

Decision No. 77701

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC
COMPANY for an order authorizing an
agreement with YOSEMITE LAKES, INC.,
dated April 21, 1970, pertaining to the
construction of electric facilities within
a land project subdivision.
(Electric)

Application No. 51995
(Filed June 25, 1970)

OPINION AND ORDER

Pacific Gas and Electric Company (Pacific) requests authority to carry out the terms and conditions of an agreement with Yosemite Lakes, Inc., (Yosemite), dated April 21, 1970, pertaining to the construction of electric facilities within Yosemite Lakes Park subdivision in Madera County, a copy of which is attached to the application as Exhibit A.

The application states Yosemite is engaged in land development business and is developing a subdivision near Coarsegold in Madera County known as Yosemite Lakes Park. This subdivision is said to be a "land project" subdivision in which Yosemite sells lots that are accessible by roads and tells prospective purchasers that electricity will be available to the lot line of each lot at no extra cost to the lot purchaser. Many of the purchasers of these 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 Pacific is expected to

develop over a considerable length of time. Because of these facts, the extension of Pacific's facilities within the subdivision under the standard provisions of its Rule 15 would result in a situation where the annual energy and ownership expenses incurred by Pacific would greatly exceed the revenues received as a result of construction of the facilities. This deficiency would, in effect, be a burden upon Pacific's other electric ratepayers. To avoid this inequitable result, the agreement included in Exhibit A has been reached with Yosemite. Facilities will be constructed only as necessary to supply Yosemite's buyers. This will minimize the application of a cost of ownership charge to provide Pacific with a measure of protection. The agreement provides Yosemite with the electric facilities it desires to make its subdivision commercially more acceptable yet does not shift the burden of the limited utilization of such facilities upon Pacific or its existing electric customers.

Yosemite requested and Pacific agrees that the distribution line extension be installed overhead rather than underground. This subdivision differs from the normal subdivision in that the electrical facilities are to be installed in small increments only as necessary to serve applicants who are at that time ready to receive service. It is recognized that an overhead system can be installed more efficiently and economically under these conditions.

Pacific has an existing distribution line at the boundary of Yosemite Lakes Park Subdivision from which it is proposed to construct the more than ten miles (57,917 feet) of electric distribution line extension at an estimated cost of \$62,091, along the routes shown on the map attached to the agreement as Exhibit A.

During the first year, only those portions of the electric distribution system will be constructed by Pacific that are necessary to provide service to 86 hp of pumping load and Yosemite's clubhouse facilities. The revenue expected to be obtained by Pacific from these as yet unconstructed electric distribution facilities during the first year of operation is estimated to be about \$2,700. The cost-to-revenue ratio pertaining to the entire electric distribution system is in excess of 20 to 1 and the cost-to-revenue ratio pertaining to the facilities which are expected to be constructed during the first year is approximately 15 to 1. Pacific does not expect this cost-to-revenue ratio to improve materially in the near future. Under these circumstances, Pacific states the regular provisions of its Extension Rule 15 are inappropriate as the estimated revenues will not come close to covering its fixed costs pertaining to the electric facilities. The agreement has been entered into pursuant to Section E-7 of Rule 15, exceptional cases, which states that in unusual circumstances when these rules appear impracticable or unjust to either party the utility shall refer the matter to the Commission for approval.

The agreement between the parties, insofar as practicable, is consistent with Pacific's Rule 15 and Pacific's standard form extension agreement. The costs of the facilities estimated to be \$62,091 of which \$40,136 is to be advanced by Yosemite to Pacific, are 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. These provisions provide, among other things:

1. Pacific will construct initially only those portions of the distribution system necessary to provide electric service to permanent and bona fide customers who are ready (or will be ready

within six months from the date construction starts) to receive electric service. Additional extensions of the distribution system will be constructed as are necessary to provide service to future customers.

2. Pacific will pay the developer 7% interest on the portion of the money initially advanced which is not expended for construction.

3. Pacific will charge the developer an annual ownership charge of 9% on the amount expended for the distribution system, including transformers, services and meters, in excess of the applicable free allowance credits for loads actually served. This charge will begin at the end of the second service year and continue until the end of the tenth service year, except that it will not be made during any service year in which the gross electric revenue actually received is equal to or greater than 20% of the total installed cost of the distribution system as provided in the agreement.

4. Yosemite promises to pay Pacific 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. Any such further payment shall be treated in the same manner as the initial advance.

The agreement also provides that it shall not become effective until authorized by this Commission and shall, at all times, be subject to such changes or modifications as the Commission may, from time to time, direct in the exercise of its jurisdiction.

The Commission in Decision No. 76394 in Case No. 8209 found, among other things, that underground should be the standard for all extensions by electric and telephone utilities in residential subdivisions.

The Order Instituting Investigation in Case No. 8993 was amended to enlarge the scope of the investigation to determine whether or not the rules of electric and telephone utilities do make it mandatory that all future extensions within residential subdivisions be constructed underground. In the interim Decision No. 77187 in this proceeding the Commission's finding and conclusion is that it is in the public interest that undergrounding should be mandatory for all new residential subdivisions, but that such a mandatory requirement should not apply to those subdivisions for which a master plan, preliminary maps or tentative map has been filed with the appropriate local authorities, pursuant to the Subdivision Map Act, on or prior to the effective date of the order (May 5, 1970) and where an agreement is entered into with a utility for electric service within two years after the effective date of the order.

Exhibit C attached to the application states that a preliminary map for the Yosemite Lakes Park Subdivision was filed with the County of Madera Planning Department on June 24, 1969.

Pacific is placed on notice that if it should appear in a future proceeding the revenue derived from this agreement is not compensatory, such revenue inadequacy is not to be imposed on applicant's other electric customers.

The Commission finds that:

1. Due to the speculative nature of this land project subdivision and the high cost-to-revenue ratio, the charges set forth in the agreement are necessary to prevent Pacific's expenditures and maintenance for the facilities requested from being a burden upon Pacific's other electric ratepayers.

2. Date of execution of the agreement for the construction of the electric facilities described herein meets the requirements set forth in Decision No. 77187.

3. The proposed agreement is not adverse to the public interest and concludes that the application should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the written agreement dated April 21, 1970, with Yosemite Lakes, 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

A-51995

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 1st day of SEPTEMBER, 1970.

[Signature] Chairman
[Signature]
William Ferguson
[Signature]
Vernon L. Sturgeon Commissioners