

Decision No. 79639

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY for authorization
to discontinue the operations of
and abandon its Oakland Steam
Sales System and provide existing
steam customers with other energy
utilization equipment.

Application No. 52740
(Filed July 12, 1971)

Robert Ohlbach, John C. Morrissey and
Malcolm H. Furbush, for Pacific Gas and
Electric Company, applicant.
Robert W. and Ruth McQueen, for Ruth's Knit
Shop, interested party.
John L. Dutcher, for the Commission staff.

O P I N I O N

On July 12, 1971, applicant Pacific Gas and Electric Company, hereinafter sometimes called PG&E, filed the application herein requesting that the Commission issue appropriate orders:

- "1. Finding that public convenience and necessity no longer require the operation and maintenance by PG&E of its Oakland Steam Sales System.
- "2. Authorizing PG&E to abandon said system in accordance with its conversion and abandonment proposal as set forth in Paragraph III of its application.
- "3. Closing Oakland Steam Sales Schedule No. S-2 to new customers as of the date of decision herein.
- "4. Authorizing PG&E to withdraw said Schedule No. S-2 and to delete all reference to the Oakland Steam Sales System from PG&E's Steam Sales Tariff by appropriate filing upon completion of the conversion of all Oakland Steam Sales System customers to other equipment.

- "5. Relieving PG&E of any and all of its public utility obligation for providing a steam sales service in the City of Oakland.
- "6. Granting PG&E such further and different relief as the Commission may find to be proper."

The abandonment proposal set forth in Paragraph III of the application provides that PG&E will provide the existing steam customers with substitute gas-burning equipment, or electrically energized equipment if the customer so desires. PG&E will also provide those alterations to customers' premises directly related to and necessitated by the proposed conversion. Upon completion of the proposed conversion PG&E will cut all service lines, abandon all mains in place, and fill and seal all manholes in conformity with applicable laws.

The total costs of converting customer equipment and abandoning the system are estimated by PG&E to be approximately \$1,100,000. PG&E proposes to charge these costs and undepreciated plant to total PG&E Steam Sales System depreciation reserve, to credit the reserve with any tax savings, and amortize the net in uniform amounts to depreciation expense. In any future rate proceedings involving the San Francisco Steam Sales System, these accounts would be adjusted by PG&E to eliminate the foregoing charges for rate-making purposes.

A public hearing was held before Examiner Cline in San Francisco on November 17, 1971. At the conclusion of the hearing the matter was taken under submission.

The Division Marketing Manager of PG&E's East Bay Division presented evidence on behalf of applicant in support of the application.

The findings below are based on his testimony and exhibits.

A witness presented testimony on behalf of Ruth's Knit Shop, one of applicant's customers. He testified that the owner of the building where Ruth's Knit Shop is located would not want to

allow a boiler installation unless he was absolutely forced into it. However, if the landlord did agree to the installation of a boiler which suited the needs of Ruth's Knit Shop, this party would have no objection to the granting of the application.

The staff witness testified that the owner of such premises was pleased with the present situation and would not particularly want the high pressure steam generators installed in or around his building but that such owner has not flatly refused to permit such installation.

The witness for the Commission staff further testified that in general the representative group of customers whom he had interviewed indicated that they would accept PG&E's proposal. The individual attitudes ranged from enthusiasm to dissatisfaction. In the event the abandonment is authorized, some customers may experience an increase in expenses but the higher expenses would be lower than the cost of steam if PG&E were authorized to increase its rates to a level which permitted it to recover its expenses.

The staff witness stated that some of the estimates for individual customers were prepared without complete knowledge of operating requirements, and therefore the actual installations may require equipment of greater capacity, complexity and expense than originally contemplated. The total cost of the project also may be higher than anticipated because labor and material costs have increased subsequent to the preparation of applicant's estimates.

The City of Oakland has a redevelopment plan which, if implemented, would result in a reduction in the number of steam customers. The staff witness suggested that losses incurred through operating the system at present rates and making the repairs required by deferred maintenance should be balanced against savings in conversion expense which might possibly result by deferring the abandonment. As the savings are speculative and the record is devoid of any estimates relative to this suggestion, no determination will be made by the Commission with respect to this suggestion.

The staff witness recommended that should PG&E be authorized to abandon the Oakland Steam System the following conditions should be made a prerequisite to the final abandonment:

1. PG&E and each individual customer should determine a mutually acceptable plan for substitute steam equipment.
2. Prior to shutting down the central steam generation facility PG&E should submit a statement that all customers have been provided with the necessary equipment to make them independent of the steam distribution system.
3. PG&E should be required to check back with each previous steam customer after a year has elapsed from the date of shutting down the central steam station generating facilities to determine if the installed substitute equipment is operating satisfactorily, to make any changes or modifications necessary if the equipment is not operating satisfactorily, and to report to the Commission the results of the check.
4. No costs of the abandoned Oakland Steam System should be transferred to the San Francisco Steam System.

The staff does not oppose the applicant's proposal to abandon the Oakland Steam System.

Based upon a consideration of the record herein, the Commission finds as follows:

1. Steam for the Oakland Steam Sales System is produced by four low pressure steam boilers located at PG&E's Oakland Power Plant at First and Jefferson Streets in Oakland and is distributed through about 28,500 feet of distribution mains with valves, traps and fittings to about 95 customers, most of whom are located about three-fourths of a mile from the Oakland Power Plant. The mains vary in size from 10 inches down to 1-1/2 inches.
2. In 1969 electric generation was discontinued at the Oakland Power Plant and the plant now serves only to house the boilers which generate steam for the Oakland Steam Sales System.

3. The number of Oakland Steam Sales System customers has decreased from an average of 176 in 1958 when the present level of rates was authorized by Decision No.57658, to 95 as of June 1, 1971.

4. During each of the years from 1956 through 1970, the Oakland Steam Sales System has experienced net operating losses. In 1970 the net operating loss was \$83 141 and the rate of return was a negative 40.37 percent on a depreciated rate base of \$205,957.

5. Additional annual revenue in the amount of \$208,678 would be required to bring the Oakland Steam Sales Systems rate of return to a 7.5 percent level on the basis of 1970 results of operations. This would necessitate increasing present customer rates by 121 percent.

6. All of the present Oakland Steam Sales System customers of PG&E have been contacted and advised of PG&E's proposal to abandon the Oakland Steam Sales service and to install natural gas-fired equipment on the customer's premises at no expense to the customer. This would include building alterations where necessary. If a customer so desired, electrically energized equipment instead of gas-fired equipment would be installed. After the customer's needs are met through such alternate equipment, the Oakland Steam Sales System would be discontinued and abandoned.

7. Nearly all of the Oakland Steam Sales System customers have indicated approval of the proposal described in finding No. 6 above, and 70 of such customers have signed a written communication indicating they have no objection to PG&E proceeding with such proposal. Of those not indicating approval of the proposal, none has objected to the proposal.

8. The fuel costs for the natural gas alternate are lower in each instance than the steam costs at present rates for all steam customers. The range of the saving is from \$10.65 for monthly steam use of zero pounds per month to \$1,143.74 for steam use of 2,000,000 pounds per month.

9. Physical abandonment of the steam systems would be accomplished first by removal of customer meters and services. Then the valves, traps and other equipment installed in the 75 manholes would be removed, and the open mains leaving the manholes would be plugged with a concrete-type material after which the manhole would be filled with sand. The top two feet of the manhole structure would be removed so as not to interfere with future street surfacing or reconstruction. The work would be performed in compliance with the appropriate codes and ordinances of the City of Oakland.

10. The estimated cost to PG&E to convert existing customers to gas service and to abandon the Oakland Steam Sales System is \$1,100,000 of which \$1,025,000 represents the cost of converting customers and \$75,000 represents the cost of filling manholes and cutting off mains and services.

11. It will take about six months to install alternate customer equipment and perform the physical work for abandonment of the steam production and distribution facilities. The abandonment of the system should be completed within a year after the Commission authorizes the abandonment.

12. Public convenience and necessity no longer require the operation and maintenance by PG&E of its Oakland Steam Sales System.

13. The abandonment of the Oakland Steam Sales System by PG&E as hereinafter authorized will not be adverse to the public interest.

Based upon the foregoing findings the Commission concludes that:

1. PG&E should be authorized, as provided in the order below, to abandon its Oakland Steam Sales System.

2. Oakland Steam Sales Schedule No. S-2 should be closed to new customers as of the effective date of the order below.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to make the necessary tariff filings to close its Oakland Steam Sales Schedule No. S-2 to new customers as of the effective date of this order.

2. On or before June 30, 1973, Pacific Gas and Electric Company is authorized, at its own expense, to provide its existing Oakland Steam Sales System customers with mutually acceptable substitute gas-burning equipment, or electrically energized equipment, if the customer so desires and to provide those mutually acceptable alterations to customers' premises directly related to and necessitated by the proposed conversion.

3. On or before June 30, 1973 and upon the completion of the conversion of all its Oakland Steam Sales System customers to other equipment as provided in ordering paragraph 2 above, Pacific Gas and Electric Company shall promptly notify this Commission in writing, and Pacific Gas and Electric Company is authorized thereafter and on or before December 31, 1973: (a) by appropriate tariff filing to withdraw its Oakland Steam Sales Schedule No. 2 and to delete all reference to Oakland Steam Sales System from its Steam Sales Tariff, and (b) to abandon its Oakland Steam Sales System by shutting down its Oakland central steam station generating facilities, cutting all service lines, leaving all mains in place, and filling and sealing all manholes in conformity with applicable laws.

4. Pacific Gas and Electric Company is directed to check back with each of its Oakland Steam Sales customers, not less than one year nor more than 18 months after the date of shutting down its Oakland central steam station generating facilities, to determine if the installed substitute equipment is operating satisfactorily and to make necessary changes or modifications if such equipment is not operating satisfactorily. Within thirty days after the completion of such check and the making of all such changes and modifications to the equipment, Pacific Gas and Electric Company shall make a complete written report to the Commission of the results of such


check and the changes and modifications to the equipment which were requested to be made.

5. Upon compliance with the foregoing ordering paragraphs Pacific Gas and Electric Company shall be relieved of any and all its public utility obligations for providing a steam sales service in the City of Oakland.

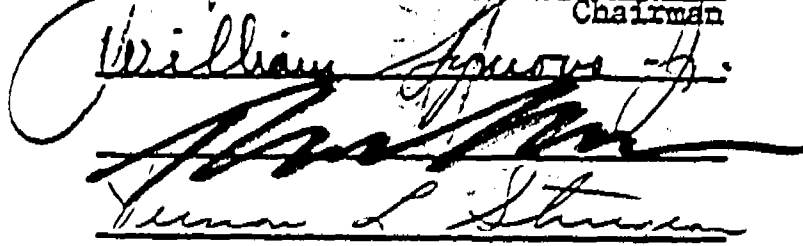
6. Pacific Gas and Electric Company is authorized to charge the costs of converting customer equipment and abandoning the Oakland Steam Sales System and the undepreciated Oakland Steam Sales plant to the total Pacific Gas and Electric Company Steam Sales System depreciation reserve, to credit such reserve with any tax savings, and to amortize the net balance remaining in uniform amounts over a ten-year period to depreciation expense. None of such amortized costs charged to depreciation expense shall be considered as an expense in any future rate proceedings involving the San Francisco Steam Sales System of Pacific Gas and Electric Company.

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


Dated at San Francisco, California, this 25th day of JANUARY, 1972.



 Chairman



 Vernon L. Stinson



 Commissioners