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ORIGINAL

Decision No. 77186

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for an order authorizing an agreement with BOISE CASCADE PROPERTIES, INC., dated November 18, 1969, pertaining to the construction of electric facilities within a land project subdivision.

Application No. 51565  
(Filed December 18, 1969)

(Electric)

F. T. Searles, John C. Morrissey and John S. Cooper, for Pacific Gas and Electric Company, applicant.

Weyman I. Lundquist and John H. Cutler, of Heller, Ehrman, White and McAuliffe, for Boise Cascade Properties, Inc., interested party.

Timothy E. Treacy, Counsel, and Kenneth Kindblad, for the Commission staff.

O P I N I O N

Pacific Gas and Electric Company (PG&E) seeks authority to carry out the terms and conditions of an electric line extension agreement which deviates from the provisions of PG&E's filed line extension rules and differs from PG&E's standard form line extension agreement.

Public hearing was held before Examiner Catey at San Francisco on March 26, 1970. Testimony was presented by a commercial analyst for PG&E and by an assistant vice president of the land developer. The matter was submitted on April 7, 1970, after receipt of a late-filed exhibit.

Parties to the Agreement

The parties to the proposed agreement are PG&E and Boise Cascade Properties, Inc. (Boise). PG&E is a public utility furnishing primarily electric and gas service in a large portion of California. Boise, among other things, is engaged in the land

development business. One of Boise's subdivision developments is Pine Mountain Lake, located near Groveland, Tuolumne County, and within the electric service area of PG&E.

Requested Deviations

Pine Mountain Lake is a "land project" subdivision in which Boise sells lots that are accessible by roads and informs prospective purchasers that electricity will be available to the property line of each lot at no extra cost to the purchaser. Many of the purchasers of such lots consider their purchase to be an investment in land only and do not intend to construct a dwelling on the lot for several years, if ever. Additionally, many of the dwellings which will be constructed will be used on a seasonal basis only.

Accordingly, the electric load necessary to justify construction of the electric facilities by PG&E is not expected to develop until after a considerable length of time. Because of these facts, the extension of PG&E's facilities within the subdivision under the standard provisions of its Rule No. 15 would result in a situation where, although the new facilities would be financed almost entirely by advances for construction provided by Boise, the annual energy and ownership expenses incurred by PG&E would greatly exceed the revenues received as a result of construction of the facilities. The revenue deficiency could be a burden upon PG&E's other electric ratepayers. To avoid this inequitable result, an agreement covering facilities to serve Units 1, 3 (partial), and 9 has been reached between PG&E and Boise. A copy of that agreement is attached to the application as Exhibit A. Facilities would be constructed only as necessary to supply Boise's buyers. This would minimize the application of a cost of ownership charge designed to provide PG&E with a measure of protection against the speculative and uneconomic

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extension. The agreement would provide Boise with the electric facilities it desires to make its subdivision commercially more acceptable yet would not place the burden of the limited utilization of such facilities upon PG&E or its existing electric customers.

PG&E has an overhead transmission line which extends through parts of the Pine Mountain Lake subdivision. A 4,000-foot section of this line had been situated within the area recently inundated by the man-made Pine Mountain Lake but was removed before the filling of the lake. This section of line was replaced at a location above the lake level. A considerably longer line resulted from this relocation, due to the circuitous route necessitated by the new lake and subdivision street locations. In addition to the facilities installed to replace the removed line, PG&E constructed an additional extension to provide service to Boise's guard station and miscellaneous equipment. The revenue expected to be obtained by PG&E from these initial electric distribution facilities during the first year of operation is estimated to be about \$2,500. The cost-to-revenue ratio pertaining to the entire overhead electric distribution system for Units 1, 3 (partial), and 9 would be in excess of 20 to 1 and the cost-to-revenue ratio pertaining to the facilities which are already constructed would be approximately 15 to 1. PG&E does not expect this cost-to-revenue ratio to change materially in the near future. Under these circumstances, PG&E states the regular provisions of its Extension Rule No. 15 are inappropriate, as the estimated revenues will not cover its fixed costs pertaining to the electric facilities. The agreement has been entered into pursuant to Section E.7, Exceptional Cases, of Rule No. 15, which states that in unusual circumstances, when these rules appear impractical or unjust to either party, the applicant for the extension or the utility shall refer the matter to the Commission for

special ruling or for the approval of special conditions. Because of the rising water level in the lake, PG&E did not delay construction pending approval of the agreement.

The agreement between the parties, in many respects, is consistent with PG&E's Rule No. 15 and PG&E's standard form extension agreement. Boise paid for removal of the line through the lake bed and advanced to PG&E the costs (estimated to be \$53,099) of the facilities to serve Units 1, 3 (partial), and 9, subject to refund as provided in the agreement. Because of the circumstances involved in a land project subdivision, such as this one, certain special provisions have been added in the agreement. The principal deviation from Rule No. 15 and the related standard form agreement are:

1. PG&E is to construct initially only certain portions of the distribution system. Additional extensions will be constructed as needed to provide service to future customers.
2. PG&E is to pay Boise 7 percent interest on the portion of the advance which has not been expended for construction.
3. PG&E is to charge Boise an annual ownership charge of 9 percent on the total amount expended for the distribution system in excess of the applicable free allowance credits for loads actually served.1/
4. Boise is to advance to PG&E such additional amounts resulting from increases in Pacific's applicable unit costs of construction as may be determined to be due and owing for the construction of any portion of the distribution system which is deferred for more than one year.

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1/ This is similar to one of the provisions in an agreement authorized by Decision No. 76951, dated March 17, 1970, in Application No. 51625, involving an extension by PG&E to serve a somewhat speculative and uneconomical load.

Overhead vs. Underground Extension

In Case No. 8993, the Commission is considering whether or not the present rules for extensions by electric utilities should be amended to make undergrounding mandatory unless otherwise authorized by the Commission. The presently applicable Section D.l.a. of PG&E's Rule No. 15, however, states:

"Underground line extensions will be made only where mutually agreed upon by the utility and the applicant [for the extension], except in those areas where the utility maintains or desires to maintain underground distribution facilities for its operating convenience or in compliance with applicable laws, ordinances, or similar requirements of public authorities."  
[clarification added.]

In the vicinity of Pine Mountain Lake, PG&E's present facilities are overhead, rather than underground. There are no applicable laws, ordinances or requirements of public authorities that electric line extensions in that area be underground. The construction of overhead rather than underground extensions is thus not in itself a deviation from PG&E's filed tariffs.

At the time Boise and PG&E were negotiating the proposed agreement and the electric distribution system was being designed, this Commission had not yet issued Decision No. 76394, dated November 4, 1969, in Case No. 8209. In that decision the Commission found "Underground should be the standard for all extensions" and concluded "All electric and communication distribution systems within new residential subdivisions should be installed underground." The rules prescribed by that decision did not, however, make underground construction mandatory. That issue currently is being considered in pending Case No. 8993.

Both PG&E and Boise cited several reasons why they consider overhead extensions to be preferable to underground extensions for Pine Mountain Lake subdivision. We wish to emphasize to PG&E and Boise that the authorization granted herein is applicable only to the extensions to serve Units 1, 3 (partial), and 9, where much of the extension is already installed and wherein, as indicated by Exhibit No. 6, about three-fourths of the lots already have been sold by Boise. Future extensions to serve subsequent units of the subdivision, particularly those in which few, if any, lots have yet been sold, should be planned as underground extensions unless insurmountable difficulties are encountered.

Findings and Conclusion

The Commission finds that:

1. Pacific Gas and Electric Company and Boise Cascade Properties, Inc., have agreed to terms of an extension agreement which differ from those prescribed by the utility's filed line extension rule.

2. The proposed agreement is not adverse to the public interest.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the written agreement dated November 18, 1969, with Boise Cascade Properties, Inc., a copy of which is attached to the application as Exhibit A.

2. Pacific Gas and Electric Company shall file with this Commission within thirty days after the effective date of this order and in conformity with General Order No. 96-A, four certified copies of the agreement as executed, together with a statement of the date on which said agreement is deemed to have become effective.

3. Pacific Gas and Electric Company shall notify the Commission, in writing, of the date service is first furnished and the date of termination of this agreement within thirty days thereafter.

4. Pacific Gas and Electric Company shall file with this Commission within thirty days after the effective date of this order and in conformity with General Order No. 96-A, the summary required by that general order, listing all contracts and deviations, including the agreement herein authorized. Such list shall become effective upon statutory notice (thirty days) to the Commission and to the public after filing as hereinabove provided.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 5th day of MAY, 1970.

William J. Quinn  
President

J. P. [Signature]

[Signature]

Vernon L. Sturgeon  
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.