



# Council Agenda Report

To: Mayor Wagner and the Honorable Members of the City Council

Prepared by: Mary Linden, Executive Assistant

Approved by: Reva Feldman, City Manager

Date prepared: July 22, 2019 Meeting date: August 12, 2019

Subject: California Public Utilities Commission Rule 20A Funding

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**RECOMMENDED ACTION:** Authorize the Mayor to send a letter of support for the City of Rancho Palos Verdes' proposed resolution to be submitted for League of California Cities consideration at its annual conference in October 2019 to amend California Public Utilities Commission (CPUC) Rule 20A to add projects in Very High Fire Hazard Severity Zones to the list of criteria for eligibility.

**FISCAL IMPACT:** There is no fiscal impact associated with the recommended action.

**DISCUSSION:** The City of Rancho Palos Verdes is reaching out to cities that have been impacted by wildfires, including the City of Malibu, or have significant populations in fire-prone areas in an effort to gain support for a proposed resolution it plans to submit to the League of California Cities for consideration at the League's annual conference in October.

As a recent series of news stories on wildfire preparedness in California pointed out, there are more than 75 communities across the state with populations over 1,000, including Rancho Palos Verdes and Malibu, where at least 90 percent of residents live in a Cal Fire-designated Very High Fire Hazard Severity Zone.

It is well-known that electric utility equipment is a common fire source and has sparked some of the most destructive blazes in state history. Moving power lines underground is, therefore, a critical tool in preventing them. Currently, California's program regulating the undergrounding of utilities, Rule 20A (Attachment 1), primarily addresses visual blight. With fire seasons worsening, it is key that fire safety also be considered when local governments pursue Rule 20A projects, and that annual funding allocations for the program be expanded.

The proposed resolution (Attachment 2) calls on the California Public Utilities Commission (CPUC) to amend Rule 20A to add projects in Very High Fire Hazard Severity Zones to the list of criteria for eligibility. The resolution also calls on the CPUC to increase funding allocations for Rule 20A projects to make more of them possible. It is worth noting that the State does have a program that factors in fire safety for funding undergrounding projects, Rule 20D; however, this is limited to San Diego Gas & Electric Company projects in certain areas only.

The League of California Cities requires concurrence from at least five other cities for a conference resolution to be considered at the annual conference. If the City of Malibu is willing to lend its support, it is requested the letter be sent to the City of Rancho Palos Verdes by August 14 in order to submit the concurrence letters to the League with its resolution.

ATTACHMENTS:

1. Rule 20A info from <https://www.cpuc.ca.gov/General.aspx?id=4403>
2. City of Rancho Palos Verdes proposed League of California Cities Resolution



## Undergrounding

Utilities annually allocate funds under Rule 20 to communities, either cities or unincorporated areas of counties, to convert overhead electric and telecommunication facilities to underground electric facilities. The recipient communities may either bank (accumulate) their allotments, or borrow (mortgage) future undergrounding allocations for five years at most.

The Commission instituted the current undergrounding program in 1967. It consists of two parts. The first part, under Tariff Rules 15 and 16, requires new subdivisions (and those that were already undergrounded) to provide underground service for all new connections. 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.

Instead of specifying a fixed allocation formula, Decision [\(D\) 73078](#) adopted on September 19, 1967, required each utility to report annually and to propose an amount for its Rule 20 allocation. Utilities have submitted their Rule 20 allocation budgets to the CPUC each year by letter and set aside approximately two percent of their electric revenue for overhead conversions. The total allocation then was divided among individual cities or counties based on a 50/50 allocation formula. This formula requires half the allocation to be based on the ratio of the community's overhead meters to total system overhead meters, and half based on the community's total meters to total system meters.

Then [D.82-12-069](#) adopted in December 1982, ordered Pacific Gas and Electric (PG&E) to consult with the League of California Cities to determine PG&E's future Rule 20A allocation budgets. PG&E and the League agreed to use a "composite inflation and real growth factor" to determine annual Rule 20A allocation budgets. PG&E would adjust annual allocation budgets based on the actual inflation for the period and adjusted growth factors. These escalation factors have been ~5% to 6% until 2012, when PG&E began to reduce its annual allocations almost by half based on its 2011 General Rate Case (GRC) settlement.

Tariff Rule 20 is the vehicle for the implementation of the underground conversion programs. Rule 20 provides three levels, A, B, and C, of progressively diminishing ratepayer funding for the projects.

Under Rule 20, the Commission requires the utility to allocate a certain amount of money each year for conversion projects. Upon completion of an undergrounding project, the utility records its cost in its electric plant account for inclusion in its rate base. Then the Commission authorizes the utility to recover the cost from ratepayers until the project is fully depreciated.

Rule 20 requires the utility to reallocate to communities having active undergrounding programs amounts initially allocated to others but not spent. Cities also may mortgage 20A funds for five years.

Because ratepayers contribute the bulk of the costs of Rule 20A programs through utility rates, the projects must be in the public interest by meeting one or more of the following criteria:



- Eliminate an unusually heavy concentration of overhead lines;
- Involve a street or road with a high volume of public traffic;
- Benefit a civic or public recreation area or area of unusual scenic interest;
- Be listed as an arterial street or major collector as defined in the Governor's Office of Planning and Research (OPR) Guidelines.

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

California has approximately 25,526 miles of transmission lines, approximately 239,557 miles of distribution lines, in which approximately 152,000 miles of distribution lines are overhead. Utilities convert less than 100 miles/year to underground. Therefore, if our program remains at the current progress, it will take over a thousand years to convert our entire distribution system to underground.

PG&E, SCE, and SDG&E serve approximately 11.4 million electric accounts. Therefore, \$126 million dollars' worth of projects completed in 2012 implies each electric account would pay ~\$11/year or \$1/month.

## History of Undergrounding Program

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- **1967** – [Decision 73078](#) required tariffs for replacement of overhead to underground distribution facilities, annual allocation amounts for overhead conversions, and reports of conversion work completed for the preceding years. Tariff Rule 20 was established for electric conversions and Rule 32 for telecommunication.
- **1968** – Utility allocations (annual cost caps in each community) are set proportional to –
  - **1968** – the total number of electric meters;
  - **1982** – only the number of overhead meters;
  - **1990** – Present – both the total number of meters and the number of overhead meters.
- **2000** – CPUC opened its Rulemaking R.00-01-005 to implement Assembly Bill 1149 regarding undergrounding of electric and telecommunication facilities.
- **2001** – The Commission issued Decision ([D.](#)) [01-12-009](#) in Phase I of the OIR directing expanded use of Rule 20 funds and listing issues for Phase 2
- **2002** – The Commission issued [D.02-11-019](#) to signal consideration of a new rulemaking to address Phase 2 issues.
- **2002** – The Commission in Resolution [E-3788](#) approved franchise fee surcharges within the City of San Diego for electric conversions not eligible for Rules 20.
- **2003** – Commissioner Kennedy assigned at expiration of Commissioner Duque's term.
- **2005** – [D.05-04-038](#) closed OIR 00-01-005. [D.01-12-009](#) remains effective until a new proceeding is opened consistent with the Commission's resources and priorities.



- **2006** – [D.06-12-039](#) authorized AT&T to impose a special surcharge to customers in the City of San Diego for a limited time duration to recover undergrounding cost as a result of the City of San Diego Underground Utilities Procedural Ordinance.
- **2014** – [D.14-01-002](#) added Rule 20D to facilitate undergrounding in high fire zone areas of San Diego Gas & Electric Company.
- **2017** - The Commission opened its current Rulemaking [R.17-05-010](#) to consider changes to Electric Tariff Rule 20 in order to enhance the fair, efficient allocation of reatepayer funds to communities for the undergrounding of electric infrastructure.

This [PowerPoint Presentation](#) on the Overhead to Underground Conversion Program provides more in-depth information on the program.

[PG&E](#), [SCE](#), [SDG&E](#), [Liberty Utilities](#), and [PacifiCorp](#) websites have specific information related to the conversion program in their service territory.

## Resources

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### [R.17-05-010 Undergrounding Proceeding Docket](#)

This [PowerPoint Presentation](#) on the Overhead to Underground Conversion Program provides more in-depth information on the program.

[PG&E](#), [SCE](#), [SDG&E](#), [Liberty Utilities](#), and [PacifiCorp](#) websites have specific information related to the conversion program in their service territory.

Rule 20A Annual work Credit Allocation Reports (Years 1968 - 2018). Lists the annual Rule 20A work credit allocations for each city and unincorporated county entity that may be used to pay for Rule 20A undergrounding projects.

- [PG&E](#)
- [SCE](#)
- [SDG&E](#) (Years 2005 - 2017)

Rule 20 Annual Completion Reports (Years 1967 - 2017) details the

- [PG&E](#)
- [SCE](#)
- [SDG&E](#)

### [Jan 2017: Program Review: California Overhead Conversion Program, Rule 20A for Years 2011-2015](#)

This programs review evaluates how the undergrounding program is being administered by SCE, PG&E, and SDG&E; describes its history over the past five years; and identifies where there may be deficiencies or potential liabilities associated with the current program administration and status. Additionally, this review provides recommendations for how the CPUC should move forward to improve undergrounding program management and performance.

**RESOLUTION OF THE LEAGUE OF CALIFORNIA CITIES CALLING ON THE CALIFORNIA PUBLIC UTILITIES COMMISSION TO AMEND RULE 20A TO ADD PROJECTS IN VERY HIGH FIRE HAZARD SEVERITY ZONES TO THE LIST OF ELIGIBILITY CRITERIA AND TO INCREASE FUNDING ALLOCATIONS FOR RULE 20A PROJECTS**

**WHEREAS**, the California Public Utilities Commission regulates the undergrounding conversion of overhead utilities under Electric Tariff Rule 20 and;

**WHEREAS**, conversion projects deemed to have a public benefit are eligible to be funded by ratepayers under Rule 20A; and

**WHEREAS**, the criteria under Rule 20A largely restricts eligible projects to those along streets with high volumes of public traffic; and

**WHEREAS**, the cost of undergrounding projects that do not meet Rule 20A criteria is left mostly or entirely to property owners under other parts of Rule 20; and

**WHEREAS**, California is experiencing fire seasons of worsening severity; and

**WHEREAS**, undergrounding overhead utilities that can spark brush fires is an important tool in preventing them and offers a public benefit; and

**WHEREAS**, brush fires are not restricted to starting near streets with high volumes of public traffic; and

**WHEREAS**, expanding Rule 20A criteria to include Very High Fire Hazard Severity Zones would facilitate undergrounding projects that would help prevent fires; and

**WHEREAS**, expanding Rule 20A criteria as described above and increasing funding allocations for Rule 20A projects would lead to more undergrounding in Very High Fire Hazard Severity Zones; and now therefore let it be,

**RESOLVED** that by adoption of this resolution on October 18, 2019, the General Assembly of the League of California Cities, assembled in Long Beach, calls on the California Public Utilities Commission to amend Rule 20A to include projects in Very High Fire Hazard Severity Zones to the list of criteria for eligibility and to increase funding allocations for Rule 20A projects.

## Background

Source: City of Rancho Palos Verdes

Rancho Palos Verdes is the most populated California city to have 90 percent or more of residents living in a Cal Fire-designated Very High Fire Hazard Severity Zone. Over the years, the Palos Verdes Peninsula has seen numerous brush fires that were determined to be caused by electrical utility equipment.

Across the state, some of the most destructive and deadly wildfires were sparked by power equipment. But when it comes to undergrounding overhead utilities, fire safety is not taken into account when considering using ratepayer funds to pay for these projects under California's Electric Tariff Rule 20 program. The program was largely intended to address visual blight when it was implemented in 1967. Under Rule 20A, utilities must allocate ratepayer funds to undergrounding conversion projects chosen by local governments that have a public benefit and meet one or more of the following criteria:

- Eliminate an unusually heavy concentration of overhead lines;
- Involve a street or road with a high volume of public traffic;
- Benefit a civic or public recreation area or area of unusual scenic interest; and,
- Be listed as an arterial street or major collector as defined in the Governor's Office of Planning and Research (OPR) Guidelines.

As we know, brush fires are not restricted to erupting in these limited areas. California's fire season has worsened in severity in recent years, claiming dozens of lives and destroying tens of thousands of structures in 2018 alone.

Excluding fire safety from Rule 20A eligibility criteria puts the task of undergrounding power lines in Very High Fire Hazard Severity Zones squarely on property owners who are proactive, willing and able to foot the bill.

The proposed resolution calls on the California Public Utilities Commission to amend Rule 20A to include projects in Very High Fire Hazard Severity Zones to the list of criteria for eligibility. To facilitate more undergrounding projects in these high-risk zones, the proposed resolution also calls on the CPUC to increase funding allocations for Rule 20A projects.

If adopted, utilities will be incentivized to prioritize undergrounding projects that could potentially save millions of dollars and many lives.