

Rancho Santa Fe Association

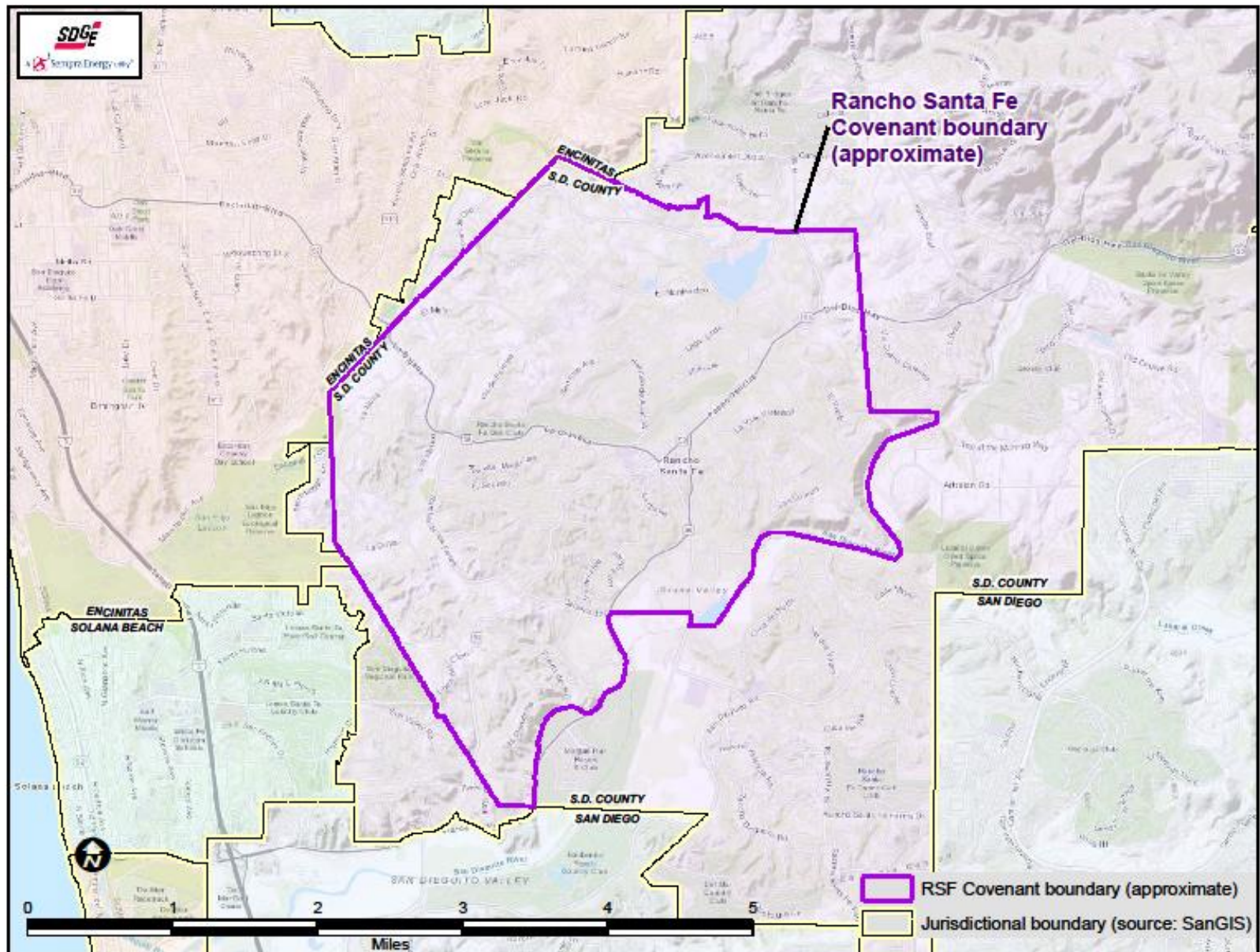
Options for Undergrounding Electric Utilities

April 20, 2018



Purpose of Meeting

- Respond to the Rancho Santa Fe Association's request to investigate options for undergrounding electric utility facilities
- Provide an overview of the various undergrounding options
- Have the County of San Diego provide information regarding their role in undergrounding projects



General Undergrounding Guidelines

Options are available for undergrounding electric power lines, but CPUC regulations establish strict criteria to protect all ratepayers.

Undergrounding everything within a given neighborhood is often cost prohibitive, so establishing a thoughtful and selective project is often more cost effective.

Undergrounding is typically not feasible with difficult terrain and/or environmental concerns.

Undergrounding Policy Resources

CPUC Rule 20 Program Description:

<http://www.cpuc.ca.gov/General.aspx?id=4403>

County of San Diego's Undergrounding Utilities website:

<https://www.sandiegocounty.gov/content/dam/sdc/cob/docs/policy/J-17.pdf>

SDG&E's Rule 20 Tariff:

<https://www.sdge.com/rates-and-regulations/current-and-effective-tariffs/electric-rates>

Rule 20 Summary

Under Rule 20, undergrounding projects are financed by utility ratepayer funds, combined ratepayer funds and local tax proceeds, or private funds, depending on whether Rule 20A, Rule 20B, Rule 20C or Rule 20D provisions apply.

Often times, agencies will combine and coordinate other improvement projects with utility undergrounding efforts.

Credits from one section of the tariff cannot be combined with those from other sections.

Rule 20 Summary Chart

Tariff 20	Pros	Challenges
Rule 20A	<p>Utility allocates funds for municipal undergrounding based on city or county determinations</p> <p>Per criteria of tariff, costs of the utility are recovered through rates</p>	Accumulation of funds is slow due to ratio of overhead and underground services within Rancho Santa Fe boundary; priorities are established for the entire County
Rule 20B	Two credits are applied – removals and cost estimate of an equivalent OH system	The “Agency” is the source of the project funding, such as: a developer, HOA, community organization, or municipality.
Rule 20C	One credit – salvage (less depreciation)	All costs as above
Rule 20D	Intended purpose is for fire hardening, not aesthetics; ratepayer funded; strict criteria for fire threat zones (FTZ)	Poles may remain – secondary, service wire and communication cables

Rule 20A

Rule 20A projects are paid for by all ratepayers in a given utility's territory, not just those who live in locations where facilities will be undergrounded.

City and county governments choose these projects, using a process that includes public participation.

To qualify for full funding through utility ratepayer funds, projects must produce a benefit to the general public, not just customers in the affected area, by satisfying specific criteria.

Funds for a given project may need to be accumulated over a number of years' allocations.

Many municipalities forecast their Rule 20A projects and funding allocations years in advance

Rule 20B

If an area is not eligible for Rule 20A, Rule 20B allows ratepayer funds to subsidize an undergrounding project.

The subsidy includes

- an amount equal to the cost of an equivalent overhead electric system, usually about 20% of the total undergrounding project cost
- the cost of removing the existing overhead system, which can be 5-10% of the total cost.

The remaining cost is funded by local governments or through neighborhood special assessment districts.

Rule 20B projects must be mutually agreed upon by the applicant organization and the utility.

This tariff is intended for individual projects; widespread systemic use would meet with CPUC scrutiny.

Rule 20C

Rule 20C enables property owners to pay for undergrounding electric lines and equipment if no other provisions apply (20A, 20B, or 20D).

The only credit allowable for an applicant within this Rule is for salvage (less depreciation).

Essentially, it's the difference between the depreciation on the replacement assets vs. those being removed. It's a net present value calculation and includes taxes.

Rule 20D

The objective for Rule 20D undergrounding is exclusively for fire hardening as opposed to aesthetics.

The County is the governing body and determines the priorities of potential Rule 20D projects.

A static CalFire Map approved by the CPUC is utilized to identify Fire Threat Zones (FTZs) and is used by the County to prioritize projects.

Poles may remain with this type of project (secondary and service wires; telecommunications cables).

Questions and Answers

Q AND A