety requirements, concrete vaults and pads, equipment cabinets, and transformers adjacent to primary and secondary trench locations.

Rule 20 allocations may be used to offset PG&E's own costs of identifying easement locations, but the County must provide the funds to pay owners to acquire easements.

Utility final design engineering and estimating begins after the County delivers all required easements to the utilities. Final design includes base map design and the overlay of various utility plans, reviews, changes, finalized drawings, and a Form B cost-sharing agreement.

PROJECT PHASING

Project to be constructed in two or more phases

The utilities were present at the public meeting in Gualala on Nov 21, 2005 when the County announced it was considering expanding the undergrounding district beyond Phase 1. However, utility attendance at public meetings did not constitute the cooperation required of agencies to consult with the utilities to determine the final boundaries of the project. Moreover, the utilities were reluctant to engage and invest in project planning work until the Commission had ruled on Advice Letter, 2971-E to allow PG&E to transfer its easements.

The County's Resolution No. 2 in Oct 2006 directed the County DOT to prepare a revised expanded boundary proposal for public hearings and future formal adoption.

The DOT hired an engineer who prepared a revised expanded boundary proposal but the DOT did so without the necessary substantial engineering and technical consultation with the utilities needed to achieve a workable plan for the expanded boundary. See APPENDIX 3 *Sequence of Community and Utility Project Steps*.

After the County adopted a second and then a third boundary expansion and presented them to AT&T and PG&E, the utilities informed the County that parts of the expanded project might no longer qualify as a single ratepayer-financed undergrounding project. Three phases were discussed as a possible compromise to provide the County with what it originally requested while also

permitting compliance with the criteria of Rules 20 and 32 for the funding of the project.

AT&T as lead utility had already prepared a preliminary engineering design for the joint trench along the street using the original Phase 1 boundary, and together with PG&E the two utilities completed the initial design drawings. Easement requirements for the design will be sent to the County as soon as it is finalized for a revised expanded Phase 1 boundary.

To complement the utilities' proposed Phase 1 and satisfy technical issues as described below within the original Phase 1 the utilities' proposal absorbs part of the original Phase 2 red section into Phase 1. This expansion would partially absorb and reduce the area of Phase 2 (red), and Phase 3 (purple), and result in APPENDIX 2 *Map of PROPOSED Phases, 2008*.

At the August 15, 2008 all-party meeting the County accepted the rationale to proceed with design and construction of Phase 1 as proposed by the utilities in advance of settling all issues on remaining Phases.

TWO MAJOR TECHNICAL ISSUES

1. Expansion of the Phase 1 boundary is a solution to undergrounding services within the Boundary while maintaining overhead service to meters outside of it

County Resolution No. 1 adopted a boundary for the undergrounding district that did not include undergrounding all of the poles needed to serve the meters within the boundary.

Certain properties fronting on the west side of Highway 1 are served electric power from the back (west) side from PG&E poles located on Ocean and Hubert Drives and both sides of those streets are not currently in the Undergrounding (UG) district.

Once the properties fronting on Highway 1 are provided new UG service from the new joint trench along Highway 1 then the existing over head (OH) conductors and poles serving the back side typically would be removed. However OH facilities would still be needed to serve other properties on Ocean, Hubert, and portions of another street, Sedalia Drive.

Further, AT&T, PG&E and PUC agree that on the south end of Phase 1 the lot that was added as part of Phase 2 should simply be included in Phase 1 now.

One solution to these problems was to leave existing poles standing outside the undergrounding boundary, and erect more new poles as risers where needed to connect with newly undergrounded sections. This approach is simplest and least cost but leaves and adds poles in the seaward direction.

The utility proposal for Phase 1 addresses these new pole issues. Residential streets such as Ocean and Hubert normally do not qualify for full utility support under Rule 20A/32a1 due to low residential traffic count. But in this case there are additional considerations and engineering constraints that mitigate for including Ocean and Hubert in the project.

First, the removal of the poles behind the lots fronting Highway 1 would require the erection of new poles on Ocean and Hubert to continue service to properties on those streets and portions of Sedalia Drive. This relocation and duplication of existing service is not consistent with the purposes of Rules 20 and 32. Secondly those streets are within the 1,000-foot Scenic Highways corridor, so the erection of new poles visible from Highway 1 and within the corridor would be inconsistent with the sound environmental planning required by that law. The utility proposal to expand Phase 1 appears to be the most feasible engineering approach.

If a slightly higher cost results, accumulated Rule 20 allocations appear sufficient.

Building on the clarifications contained in this Resolution PG&E and AT&T should propose to the County to expand the Phase 1 boundary to resolve technical obstacles

To facilitate this expansion of Phase 1, the CPUC confirms that the practical solution and optimum cost approach for settling the tariff and technical issues described is to expand the existing boundary of Phase 1 to include both sides of Ocean Drive, Hubert Drive, and portions of Sedalia Drive.

Boundary lines of the Gualala project are permitted to bisect some of the lots involved. Unnecessary and inconsistent undergrounding could result without this provision, and PG&E and AT&T should continue to have engineering design and boundary adjustment flexibility within the requirements of Rules 20

and 32, and the concepts approved under this resolution, in order to manage technical issues that may arise, provided all parties agree to proposed solutions.

The Rule 851 filing (Resolution E-4100 approved June 21, 2007) stated that PG&E would relocate its overhead facilities from its nonexclusive easement into an underground location in a franchise area along the east side of Highway 1. The Commission acknowledges that the inclusion and undergrounding of facilities on Ocean, Hubert and portions of Sedalia Drives means that some formerly overhead facilities from the nonexclusive easement may be placed in those streets as well, and confirms that this flexibility is approved.

Noncontiguous expansions
The original County Resolution No. 2 (the proposed red+purple area) included a small lot on the eastern side of Highway 1 at the southern end of County Resolution No. 1 (green) where AT&T lines are visible. AT&T and PG&E agree that that lot which was originally part of Phase 2 (red) should be included in a Phase 1 expansion. The CPUC has no objection to including this lot within the expansion of Phase 1 (green).

An additional separate parcel also on the eastern side of Highway 1 at the southern end of County Resolution No. 1 (green) was added to the project as part of County Resolution No. 3 (blue/purple). PG&E and AT&T have no objection to including this parcel in Phase 1. The CPUC confirms that this lot should be included in Phase 1 as reflected in APPENDIX 2.

Neither of the two noncontiguous parcels discussed in this section involve the abandonment of a PG&E easement, and their inclusion in Phase 1 does not require another 851 filing.

2. An undeveloped area along the east side of Highway 1 that may qualify for future IOU funding lies between two developed areas north and south

Eligibility
County Resolution No. 2 included a new section some 600 feet long north of the original boundary of Resolution No. 1 on the east side of Highway 1. The utilities now propose this area to be a Phase 3, and refer to it as the purple section. One side is undeveloped, and both sides have stands of trees shielding wires from view from the highway. Two issues bear on whether this area currently qualifies for full ratepayer funding.

First, to qualify under criterion 3 of Rules 20A and 32a1 the highway must pass: "…through a civic area or public recreation area of unusual scenic interest to the general public." Sections to the north and south are already developed, and future highway widening and commercial or other development is expected. On this basis the area could qualify, as did streets in the proposed Phase 1.

Secondly, the facilities must be visible from the Scenic Highway. For the most part they are shielded by trees throughout the year rendering them ineligible at this stage prior to property development.

A third issue of economic efficiency arises as well. If the joint trench in this section were built in a franchise area before development or road widening, whether by California DOT or the County, then depending on the trench location, future street/highway or property improvements would likely obligate utilities to pay a second time to relocate them under the usual terms of a franchise.

In this case the unique sloping characteristics of the highway frontage make even less desirable and more expensive to utilities the likely eventual rework of what would be an initially questionable utility investment to underground facilities now through the undeveloped area. Utilities and ratepayers should pay only once, especially when lines in the undeveloped area are largely shielded from view.

Revising the district boundaries for this Phase 3 could create an opportunity to use utility funds instead of developer funds for the main line trench in the currently undeveloped area. Construction along undeveloped sections, however, would be deferred until development occurs.

Alternative solutions
A first option is to connect the new trenches north and south to the remaining hidden pole lines existing on each side of Highway 1 using new riser poles. While technically simple, some oppose any visible poles after Phases 1 and 2, even if temporary.

A second option is for AT&T to extend both joint trenches across the undeveloped section as a 20B/32a2 project. This option eliminates the poles, but the funds are unavailable from the County and landowners, and the buried facilities could need to be relocated at ratepayer expense to develop the frontage.

Under a third option the Commission would qualify the undeveloped section for Rule 20A/32a1 utility and ratepayer funding and AT&T would extend the trench as in the second option but the utilities would fund it. The joint trench for utility facilities however, will not fit into the existing Caltrans prescriptive franchise right-of-way; therefore the trench in the undeveloped area would have to be located in easements between the Caltrans franchise (generally along the shoulder of Highway 1) and the areas of parcel frontages where development might conflict with buried facilities. Finally, the County in granting its future permits would require developers to avoid the utility lines in the trench or to pay to relocate them and to provide replacement easements. In any case developers would absorb all costs for service laterals and related facilities.

The advantages are eliminating all poles and avoiding funding problems, but it would mean the County and/or Caltrans having the funds to acquire an easement for the trench paralleling the Caltrans right-of-way. The existing profile and grade of the hillside along the highway would require an adjustment to provide a flat trench path which could create a conflict at the time of final development and street improvements in this area.

Neither utility for the reasons explained in the preceding paragraph would normally convert facilities from overhead to underground along undeveloped parcels in Gualala where trees shield its lines from view from Highway 1. When the area is developed in the future, utility funds could cover main trench utility installations while developers would pay for all costs to tie to the main trench facilities.

Considering all three phases, the first option above represents an almost complete removal of visible lines, poles and facilities, but without risk to the utilities, or the County or property owners of incurring undergrounding expenses twice along any frontage. The Commission further notes that developers normally cover all costs of main line extensions as well as service laterals and facilities, but in this case exempts the developers because of the unique location of Phase 3 between two phases that are already eligible, and the deferment of actual construction expenditures until such time as the Phase 3 properties are developed, and finally the desire and choice of the County and community to ultimately spend their accumulated allocations for this purpose.

Streetscape status

RRM Design Group is working under a Caltrans contract to develop sidewalks, streelighting and other streetscape features in downtown Gualala which can conflict with underground utilities. At this time completing a streetscape design would be premature since the utilities first must identify the general location of each service lateral and padmount, and Caltrans or the County must then acquire those easements from property owners and convey them to the utilities for final design. Streetscape construction is likely at least 5 years in the future since there are no County or Caltrans grant funds currently available or expected. In any case the Commission authorizes the use of utility funds for undergrounding only once, either before or after streetscape construction.

Timeline and Schedule for GUALALA UNDERGROUNDING PROJECT

Background

Original plan Phase 1 -- Resolution # 00-145 dated 8/2000
First extension Phase 2 -- Resolution # 06-206 dated 10/2006
Second extension Phase 3 -- Resolution # 07-163 dated 8/2007

Original Phase 1 was reviewed and preliminary design created by AT&T and PG&E together.

Current Plans

The Gualala underground project will be constructed in phases. See APPENDIX 2 *PROPOSED District Boundaries and Phases*:

Phase 1 (expanded green section): Revised expanded section to be constructed first; one parcel at the south end of Phase 1 to be included in the expanded Phase 1 boundary.

Phase 2 (northernmost portion of original red section): That part of the section north of Phase 1 that is already developed and is 600 ft or greater in length will be designed and constructed in the year following completion of Phase 1.

Phase 3 (now purple: including the blue section and remainder of the original red section): Any developer project greater than 600 ft in trench length would be completed once developer plans are finalized, as the County chooses Phase 3 to be its next undergrounding project (One parcel from Phase 3 at the south end of Phase 1 is proposed to be included in the expanded Phase 1 boundary).

A detailed *Sequence of Project Steps* appears in APPENDIX 3.

Periodic Reporting
Given the concerns by all parties that led to the Commission's unusual involvement in this undergrounding project, the utilities should maintain a plan and schedule including the Events of each phase as shown in APPENDIX 3, and update it and include it with each regular progress report. Reports should

1. Describe the steps completed by when and whom,
2. Uanticipated delays with explanation,
3. Any revisions to the events and responsibilities necessary to complete the project, and
4. A forecast of progress expected by the next report and who is responsible for it.

Discussion should cover where two or more events logically can proceed independently and parallel in time, subject to manpower availability for design and construction, and conversely where other events logically must wait for prior events in series to be completed.

The quarterly report could be submitted to the County, which is the recipient of the utility undergrounding funding, which could then make the report available to any affected residents.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on Thursday, October 30, 2008 and placed on the Commission's agenda for action no earlier than 30 days from that date.

The following parties submitted comments on the Draft Resolution that were due November 18, 2008 with replies due November 25, 2008.

Party	Type	Date Submitted
RRM Design Group	Comment	11/13/08
PG&E	Comment	11/18/08
AT&T	Comment	11/18/08
County of Mendocino	Comment and Reply	11/18/08
PG&E	Reply	11/25/08
AT&T	Reply	11/25/08
Bower Limited Partnership	Comment	11/26/08

Comments and/or reply comments submitted by parties on this Resolution are summarized below by issue. Comments filed after the due date and/or not served on all parties act to deny those parties the right to reply to assertions made and therefore can be given little weight. The County's timely Comments represented local business and property owners and Bower's late filing supported them.

Merge Phases 2 and 3 Prior to Construction

The primary comment by the County is its request to merge Phase 3 (purple) with Phase 2 (red) before construction begins, and for Phase 3 to become an "active" project.

Two issues related to this comment are 1) whether merging would delay starting Phase 2 to wait for Phase 3 issues to be resolved, and 2), whether to risk utility costs in the future to relocate a trench because it was installed prior to local development.

In any case Phase 1 as noted earlier should be expanded. All parties favor continuing current planning, design and construction per the steps shown in APPENDIX 3 *Sequence of Utility Project Steps* and APPENDIX 4 *Consultation Guidelines*.

Phase 2 is similar to Phase 1 and is planned to follow it directly.

Phase 3 however, is the undeveloped area likely to be eligible for utility conversion funding assuming future development fully reveals unsightly overhead conductors to the traveling public. By undergrounding their facilities

at this time[10] as part of a merged Phase 2+3, before possible highway widening or property frontage development, utilities would risk unnecessary costs as discussed earlier.

Utilities are not averse to installing conductors and facilities in such a franchise when foreseeable highway widening and commercial development has occurred. Utilities plan to do so, for example, in Phase 1 of this project.

Therefore, since ratepayers need pay only once, if the Commission directed the utilities to merge Phases 2 and 3, the primary result would appear to be the delay of the independent start and completion of Phase 2, until Phase 3 were developed.

Since the Commission defers to recipients of undergrounding allocations wherever it can, the County in a Resolution expanding Phase 1 boundaries is free to also merge Phases 2 and 3 if it chooses.

Expand Phase 1 to include properties on the west side of Highway 1
All parties supported expanding Phase 1 to facilitate construction of the original Phase 1. This proposal eliminates duplicate work and avoids erection of new poles along a scenic highway and is more economical.

Proposal to include in expanded Phase 1 a lot from original Phase 3
An additional separate parcel at the southern end of County Resolution No. 1 (green) was proposed to be added to the project as part of County Resolution No. 3 (blue/purple). No party objected to including this parcel in Phase 1 and Energy Division staff concurs.

Use Rule 20A funds to hire a Project Manager
Due to the remoteness of the project from County staff the County of Mendocino proposed to use Rule 20A funds to hire a construction project manager.

PG&E noted in reply comments that Rule 20A funding is limited to the replacement of existing overhead electric facilities within certain very specific parameters, which do not include the County's costs of a project construction

[10] As a practical matter Phase 3 construction would not occur for another 3 years or more.

manager. Moreover, a CPUC letter to San Diego Gas and Electric confirms that administrative costs of public bodies should not be included in Rule 20A budgets.

FINDINGS AND CONCLUSIONS

1. Section 320 requires undergrounding within 1,000 feet of designated Scenic Highways unless the Commission finds exemption criteria are met.
2. New poles will need to be installed as riser, primary, or service poles at locations throughout the Gualala project.
3. The project and related areas meet the Commission's interpretation of permitted exemptions to the undergrounding required by Public Utilities Code Sec. 320
4. Tariff Rules 20 of PG&E and 32 of AT&T govern undergrounding conversion programs.
5. Utility ratepayer funds under Rules 20A and 32A1 are available only when undergrounding is in the public interest.
6. The determination of public interest is made by the local government, after holding public hearings, in consultation with the utilities.
7. Gualala is an unincorporated community along a state-designated Scenic Highway, coast Highway 1 in Mendocino County.
8. The Mendocino County Board of Supervisors created and twice expanded an undergrounding district in Gualala by passing Resolutions: #00-145 in August 2000, #06-206 in October 2006 and #07-163 in August 2007.
9. The Commission signed Resolution E-4100 in June 2007 granting PG&E permission to relocate its existing overhead facilities from private easements to an underground joint trench in the existing franchise.
10. AT&T and PG&E informed the County that project expansions adopted without consultation might not qualify under Commission criteria for utility funding.
11. Utility attendance at public meetings did not constitute the cooperation required of agencies to consult with the utilities to determine the final boundaries of the project phases.
12. The County accepted the rationale to construct Phase 1 before settling all issues on remaining Phases.
13. Expansion of the Phase 1 boundary allows the utilities to convert service within the boundary while maintaining overhead service outside of the boundary.

14. To improve the engineering feasibility and design of the Gualala undergrounding project and to conform with the intent of the Scenic Highways corridors legislation of Public Utilities Code Section 320, both sides of Ocean, Hubert and portions of Sedalia Drives should be included in Phase 1.
15. To avoid unnecessary and inconsistent undergrounding the boundary lines of the underground districts should bisect some of the lots involved.
16. Mendocino County is to provide any necessary easements and right-of-ways satisfactory to the utilities at no cost.
17. California DOT or County franchisers may at any time require utility franchisees to move at utility cost underground facilities previously installed at utility cost in order to accommodate improvements to property or thoroughfares.
18. Using new riser poles to connect new trenches in Phases 1 (green) and 2 (red) to the pole lines remaining in the undeveloped area of future Phase 3 (purple) avoids unnecessary County costs for easements and the future risk of relocation expense to utilities.
19. Utility funds may cover future main trench utility installations in Phase 3 at the time it is developed, but developers will pay all costs to tie to the main trench facilities.
20. The Commission authorizes the use of utility funds for undergrounding one time, either before or after streetscape construction.
21. It is reasonable to expand Phase 1 boundaries for more economical construction and to include in Phase 1 a lot described at the southern end originally in Phase 2 along with a second lot from Phase 3.
22. Phase 3 requires additional steps including lengthy environmental review as well as property development not required before beginning Phase 2.
23. Merging Phases 2 and 3 is likely to delay Phase 2.
24. The County may decide whether or not to merge Phases 2 and 3.
25. The utilities may use their own discretion to accommodate, defer, or reject late requests for changes to project planning, design, or construction.

THEREFORE IT IS ORDERED THAT:

1. This Resolution grants authority to AT&T and PG&E to place poles where needed to construct the Gualala undergrounding project as designed in cooperation with local authorities.

2. AT&T and PG&E are to take all action within their control to complete in 2010 the expanded Phase 1 of the Gualala Rule 20/32 project in Mendocino County in accord with the Findings and Conclusions herein.

3. Phase 2 design is to be started and run concurrently with Phase 1 design and construction as soon as it appears that Phase 1 cannot be completed in 2009.

4. AT&T and PG&E are to jointly maintain a plan and schedule including the Events of each phase as shown in APPENDIX 3, and update it and include it in a quarterly progress report, first due on February 1, 2009. Reports should describe:

    - The steps completed by when and by which party;
    - Unanticipated delays with explanation;
    - Any revisions to the events and responsibilities necessary to complete the project, and
    - A forecast of progress expected by the next report and the parties responsible.
    - Discussion should cover those cases where two or more events logically can proceed independently and parallel in time, subject to manpower availability for design and construction, and conversely where other events logically must wait for prior events in series to be completed.

5. The quarterly report will be submitted to the County, which may then make the report available to any affected residents. Provided that an accessible responsive ombudsman contact representing both utilities is clearly identified in each report, its preparation and submittal to the County complies with the requirement for periodic meetings with any affected residents under CPUC Decision 01-12-009.

This Resolution is effective today.

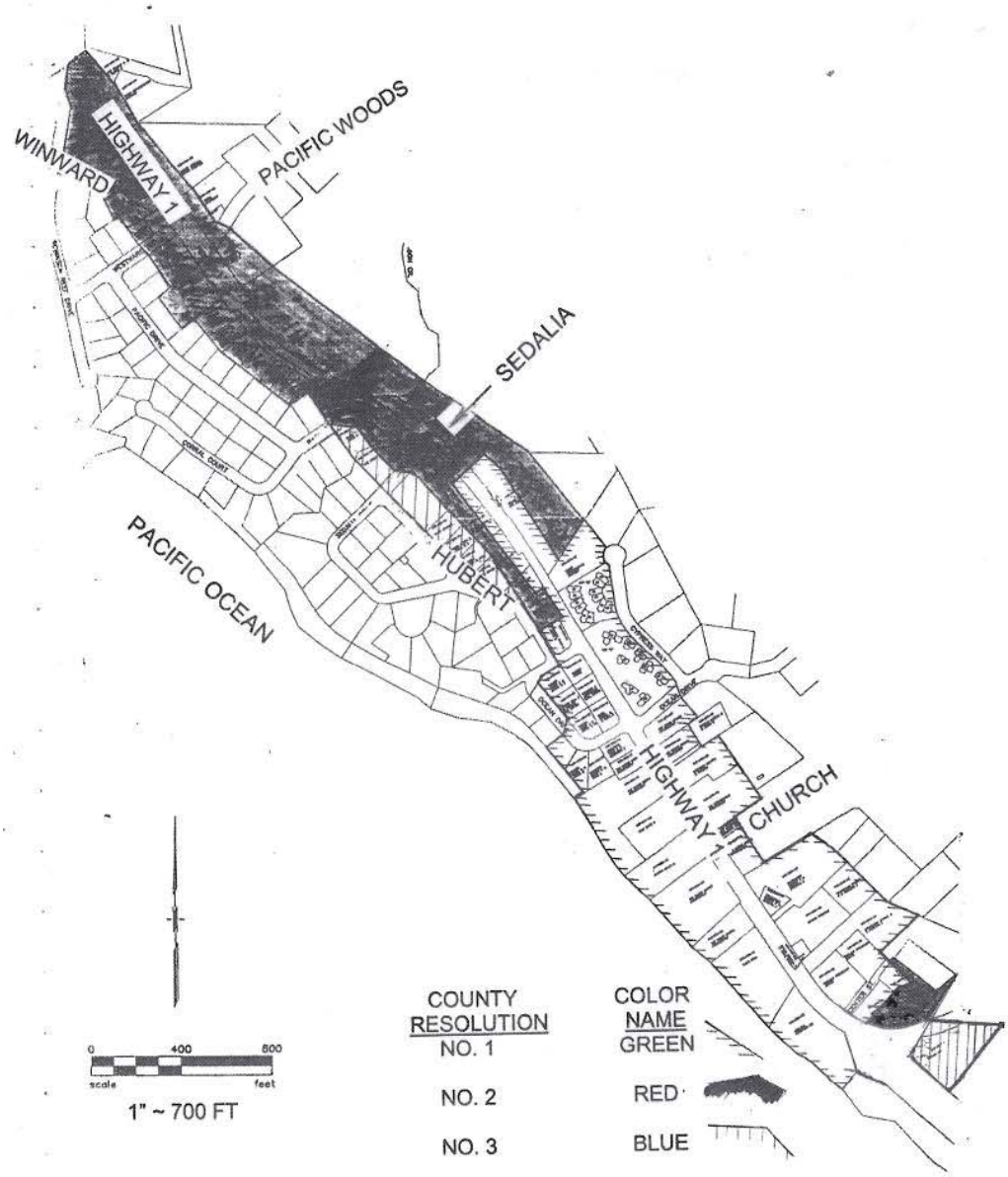
I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 18, 2008; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

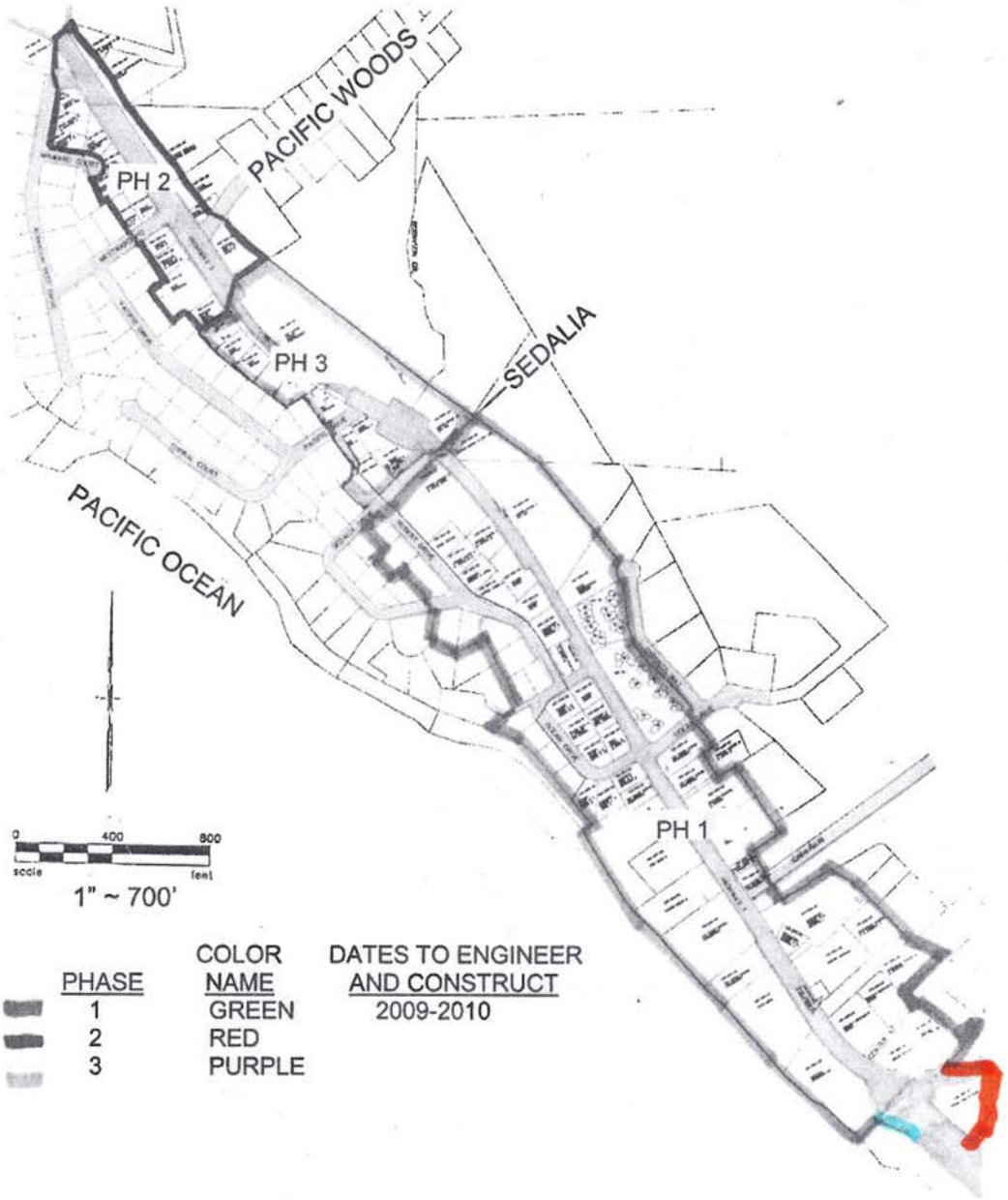
APPENDIX 1

Utility Undergrounding Project, Gualala, Mendocino County
Map of ORIGINAL District Boundaries and County Resolutions
2000 to 2007



APPENDIX 2

Utility Undergrounding Project, Gualala, Mendocino County
Map of PROPOSED District Boundaries and Phases
2008



APPENDIX 3

Utility Undergrounding Project, Gualala, Mendocino County
Sequence of Community and Utility Project Steps

Durations stated herein are for milestone planning discussion as of 10/28/08 and may not be accurate

ID	Task Name	Duration	Predecessors	Successors	Responsible Party
0	Gualala Undergrounding Project – Phase 1 & 2	647 days			
1	Boundary Determination – Phase 1 Green Section	0 days			All parties
2	CPUC approves all items in question	0 days		3	CPUC
3	County approves new resolution revising Phase 1	5 days	2	6,7,8	County
4	PHASE 1 – Green Section	377days			
5	County support to Utilities – Phase 1	30 days			County
9	Utility preliminary Planning – Phase 1	15 days			Utilities
11	Service conversion planning – Phase 1	45 days			Utilities
14	Easements acquisition – Phase 1	106 days			All parties
18	Utilities design and engineer Phase 1	70 days			Utilities
26	Permits obtained by County – Phase 1	60 days			County
30	Construction – Phase 1	176 days			Utilities
31	Service Conversions – PG&E Contractor	66 days			Utilities
35	Trench Lead – AT&T Contractor	81 days			Utilities
41	Electric Installations – PG&E	65 days	40		Utilities
45	Undergrounding circuits energized	0 days	44		
46	Overhead Pole Removal – PG&E	10 days	43	47	Utilities
47	Overhead Pole Removal – AT&T	20 days	46	48	Utilities
48	Paving and final clean-up	20 days	47	49	Utilities
49	Phase 1 COMPLETED	0 days	48		Utilities
50					
52	PHASE 2 – Red Section	402 days			Utilities
53	Utilities and Agencies consult on boundary	30 days	25	54	All parties
54	County approves new resolution if needed	15 days	53	56,57,58	County
55	County support to utilities – Phase 2	30 days			County
59	Utility preliminary planning – Phase 2	15 days			Utilities
61	Service conversion planning – Phase 2	45 days			Utilities
64	Easements acquisition – Phase 2	106 days			All parties
68	Utilities design and engineer Phase 2	60 days	67		Utilities
76	Permits obtained by County	60 days			County
80	Construction – Phase 2	216 days			Utilities
81	Service Conversions PG&E Contrctr Ph 2	76 days			Utilities
85	Trench Lead – AT&T Contractor – Ph 2	121 days			Utilities
90	Electric Installations – PG&E	65 days			Utilities
94	Overhead Pole Removal – PG&E	10 days	92	95	Utilities
95	Overhead Pole Removal – AT&T	20 days	94	96	Utilities
96	Paving and final clean-up	20 days	95	97	Utilities
97	Phase 2 COMPLETED	0 days	96		Utilities

APPENDIX 4

Consultation Guideline Between Community Agencies and Utilities

Before passing a resolution-

- Agency informs Utilities of potential Rule 20/32 project area.
- Agency holds a field meeting with Utilities to look over the proposed boundary area and provides preliminary plans for any new roadway, sidewalk, street lighting or agency underground facilities or relocations such as water, sewer, or storm drain.
- Agency takes the lead on environmental or other permit requirements if Agency will be making any improvements in the underground district. If the only improvements in the district will be undergrounding OH facilities, the Trench Lead will take the lead on permits.
- All parties discuss options related to who can or should be the Trench Lead. In general Agencies leave the Trench Lead role to one of the Utilities. In some cases an Agency takes the lead. However, Agencies cannot be reimbursed for their administrative costs such as project management, billing preparations, or contract administration (except for costs directly related to composite preparation).
- Utilities confirm the proposed boundary location qualifies and reviews possible trench, riser pole, and pad mounted equipment locations, and associated easements that may be needed.
- Agency provides additional property line and franchise limits data to allow utilities to confirm where facilities may be placed in franchise without need for easements and/or where easements are the only option.
- Agency provides the Trench Lead with acceptable drawings showing community owned improvements such as sewer, water, and storm drains if applicable. If drawings are not available the Agency is responsible for producing such information needed to complete the composite drawing.
- The Agency may wish to install facilities of their own in the joint trench, such as street light conduits. If so, the Agency will need to provide design plans for the composite drawing and pay their proportionate share of the trench costs.
- After further review of field meeting notes and technical analysis the Utilities make suggestions on boundary limits.
- Agency proceeds with the official resolution which includes the following – Legal property descriptions, an underground district boundary map, a list of affected property owners, notice of property owner responsibilities, and service conversion requirements of owners and utilities.
- Agency proceeds with EIR or other major filing. Utilities do not proceed with significant design work until Agency secures approval for EIR, related permits, and agreements from property owners to allow service conversion work to be performed.

After Agency passes a resolution-

- Utilities and Agency consult on final project boundary, main trench location, extent of undergrounding, including services, and confirm general locations requiring easements. Utilities do not proceed with significant design work or official easement requests until Agency secures approval for EIR and related permits.

- Utilities prepare easement documents and provide them to the agency who then negotiates agreements with property owners at agency expense
- After all easements are secured Utilities provide documents to Agency to send to property owners to allow Utilities and their contractors to work on service trenches and panel conversions.
- The Trench Lead can begin official engineering design work once data from the service trench and panel conversions contractor is received.
- The Trench Lead prepares a composite design and solicits design overlay engineering from the other utilities
- The Utilities confirm the final design and sign the Form B cost sharing agreements.
- If environmental contamination is encountered during trenching, work will stop until the Agency provides mitigation satisfactory to the Utilities including an acceptable place to temporarily store hazardous soils until the Agency sees to its disposal.