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Decision 03-05-055 May 22, 2003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Daniels Cablevision, Inc. and the California Cable Television Association, Complainant, vs. San Diego Gas & Electric Company, Defendant.	Case 00-09-025 (Filed September 18, 2000)

OPINION TO ESTABLISH A COST-BASED TRANSMISSION RIGHT-OF-WAY FEE FOR SAN DIEGO GAS & ELECTRIC COMPANY

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I. Summary

This decision establishes pole attachment fees that San Diego Gas & Electric Company (SDG&E) may charge to Highland Carlsbad Cablevision, Inc. d/b/a Adelphia (Adelphia), the successor in interest to Daniels Cablevision, Inc. (Daniels) for use of poles in its transmission right-of-way on private land. The authorized annual fee of $22.12 for attachment to wood poles and $278.97 for attachment to steel poles differs from SDG&E's proposal of $33.41 for wood poles and $586.88 for steel poles and from Adelphia's and the California Cable Television Association's (CCTA's) proposal of $21.88 for wood poles and $239.33 for steel poles. The transmission pole attachment fee includes an overhead component, which compensates SDG&E for the use of its easements and rights-of-way (ROW) between transmission poles.

In Decision (D.) 02-03-048, it was ordered that SDG&E would not be allowed to charge Daniels a License to Use ROW fee of $6,080 per mile as long as the 1986 Pole Attachment License Agreement remained in effect. It was also ordered that should the parties exercise their right to terminate the 1986 Agreement, SDG&E may impose upon Daniels a cost-based fee for use of its transmission easements and ROW on private land and that the fee would be calculated as an overhead component of the transmission pole attachment fee. Today's decision resolves the dispute between SDG&E and Adelphia/CCTA regarding the correct assumptions and calculations for deriving the various components of the pole attachment fee, including that associated with the use of transmission easements and ROW on private land.

II. Procedural History

On September 18, 2000, Daniels (subsequently Adelphia) and CCTA (jointly "Complainants") filed a complaint, which initiated this proceeding. The complaint against SDG&E was filed pursuant to Pub. Util. Code § 767.5(c).[1] That statute authorizes the Commission to determine pole attachment rates, terms, and conditions when cable operators are unable to reach agreement with investor-owned utilities.

Adelphia operates a mid-sized cable company providing cable services to approximately 64,800 customers in Northern San Diego County. In providing these services, Adelphia attaches coaxial cable and fiber optic cable to poles owned by SDG&E.

CCTA is a trade association representing cable television operators with over 400 cable television systems in California. Consistent with Section 767.5, CCTA negotiates on behalf of cable television companies for pole attachment rates, terms, and conditions for all investor-owned utility poles in California.

D.02-03-048 resolved the complaint regarding a $6,080 per mile fee that SDG&E attempted to charge Daniels for use of SDG&E's transmission easements and ROW. The decision found that SDG&E could not impose upon Daniels a fee for use of transmission ROW as long as the 1986 Pole Attachment License Agreement (1986 Agreement) between the parties remained in effect. However, it was determined that if either party terminated the 1986 Agreement, as allowed by its provisions, SDG&E could charge a fee for use of its transmission ROW based on its actual costs to acquire the easements and ROW between transmission poles. SDG&E's proposed market-based fee of $6,080 per mile was

[1] All statutory references are the Public Utilities Code unless otherwise noted.

rejected. The calculation of a transmission ROW fee, as an overhead component of SDG&E's pole attachment fee, was adopted using the formula proposed by Complainants and set forth in Attachment A to that decision. Within 45 days of the effective date of the order, SDG&E was ordered to file a notice that the parties had agreed on a transmission ROW charge using the approved formula. Alternatively, if parties were unable to agree, SDG&E was ordered to file its proposed transmission ROW charge for the Commission to examine in Phase II of this proceeding.

SDG&E and Complainants were unable to reach an agreement on a transmission ROW charge. On June 5, 2002,[2] SDG&E filed a proposed transmission ROW charge in accordance with its understanding of the formula in D.02-03-048, Attachment A. For attachment to each of its poles in the transmission ROW, SDG&E calculated an annual charge of $69.36 per pole. As directed in D.02-03-048, the ROW fee is included in the overhead component of that charge.

On July 5, Complainants (now Adelphia and CCTA) filed their opposition to SDG&E's proposed transmission ROW charge. Complainants asserted that SDG&E improperly calculated the annual pole attachment fee. Moreover, the complainants insisted that there should be separate fees for wood and steel poles. In its opposition filing, Complainants included the assumptions and calculations that resulted in an annual charge of $21.88 per wood pole and $239.33 per steel pole. Differences with SDG&E's assumptions and calculations were highlighted and discussed.

[2] All dates are 2002, unless otherwise noted.

On August 5, SDG&E filed a response to Complainants' opposition filing. In its response, SDG&E acknowledged the concept of separate rates for wood and steel poles, recognizing that equity demands that the pole attachment rate should reflect the actual type of attachment. SDG&E then calculated an annual charge of $33.41 per wood pole and $586.88 per steel pole. Differences with Complainants' assumptions and calculations were highlighted and discussed.

On August 13, Complainants filed a motion for leave to file a reply to SDG&E's response. In the accompanying reply, Complainants addressed their concern with several of the changes that they felt SDG&E had inappropriately made to the calculation of the pole attachment charges. There was no opposition to the motion and we have included consideration of the reply in deciding this matter.

III. Calculation of the Pole Attachment Fee

In Ordering Paragraph 2 of D.02-03-048, the Commission ordered that any fee for use of transmission ROW on private land should be calculated as an overhead component of the transmission pole attachment fee, as set forth in the formula in Attachment A of that decision. By that formula, net pole investment is first increased by a ROW overhead factor. An annual cost of ownership, consisting of charges for Maintenance Expense, Administrative & General (A&G) Expense, Depreciation Expense, Taxes and Return, is then applied to that net loaded pole investment. A space allocation factor for cable attachment is then applied to the cost of ownership to determine the annual pole fee to be charged. Both Complainants and SDG&E based their proposed fees on their understanding of the formula and the relevant data to include in the calculations.

Attachments A and B detail the calculation of the adopted annual charges for wood transmission poles and steel transmission poles, respectively. For

comparison purposes, SDG&E's and the Complainant's calculations are also shown.[3] The rates have been determined in accordance with the provisions of Pub. Util. Code § 767.5 and are applicable specifically to Adelphia. This decision reconciles the differences between SDG&E and the Complainants regarding the assumptions and calculations related to the items in Attachments A and B.

IV. SDG&E's Position

In its June 5 proposal, SDG&E calculated an annual charge of $69.36 for poles in transmission ROW. In response to Complainants' opposition, SDG&E agreed to separate fees for wood and steel transmission poles and calculated the amounts to be $33.41 per wood pole and $568.88 per steel pole. SDG&E spreads total pole costs over attachable poles, incorporates an appurtenance adjustment factor of 10.5% for wood poles and 0% for steel poles, calculates a 36.10% ROW overhead factor and bases maintenance and A&G expense factors on a five year average of recorded 1996 through 2000 information.

V. Complainant's Position

In its July 8 opposition to SDG&E's proposed pole attachment fee, Complainants determined the annual charge to be $21.88 per wood transmission pole and $239.33 per steel transmission pole. Complainants spread total pole costs over all poles, incorporate an appurtenance adjustment factor of 15% for both wood and steel poles, calculate a 9.33% ROW overhead factor and base maintenance and A&G expense factors on recorded 2000 information.

[3] SDG&E's calculations are included in its August 5 response. The Complainants' calculations are included in its July 5 filing.

VI. Wood Pole Attachment Charge

The following discussion addresses issues between the parties related to the development of the wood pole attachment charge, which is detailed in Attachment A to this decision.

A. Net Pole Investment

There are three issues related to net wood pole investment—the 12/31/00 wood pole plant balance, the number of poles over which the pole plant costs should be spread and the value of the appurtenance adjustment factor that accounts for pole costs that are not necessary for pole attachment.

SDG&E uses a value of $34,678,260 as the embedded wood pole investment as of 12/31/00. Complainants use a value of $34,212,088. The difference of $466,171 is due to Complainants exclusion of the stub/anchor balance from the total investment for wood poles. We will adopt the use of SDG&E's value, which includes plant associated with stubs and anchors. Stubs and anchors are necessary pole related items and should be included in the analysis.

Regarding the number of poles over which the wood pole investment will be spread, in SDG&E's June 5 submittal, the company indicated that the total number of wood transmission poles as of 12/31/00 was 13,430.[4] Complainants used that number in calculating a wood pole attachment fee in its July 8 filing. However, in its August 5 response, SDG&E indicated (1) that the actual number of wood poles was 13,344 and (2) that the number of 13,344 should be reduced by 589 to account for non-attachable poles in multiple pole structures such as an

[4] See Summary of Library Numbers for Account E3550 included in Tab 8 of the documentation for SDG&E's June 5 submittal.

H-Frame formation. SDG&E therefore spread the wood pole investment over 12,755 poles.[5] We note the difference from 13,430 to 13,344 is minor and will assume that the more recent total of 13,344 is the appropriate number to use for this proceeding. However, we do not agree with SDG&E's adjustment for non-attachable poles in multiple pole structures. In their August 13 reply, Complainants argue, "That only one of the poles in such a structure is attached to at a time by third parties does not mean that both poles should not be counted in determining the average pole investment. It is especially unwarranted to take the number of these poles out of the equation while leaving in the equation SDG&E's investment in these poles." We agree. The intent is to calculate the average pole investment, not to spread the total pole investment over only those poles to which television cable could be attached. If it were determined that television cable could only be attached to certain poles, it would make more sense to use only those poles and the associated costs for only those poles in the analysis. In agreeing with the Complainants on this point, we determine the number of wood poles over which to spread the pole investment is 13,344, which is SDG&E's restatement of the number of poles, without adjusting for non-attachable poles in multiple pole structures. The average investment in wood poles would then be the adopted investment of $34,678,260 divided by 13,344 poles, or $2,598.79 per pole.

The last issue related to net pole investment is the appropriate value of the appurtenance adjustment factor. Under Pub. Util. Code § 767.5(a)(9), annual cost of ownership related to pole attachment fees "shall not include costs for any property not necessary for pole attachment." In its June 5 submittal of its

[5] See Exhibit 6 of SDG&E's August 5 response.

proposed transmission ROW charge, SDG&E stated, "The amount recorded in Account 355 adjusted for associated depreciation reserve and deferred income tax is $28,418,416. This dollar amount includes appurtenances such as cross arms, guy wire, and anchors that are necessary to the functional operation and integrity of the transmission pole."[6] Therefore, SDG&E made no adjustments to remove property not necessary for pole attachment.

On the other hand, the Complainants argued that there should be a 15% deduction from pole investment for fixtures and appurtenances that are not pole related.[7] They cited Federal Communications Commission (FCC) as well as Commission precedents on this matter. In D.98-04-062,[8] the Commission incorporated a 15% appurtenance adjustment factor in establishing a wood distribution pole cable attachment rate for Southern California Edison Company.

In its August 5 response, SDG&E agreed with the concept of the appurtenance adjustment factor but argued the value should be limited to 10.5%. That value is based on SDG&E's assertion that 30% of its wood transmission poles do not have any appurtenances and fixtures. The company therefore reduced the 15% factor by 30% to 10.5%.

In its August 13 reply, the Complainants argue that SDG&E's 30% reduction to the 15% factor is unverified and unsupported. Also, the 15% deduction necessarily recognizes that poles have different numbers and types of appurtenances. Without some basis to believe that SDG&E has no poles with

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[6] See SDG&E's June 5 submittal documentation, page 2.

[7] See pages 6 and 7 of Complainants' July 5 filing.

[8] C.97-03-019, California Cable Television Association v. Southern California Edison Company.

appurtenances greater than 15 %, there is no reason to reduce the overall average. Complainants also state that SDG&E appears to misunderstand the nature of what appurtenances and fixtures should not be considered in the pole cost. They cite the example of cross-arms on steel poles, which SDG&E would choose not to deduct, but which are not used by the cable operator and are not necessary to support the pole and which the FCC has traditionally included as part of the 15% deduction.

We agree with many aspects of the Complainants' reply. Without better substantiation of the assumptions related to the 15% appurtenance adjustment and how SDG&E's poles specifically differ from those assumptions, we do not have a solid basis for adjusting the factor at this time. We recognize that the 15% adjustment factor was derived for distribution poles and that appurtenances on transmission poles may differ from those on distribution poles. However, there is no evidence in this proceeding to show whether the costs of appurtenances on transmission poles are a larger or smaller percentage of the total pole cost than that for distribution poles. There may be good cause to modify the value of this factor for transmission wood poles, but we will only do so with a fully developed record on the issue. For these reasons, we will use a wood pole appurtenance adjustment factor of 15% for the purposes of this proceeding. Reducing the previously developed average investment per wood pole of $2,598.79 by 15% results in an average investment without appurtenances of $2,208.97 per pole.

In order to calculate the net investment in wood poles, a gross to net plant in service factor was developed. Both SDG&E and the Complainants refer to this as the "Application Factor". The factor reduces gross plant by the accumulated depreciation reserve and the accumulated deferred tax reserve associated with that plant. The parties agree that the correct value for this factor

is 2.458. Since this factor was derived based on transmission "poles and fixtures" data and is being applied to "poles and fixtures" data, we concur with that factor value. Therefore, the average net investment in wood poles without appurtenances is equal to the gross amount of $2,208.97 per pole divided by 2.458, or $898.69 per pole. This is the amount included on line 1 in Attachment A.

B. ROW Overhead Factor

In D.02-03-048, we determined that the charge for electric transmission ROW costs should be calculated as an overhead in the pole attachment fee. Those overhead, or shared, costs related to ROW costs for transmission poles were to be spread over all electric transmission plant excluding land and buildings. The Complainants and SDG&E disagree on the values for both the net investment in ROW for poles (the numerator) and the net transmission plant excluding land and buildings (the denominator).

For the numerator, Complainants calculate a net plant value of $16,648,792, for transmission pole ROW, while SDG&E calculates a value of $14,153,645. In calculating the net plant value, Complainants deducted $1,214,719 in deferred taxes from a gross plant amount of $17,863,511. SDG&E deducted the amortization reserve of $2,480,013 as well as $1,230,148 in deferred taxes from a gross plant amount of $17,863,806. The deduction of the depreciation or amortization reserve associated with the write off of plant is one of the principal factors in determining the net value of that plant. Therefore, the amortization reserve should be included as a deduction in this calculation. There are minor rounding differences between the parties in the gross plant amount.

Also, there is an error in Complainants' calculation of the deferred tax amount.[9] SDG&E's calculation is more accurate and we adopt $14,153,645 as the numerator for the ROW overhead factor.

D.02-03-048 defines the denominator of the ROW overhead factor to be total net electric transmission plant excluding land and buildings. To calculate the denominator, the Complainants take the total transmission gross plant balance of $724,631,543, and subtract $57,898,784 for land and land rights (land) and $52,378,251 for structures and improvements (buildings), yielding a gross plant balance of $614,354,508. This calculation is consistent with the provisions of D.02-03-048. Complainants then divide that calculated balance by an application factor of 2.458 to derive a net plant balance of $249,940,809 (adjusted for depreciation reserves and deferred income taxes). In this instance, we do not agree with the use of the 2.458 application factor. That factor was derived using data for poles and fixtures only and should be applied to pole and fixture balances only. The $614,354,508 plant balance reflects all transmission plant categories other than land, land rights and buildings and should be analyzed accordingly. From detailed plant information provided by SDG&E,[10] the associated net plant balance is $278,577,933 rather than $249,940,809.

SDG&E's calculates a ROW overhead denominator of $39,201,659. Besides deducting land and buildings from total transmission plant, the

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[9] See SDG&E's August 5 response, page 13.

[10] Exhibit 8 in SDG&E's August 5 response contains the necessary data to make the net plant calculations. For total transmission plant (less land, land rights and structures and improvements), the calculated gross plant balance is $614,354,508, the calculated deduction for the depreciation reserve is $293,470,537 and the calculated deduction for deferred taxes is $42,306,038 resulting in a net plant balance of $278,577,933.

company deducted additional amounts for station equipment, towers and fixtures, overhead conductors and devices, underground conduit, underground conductors and devices and the development of roads and trails. SDG&E also makes an appurtenance adjustment as well as a franchise adjustment[11] in determining the denominator. SDG&E justifies its deviation from the direction of D.02-03-048 by arguing, "The purpose of the ROW overhead factor is to reflect a cause and effect relationship between plant and ROW, where an investment in plant causes an additional investment in ROW. SDG&E derives the denominator of the ROW overhead factor to only include poles and its associated plant investment *since the numerator only includes investment in ROW for poles*."[12] In D.02-03-048, we rejected SDG&E's contention that any ROW charges should be treated as directly assignable charges. SDG&E now proposes that the factor should be based on cause and effect. We will reject that notion also. Detailed cause and effect analysis is not consistent with our determination in D.02-03-048 that the ROW costs should be reflected as an overhead factor to be allocated to net transmission plant, excluding land and buildings.

We therefore calculate the ROW overhead factor, as specified in D.02-03-048, by dividing $14,153,645, the ROW investment for transmission poles, by $278,577,933, the total net transmission plant, excluding land and buildings. This results in a ROW overhead factor of 5.08%. This calculation spreads the ROW overhead to all transmission poles. It must be adjusted to take

[11] SDG&E directly excludes franchise effects by reducing net plant by $18,954,860, while Complainants' adjust for franchise poles in a separate calculation that is applied to the ROW overhead factor.

[12] See SDG&E's August 5 response, page 14.

into consideration that some poles are in the franchise position (public ROW) and do not have any ROW costs. Both Complainants and SDG&E adjust their calculations so that the total ROW overhead for poles is spread to those in private ROW only. Complainants adjust the ROW overhead factor by applying the ratio of total poles to poles in private ROW. We will use that method. SDG&E deducts the net plant associated with poles in public ROW from the denominator of the ROW overhead factor. However, by SDG&E's proposal for calculating the ROW overhead factor, only plant associated with transmission poles is in the denominator. Since we did not adopt that proposal, it would not be appropriate to use SDG&E's method for the public ROW adjustment. In its June 5 submittal, SDG&E states that 32% of its poles are in franchise positions and do not have any ROW costs.[13] However, based on certain information contained in SDG&E's June 5 submittal, Complainants claim that 4,200 out of 14,674 (29%) are in the franchise position.[14] In its August 5 response, SDG&E provided additional information showing that, on a net plant basis, 32% of the poles are in the franchise position.[15] Therefore, for our calculations, we will assume 32% of the poles are in public ROW and the remaining 68% are in private ROW. Spreading the 5.08% ROW overhead factor over 68% of the poles results in a factor of 7.48%[16] to be applied to poles in private ROW. This is the amount that is shown on line 2 of Attachment A.

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[13] See SDG&E's June 5 submittal documentation, page 3.

[14] See Complainants' July 8 filing, page 5.

[15] Exhibit 8 of SDG&E's response shows the franchise portion of the net plant balance for poles and fixtures to be $9,103604 out of the total of $28,418,416.

[16] 5.08% divided by 68% equals 7.48%.

C. Maintenance Expense Factor

There are two issues between the parties related to the maintenance expense factor (line 4 in Attachment A). The first is the relevant expense accounts to include in the factor. The second is whether to use one year or five-years of data to determine the appropriate expense level to include in the factor.

To calculate this factor, Complainants divide the recorded 2000 expense for account 571, maintenance of overhead lines, by the 2000 plant balance for accounts 354 (towers & fixtures), 355 (poles & fixtures), 356 (overhead conductors & devices) and 359 (roads & trails). The resulting rate on a net plant basis is 2.30%. In its estimate of the maintenance expense factor, SDG&E includes five years (1996 – 2000) of recorded data for accounts 560 (operation supervision & engineering), account 566 (miscellaneous transmission expenses), account 568 (maintenance supervision & engineering), account 571 (maintenance of overhead lines) and account 573 (maintenance of miscellaneous transmission plant). For each of those expense accounts, SDG&E determines the percent related to plant account 355 (poles & fixtures) based on a plant balance allocation, sums the allocated expense, and divides by the account 355 plant balance. The resulting maintenance factor, on a net plant basis, is 4.12%.

Including only transmission overhead line maintenance expenses (account 571) in the factor that is applied to the net loaded transmission pole investment results in an approximation of the direct maintenance expense related to transmission poles, which is the primary interest here. In establishing distribution pole attachment rates, FERC uses only the expense account for maintenance of distribution overhead lines in determining the maintenance

expense factor.[17] The Commission did the same in establishing a pole attachment rate for Southern California Edison.[18] However, regarding SDG&E's proposal to include additional expense accounts, we will include a portion of account 568—maintenance supervision and engineering. While direct costs, including field supervision, would be charged to the appropriate maintenance account, account 568 includes costs of general supervision and direction related to maintenance of the transmission system. The costs in this account would then support all transmission maintenance activities on an indirect basis. It is reasonable to allocate these maintenance related costs to the specific maintenance activities that it supports. We will do that by expressing account 568 as a percentage of total maintenance expenses (less account 568) and apply that loading to the relevant maintenance expense accounts in our analysis. Based on data provided by SDG&E[19] the account 568 loading is 3.75% to be spread to all other maintenance expense accounts.

Besides account 568, SDG&E includes accounts 560, 566, and 573 in the maintenance factor. Some of the expenses may relate to the maintenance of poles, but it appears that many do not. What the specific elements and costs

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[17] Exhibit E of Complainants' July 5 filing shows the FERC calculation for the maintenance element of the cable formula for determining rates for use of electric distribution poles. The maintenance element includes only account 593, maintenance of distribution overhead lines.

[18] Exhibit D of Complainants' July 5 filing shows the California Cable Television Association's methodology for calculating the pole attachment fee, which was used in D.98-04-062. That methodology incorporates only the maintenance of distribution overhead lines in the maintenance factor used in determining the distribution pole attachment rate.

[19] See SDG&E's August 5 response, Exhibit 9. The average account 568 balance is $188,949. The calculated total maintenance expense, less account 568, is $5,044,992.

associated with pole maintenance are is not defined or quantified in SDG&E's proposal. We therefore only include the appropriate amounts of accounts 568 and 571 in the maintenance factor. We will spread 100% of account 571, and the 3.75% loading for account 568, over the balances for plant accounts 354 – towers and fixtures, 355 – poles and fixtures, 356 – overhead conductors and devices and 359 – roads and trails. We use these four plant accounts, since SDG&E and Complainants allocate almost the entirety of expense account 571 to these plant accounts.[20]

The other issue related to deriving the appropriate maintenance expense factor is whether to use a five-year average of recorded expense and plant information as proposed by SDG&E or to use only recorded 2000 data as proposed by Complainants. The relevant data is shown in the table below and reflects significant fluctuations from one year to the next for expenses as well as for the resulting expense factors. As a general principle, we agree with SDG&E. When there is significant variation in recorded information that is being used for prospective purposes, it is reasonable to use a multi-year average in order to normalize the results. We will use a five-year average of expenses and plant, which results in a maintenance expense factor of 1.01%. We note that, because of the expense categories that we are using, the recorded 2000 factor of 0.97% is very close to the five-year average.

[20] Complainants allocate 100% and SDG&E allocates 96.3%.

	(a)	(b) =3.75%x(a)	(c) =(a)+(b)	(d)	(e) =(c)/(d)
Year	Acc 571	Acc 568 Loading	Acc 571 Loaded	Plant - Accs. 354 355, 356 & 359	Mtce. Factor
1996	2,134,810	79,955	2,214,765	282,035,312	0.79%
1997	2,530,837	94,787	2,625,624	293,295,531	0.90%
1998	3,328,303	124,654	3,452,957	295,343,758	1.17%
1999	3,606,817	135,085	3,741,902	303,322,842	1.23%
2000	2,934,344	109,899	3,044,243	312,932,935	0.97%
Avg.	2,907,022	108,876	3,015,898	297,386,076	1.01%
Application Factor					2.287
Maintenance Expense Factor on a Net Plant Basis					2.31%

Both SDG&E and the Complainants converted the calculated maintenance expense factor from a gross plant basis to a net plant basis by using the application factor of 2.458 discussed previously. In this instance, we will adjust that factor to compensate for the fact that the maintenance expense factor should only apply to a portion of the net loaded plant investment (line 3 of Attachment A), which consists of the net pole investment and the ROW overhead. The net pole investment is composed of plant from account 355 - poles and fixtures, to which a portion of maintenance expenses should be spread. However, the ROW overhead consists of land and land rights, neither of which was included in the determination of the maintenance expense factor. The maintenance expense factor should therefore not be applied to the ROW

overhead portion of the net loaded pole investment. Rather than adjusting the plant balance to which the maintenance factor is applied, for purposes of Attachment A, it would be preferable to adjust the 2.458 application factor by the net pole investment as a percentage of the total net loaded pole investment. The result will be the same, and the format for Attachment A can be left intact. The adjusted application factor for maintenance expenses is 2.287,[21] which we will use to convert the maintenance expense factor to a net plant basis. As shown in the table above, the derived maintenance expense factor is 2.31%, which is the amount on line 4 of Attachment A.

D. A&G Expense Factor

There is one issue between the parties related to the A&G expense factor (line 5 in Attachment A). That issue is whether to use a five-year average of recorded expense and plant information as proposed by SDG&E or to use one year of recorded data as proposed by Complainants. The relevant data is shown below and, as in the case of maintenance expenses, reflects significant fluctuations from one year to the next for A&G expenses as well as for the resulting expense factors. For the same reasons discussed previously in adopting the five-year average for the maintenance expense factor, we will adopt the use of a five-year average, which results in an A&G expense factor of 2.58%, on a gross plant basis.

In converting from a gross plant to net plant basis, both SDG&E and Complainants used an application factor of 2.458. We disagree with the use of

[21] This decision adopts a net loaded plant investment of which 93.04% related to poles and fixtures. That percentage times the poles and fixtures application factor of 2.458 results in an adjusted factor of 2.287.

that value. As opposed to maintenance expenses, the A&G expense factor is derived as a percentage of total electric plant. Therefore, the A&G expense factor should be applied to the total net loaded pole investment (line 3 of Attachment A). However, that investment includes poles and fixtures, which directly relate to the 2.458 application factor, as well as the ROW overhead, which includes land and land rights. Compared to poles and fixtures, land and land rights have different depreciation/amortization and deferred tax relationships to the gross plant balances. For example, land is not depreciated or amortized at all. Also the amortization of land rights is over a longer period then the depreciation of other transmission plant assets. From detailed plant information provided by SDG&E,[22] the calculated application factor for land is 1.074 and the application factor for land rights is 1.292. A weighted average application factor for the loaded pole investment can be calculated based on the amount of investment for each of the three plant categories (poles and fixtures, land and land rights) and the associated application factors for each of those categories. This calculation results in a weighted average application factor of 2.375, which we will use to convert the A&G expense factor to a net plant basis. As shown in the table below, the derived A&G expense factor is 6.13%, which is the amount on line 5 of Attachment A.

[22] Exhibit 8 in SDG&E's August 5 response contains the necessary data to make the application factor calculations. The gross plant balances for land ($17,060,658) and land rights ($40,838,126) are divided by the respective net plant balances ($15,885,817 and $31,609,828) to derive the factors of 1.074 and 1.292. This decision adopts a net loaded pole investment of which 93.04% relates to poles and fixtures, 0.81% to land and 6.15% to land rights.

	(a) A&G Expenses (Electric)	(b) Electric Plant	(c)=(a)/(b) Factor
1996	104,262,095	4,285,475,157	2.43%
1997	91,828,414	4,411,269,639	2.08%
1998	145,957,627	4,536,331,167	3.22%
1999	123,593,412	4,261,890,791	2.90%
2000	100,871,657	4,419,648,710	2.28%
Avg.	113,302,641	4,382,923,093	2.58%
Gross to Net Factor			2.375
Net Plant Factor			6.13%

E. Depreciation Expense Factor

Both SDG&E and Complainants calculate the depreciation expense associated with the net pole investment by multiplying the depreciation rate from the FERC Form 1, first by their respective estimates of the net pole investment (including ROW overhead) and then by the application factor of 2.458. The parties' methodologies differ with respect to the depreciation rate that is applied to the estimate of net pole investment. SDG&E uses a weighted average depreciation rate of 3.66%. This rate includes the pole and fixture rate of 4.08% associated with the Southwest Power Link (SWPL) as well as the 3.60% rate for all other transmission poles and fixtures[23] and is calculated by weighting

[23] See SDG&E's August 5 response, Exhibit 11.

the respective depreciation rates (SWPL and other) by the amount of plant in service for each category. The Complainants use the 3.60% depreciation rate for other poles and fixtures exclusively. Since we have included the total transmission pole and fixture plant balance, which includes SWPL, in our analysis, it is appropriate to use a depreciation rate that directly relates to those plant balances. Therefore for the purposes of this proceeding, we will adopt SDG&E's calculated depreciation rate of 3.66% as the depreciation rate related to transmission poles and fixtures.

In developing the depreciation expense factor, both SDG&E and Complainants use the depreciation rate for poles and fixtures only and convert that rate to a net plant basis using the pole and fixtures application factor of 2.458. However, the depreciation expense factor will be applied to the net loaded pole investment, which includes the ROW overhead. As described previously, the ROW overhead consists of land and land rights associated with the pole investment. Land and land rights do not have the same depreciation rate as poles and fixtures. It would therefore be more appropriate to apply the 3.66% depreciation rate for poles and fixtures to the portion of the plant investment related to poles and fixtures only. Consequently, separate rates for land and land rights have to be determined. Land is not depreciated or amortized,[24] so the associated rate is 0%. The amortization rate for land rights is 1.01%.[25]

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[24] The fact that land is not depreciated or amortized is demonstrated in Exhibit 8 of SDG&E's August 5 response. Column B of that table shows no accumulated reserve for depreciation or amortization related to land (350.1).

[25] The FERC Form 1 for 2000 shows an amortization of land rights of $413,087 (page 336, line 7 (d). SDG&E's August 5 response, Exhibit 8 shows a plant balance for land rights of $40,838,126. Dividing $413,087 by $40,838,126 yields a rate of 1.01%

Depreciation expense factors can be calculated for (1) poles and fixtures, (2) land and (3) land rights by multiplying the depreciation or amortization rate for each category by the appropriate application factor. A composite depreciation expense factor can then be determined by weighting the individual expense factors based on the percentage of net loaded plant investment for each category.[26] This calculation results in a composite rate of 8.45%, which we will adopt for use in Attachment A, line 6.

F. Other Items

SDG&E and Complainants agree on a 5.30% cost factor for taxes, which is reflected on line 7 of Attachment A. The parties also agree on an 8.75% return factor (line 8). The cost of ownership factor (line 9) is the sum of the five individual cost factors, while the annual cost of ownership (line 10) is equal to the product of the net loaded pole investment (line 3) times the cost of ownership factor (line 9). The parties agree on the 7.40% space allocation factor (line 11). The annual charge for wood poles (line 12) is then the product of the annual cost of ownership (line 10) times the space allocation factor (line 11) and amounts to $22.12 per pole.

VII. Steel Pole Attachment Charge

The following discussion addresses issues between the parties related to the development of the steel pole attachment charge, which is detailed in Attachment B to this decision. The issues between the parties specific to steel poles relate to the calculation of the net pole investment. Issues regarding ROW

[26] As previously indicated in this decision, for poles & fixtures, land and land rights, the percentage of net loaded plant investment is 93.04%, 0.81% and 6.15%, respectively and the application factor is 2.458, 1.074 and 1.292, respectively.

overhead, maintenance expenses, A&G expenses and depreciation are the same as for wood poles, since those factors apply to both wood and steel poles.

A. Net Pole Investment

There are two issues related to net investment for steel poles—the number of steel poles over which the pole plant costs should be spread and the value of the appurtenance adjustment factor that accounts for pole costs that are not necessary for pole attachment.

Regarding the number of poles over which the steel pole investment will be spread, Complainants use a count of 1,244 based on information supplied by SDG&E in its June 5 filing. In its August 5 response, SDG&E revised the total number of steel poles to 811. It is not clear why SDG&E's depiction of the total number of poles has changed. Regarding wood poles, we noted that the change from 13,430 to 13,344 (0.6% reduction) is minor and assumed that the more recent total is the appropriate number to use for this proceeding. However, the change in the steel pole inventory from 1,244 to 811 (34.8% reduction) is significant and to a large extent, other than the indication that "SDG&E performed a further analysis of the Summary of Library Numbers for Account E355, which resulted in the attached Revised Summary,"[27] unexplained. It is questionable as to whether 811 is the actual number of steel poles or if the "further analysis" resulted in identification of non-attachable poles that are not now included in the count. In the discussion related to wood poles, we indicated that both attachable and non-attachable poles should be included in the pole count for determining the average pole cost. To ensure that certain poles are not being excluded from

[27] See SDG&E's August 5 response, page 10.

the count while the related costs remain in the plant balance, we will use the earlier count of 1,244 steel poles to determine the net pole investment.

The second issue has to do with the appurtenance adjustment factor for steel poles. Complainants use the same 15% factor that was applied to wood poles and cite the same reasoning and precedents as for wood poles. SDG&E claims that steel transmission poles are configured and manufactured entirely differently from wood transmission poles and that no appurtenances and fixtures are charged to the pole and fixture plant account. Complainants responded to SDG&E's claim by citing the example of cross arms, which SDG&E does not consider to be an appurtenance since it is an integral and permanent part of the steel pole structure. Complainants argue that cross arms are one of the specific items that the FCC has identified as being an appurtenance and should be removed.

The 15% appurtenance adjustment factor was derived for wood distribution poles. In many respects wood distribution poles are similar to wood transmission poles. As discussed in the previous section regarding the wood pole attachment charge, SDG&E agreed that 15% was appropriate for a majority of the wood transmission poles but argued that recent pole configuration practice specific to SDG&E would reduce the factor to 10.5%. We determined that, for this proceeding, a 15% factor was appropriate for wood transmission poles. However, it is clear that the characteristics of wood distribution poles and steel transmission poles are different to the extent that there is no basis for applying a 15% reduction factor, which is based on an analysis of wood distribution pole appurtenances, to a steel transmission pole. Whether that factor should be 0% as claimed by SDG&E, or some higher number as indicated by the Complainants, cannot be determined without a thorough analysis specific to steel transmission poles. That analysis has not been provided. Without better

information, we decline to make any adjustment for appurtenances related to steel pole investment.

The parties agree on a steel pole investment amount of $34,664,075. Dividing that amount by 1,244 poles results in an average investment per pole of $27,865.01. There is no adjustment for appurtenances, so that amount is divided by the application factor of 2.458, resulting in a net investment of $11,336.46 per steel pole. This is the amount included on line 1 in Attachment B.

B. Other Items

The remaining calculations for determining the attachment fee for steel poles are identical to that for wood poles. The principles and values for the factors related to ROW overhead, maintenance expense, A&G expense, depreciation expense, taxes and return are the same for wood and steel poles and are discussed in the previous section, "Wood Pole Attachment Charge." The calculation of the steel pole attachment rate is shown in Attachment B and results in an annual fee of $278.97 per pole.

VIII. Conclusion

This phase of the proceeding was necessary, because Complainants and SDG&E could not reach agreement on the calculation of transmission pole attachment fees that included cost based transmission ROW charges. Under such conditions, Pub. Util. Code § 767.5 authorizes the Commission to determine the pole attachment rates. We determine the annual rate to be $22.12 for wood transmission poles and $278.97 for steel transmission poles.

IX. Comments on Draft Decision

The draft decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Commission's Rules of Practice and Procedure. Comments were

filed by Adelphia/CCTA in support of the draft decision. There were no changes to the draft in response to the comments.

X. Assignment of Proceeding

Carl W. Wood is the Assigned Commissioner and Dorothy Duda is the assigned ALJ in this proceeding.

Findings of Fact

1. D.02-03-048 provides the guidelines for calculating the annual cost-based charge that SDG&E can impose on Adelphia for attachment to poles in the transmission ROW on private land.

2. SDG&E and Complainants were unable to reach an agreement on the cost based charge for attachment to poles in the transmission ROW on private land.

3. On June 5, SDG&E submitted its proposed annual charge of $69.36 per pole for attachment to poles in the transmission ROW on private land

4. On July 5, Complainants filed their opposition to SDG&E's proposal and included calculations, which resulted in proposed annual attachment fees of $21.88 per wood pole and $239.33 per steel pole.

5. On August 5, SDG&E filed a response to Complainants' opposition. SDG&E modified its proposal to include separate annual fees of $33.41 per wood pole and $586.88 per steel pole.

6. On August 13, Complainants filed a reply to SDG&E's August 5 response.

7. The 12/31/00 wood pole plant balance is $34,678,260, which includes $466,171 for stubs and anchors. The total includes investment related to both attachable and non-attachable poles.

8. SDG&E's depiction of the number of wood poles, as of 12/31/00, changed from 13,430 in its June 5 submittal to 13,344 in its August 4 response.

9. SDG&E reduced the updated 12/31/00 wood pole count of 13,344 by 589 to account for multiple pole structures where only one pole is attachable.

10. In setting cable attachment rates, both the Commission and FERC have previously used an appurtenance adjustment factor of 15% for wood distribution poles for the purpose of developing net pole investment.

11. D.02-03-048 defines the ROW overhead factor for transmission poles as the investment in transmission ROW for poles divided by total net electric transmission plant excluding land and buildings.

12. The ROW overhead amount, on a gross basis, is $17,863,806.

13. The deferred tax amount associated with the ROW overhead is $1,230,148.

14. The amortization reserve associated with the ROW overhead is $2,480,013.

15. The gross balance for total transmission plant, less land and buildings, is $614,354,508.

16. The depreciation reserve that is associated with total transmission plant, less land and buildings, is $293,470,537.

17. The deferred tax amount that is associated with total transmission plant, less land and buildings, is $42,306,038.

18. D.02-03-048 specifies that the rates developed in this proceeding apply to transmission poles in private ROW.

19. For transmission poles, 68% are in private ROW.

20. The historical maintenance expense factors, as defined by this decision, are 0.79% for 1996, 0.89% for 1997, 1.15% for 1998, 1.21% for 1999 and 0.98% for 2000.

21. The historical A&G expense factors, as defined by this decision, are 2.43% for 1996, 2.08% for 1997, 3.22% for 1998, 2.90% for 1999 and 2.28% for 2000.

22. Net loaded pole investment is composed of poles and fixtures (93.04%), land (0.81%) and land rights (6.15%).

23. The application factor for poles and fixtures is 2.458; the factor for land is 1.074 and the factor for land rights is 1.292.

24. The depreciation rate for transmission poles and fixtures associated with the Southwest Power Link (SWPL) is 4.08%, while the depreciation rate for all other transmission poles and fixtures is 3.60%.

25. The amortization rate for land is 0%.

26. The amortization rate for land rights is 1.01%.

27. The transmission poles and fixtures plant balance includes the total company amount including that associated with SWPL.

28. SDG&E's depiction of the number of steel poles, as of 12/31/00, changed from 1,244 in its June 5 submittal to 811 in its August 5 response.

29. Based on an analysis of wood distribution poles, Complainants use an appurtenance adjustment of 15% for steel transmission poles, while SDG&E maintains that the appropriate adjustment for steel transmission poles is 0%.

30. The values for the ROW overhead factor, the cost of ownership factor and the space allocation factor are the same for wood and steel transmission poles.

Conclusions of Law

1. Stubs and anchors are necessary pole related items and are included in the plant total of $34,678,260, which is used to develop the net wood pole investment.

2. Since there is a minimal difference in SDG&E's depiction of the 12/31/00 wood pole count, from the June 5 submittal to the August 5 response, it is reasonable to use the more recent count of 13,344 wood poles.

3. In determining investment per wood pole, the plant balance for wood transmission poles, which includes costs for both attachable and non-attachable

poles, should be spread over all 13,344 wood transmission poles, not just the attachable poles.

4. For the purpose of developing an appurtenance adjustment factor, wood distribution poles and wood transmission poles have similar characteristics. Therefore, it is reasonable to use a 15% appurtenance factor for wood transmission poles for this proceeding, since a deviation from this value has not been justified.

5. Consistent with the definition of net plant, in converting the ROW overhead investment to a net plant amount, both the amortization reserve and the deferred taxes should be deducted from the gross plant amount. We therefore adopt SDG&E's calculated net amount of $14,153,645 for the ROW overhead numerator.

6. We will not alter the provisions of D.02-03-048, which specifically define how the ROW overhead factor should be calculated.

7. Complainants' calculation of the ROW overhead factor denominator, on a gross plant basis, conforms to the provisions of D.02-03-048 and will be adopted.

8. SDG&E's calculation of the ROW overhead factor denominator is inconsistent with the provisions of D.02-03-048 and will not be adopted.

9. The application factors, which are used to convert certain plant amounts or expense factors from a gross basis to a net basis, must be calculated in a manner such that the relevant depreciation/amortization reserves and deferred taxes are appropriately incorporated in the result.

10. To determine the denominator for the transmission pole ROW overhead factor, on a net plant basis, the depreciation reserve amount of $293,470,537 and the deferred tax amount of $42,306,038 should be deducted from the adopted gross plant amount of $614,354,508. The adopted result is $278,577,933.

11. In order to allocate transmission pole ROW overhead costs to poles in the private ROW, the calculated overhead factor of 5.08% should be divided by 68%, which is the percent of poles in transmission ROW on private land. This results in a ROW overhead factor of 7.48%.

12. The direct relationship of expense account 560 - operation supervision and engineering, account 566 – miscellaneous transmission expenses, and account 573 – maintenance of miscellaneous transmission plant to the maintenance of transmission poles has not been demonstrated. Therefore allocated portions of these accounts will not be included in the development of the maintenance expense factor.

13. Maintenance expense account 568 – maintenance supervision and engineering should be reflected in the maintenance expense factor analysis as a 3.75% overhead to all other maintenance expense accounts. The maintenance expense factor is then defined as account 571 – maintenance of overhead lines, with account 568 loading, divided by the sum of the balances for plant accounts 354 – towers and fixtures, 355 – poles and fixtures, 356 – overhead conductors and devices and 359 – roads and trails.

14. In determining the maintenance expense and A&G expense factors, it is reasonable to use a five-year (1996 – 2000) average in order to normalize fluctuating data over that timeframe. This results in a maintenance expense factor of 1.01% and an A&G expense factor of 2.58%, both on a gross plant basis.

15. The maintenance expense factor should only be applied to the portion of net loaded plant investment related to poles and fixtures. In order to accomplish that, it is reasonable to adjust the 2.458 application factor for poles and fixtures by 93.04%, the percent of net loaded pole investment associated with poles and fixtures, resulting in an application factor of 2.287. The maintenance expense factor, on a net plant basis, is then 2.31%.

16. Since the A&G expense factor is applied to net loaded plant investment, which consists of poles and fixtures, land and land rights, it is reasonable to use a weighted average application factor based on the application factors for each category and the amount of net loaded pole investment for each category. The resultant weighted average application factor is 2.375. The A&G expense factor, on a net plant basis, is then 6.13%.

17. Since SWPL is included in the poles and fixtures plant balance, the associated depreciation rate should be included in the determination of a poles and fixtures depreciation rate. The depreciation rates for SWPL and other poles and fixtures should be weighted, based on plant balances. This results in a depreciation rate of 3.66% for transmission poles and fixtures.

18. Since the depreciation expense factor is applied to net loaded plant investment, which consists of poles and fixtures, land and land rights, it is reasonable to develop a weighted average depreciation expense factor based on depreciation rates for each category, the application factors for each category and the amount of net loaded pole investment for each category. The resultant weighted average depreciation expense factor is 8.45%.

19. Since there is a significant difference in SDG&E's depiction of the 12/31/00 steel pole count, from the June 5 submittal to the August 5 response, and the difference is largely unexplained, we will use the June 5 submittal count of 1,244 steel poles. This will ensure that the count is not being reduced to account for non-attachable poles.

20. For the purpose of developing an appurtenance adjustment factor, wood distribution poles and steel transmission poles do not have similar characteristics. SDG&E claims the factor should be 0% for steel poles, and there is nothing on the record to substantiate the use of any other number. Therefore,

we will not incorporate an appurtenance factor for steel transmission poles, in this case.

O R D E R

IT IS ORDERED that:

1. For attachment to poles in transmission right-of-way on private land, San Diego Gas & Electric Company may charge Highland Carlsbad Cablevision, Inc. d/b/a Adelphia, an annual fee of $22.12 per wood pole and $278.97 per steel pole as of the effective date of this decision.
2. Case 00-09-025 is closed.

This order is effective today.

Dated May 22, 2003, at San Francisco, California.

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

ATTACHMENT A

WOOD POLE ATTACHMENT AND ROW FEE

Annual Fee per Pole

Line No.	Item	Amount per pole		
		Adopted	SDG&E	Complainants
1	Net Pole Investment	$898.69	$990.04	$880.80
2	ROW Overhead (investment in transmission ROW for poles divided by total net electric transmission plant excluding land and buildings)	7.48%	36.10%	9.33%
3	Net Loaded Pole Investment (L1x[1+L2])	$965.91	$1,347.49	962.98
4	Maintenance Expenses (%)	2.31%	4.12%	2.30%
5	Administrative & General Expenses (%)	6.13%	6.35%	5.50%
6	Depreciation Expenses (%)	8.45%	8.98%	8.85%
7	Taxes (%)	5.30%	5.30%	5.30%
8	Return (%)	8.75%	8.75%	8.75%
9	Cost of Ownership Factor (L4+L5+L6+L7+L8)	30.94%	33.51%	30.70%
10	Annual Cost of Ownership (L3xL9)	$298.85	$451.50	$295.63
11	Space Allocation Factor (%)	7.40%	7.40%	7.40%
12	Annual Charge for Wood Poles in Transmission ROW	$22.12	$33.41	$21.88

(END OF ATTACHMENT A)

ATTACHMENT B

STEEL POLE ATTACHMENT AND ROW FEE

Annual Fee per Pole

Line No.	Item	Amount per pole		
		Adopted	SDG&E	Complainants
1	Net Pole Investment	$11,336.46	$17,390.56	$9,635.88
2	ROW Overhead (investment in transmission ROW for poles divided by total net electric transmission plant excluding land and buildings)	7.48%	36.10%	9.33%
3	Net Loaded Pole Investment (L1x[1+L2])	$12,184.42	$23,669.37	$10,534.91
4	Maintenance Expenses (%)	2.31%	4.12%	2.30%
5	Administrative & General Expenses (%)	6.13%	6.35%	5.50%
6	Depreciation Expenses (%)	8.45%	8.98%	8.85%
7	Taxes (%)	5.30%	5.30%	5.30%
8	Return (%)	8.75%	8.75%	8.75%
9	Cost of Ownership Factor (L4+L5+L6+L7+L8)	30.94%	33.51%	30.70%
10	Annual Cost of Ownership (L3xL9)	$3,769.86	$7,930.78	$3,234.22
11	Space Allocation Factor (%)	7.40%	7.40%	7.40%
12	Annual Charge for Steel Poles in Transmission ROW	$278.97	$586.88	$239.33

(END OF ATTACHMENT B)