

Mailed

Decision 91-04-042 April 24, 1991

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

MR. JAMES R. MAYES,)
 Complainant,)
 vs.)
 PACIFIC GAS & ELECTRIC CO.,)
 Defendant.)

ORIGINAL

Case 90-07-035
(Filed July 6, 1990)

James R. Mayes, for himself and
 34 prospective gas customers of
 defendant, complainant.
Richard F. Locke, Attorney at Law, for
 Pacific Gas and Electric Company,
 defendant.

OPINION

James R. Mayes (Mayes) in his own behalf and on behalf of 34 of his neighbor homeowners in the Southridge subdivision of Auburn, seeks an order that Pacific Gas and Electric Company (PG&E) provide natural gas service pursuant to the free footage allowance provisions of PG&E's Rule 15 - Gas Main Extensions.

A duly noticed public hearing was held on September 19, 1990 before Administrative Law Judge (ALJ) Orville I. Wright in Auburn and the case was submitted on January 11, 1991, both parties having submitted a post-hearing brief.

Background

Complainant has lived in an all electric home in Auburn for approximately six years, during which time his heating bills have gone, in his words, "up and up and up." After discussing energy costs with his neighbors and visiting the offices of PG&E, Mayes authored the following letter to his Southridge subdivision neighbors.

"TO: SOUTHRIDGE TOWNHOUSE AND HOME OWNERS

"A number of residents are concerned about the ever increasing cost to heat our homes with electricity via heat pumps.

"Pacific Gas & Electric Company has installed a natural gas pipeline up to the southwest corner of our sub-division. A PG&E representative has told me that natural gas service can be extended to each townhouse and home. The necessary rights of way and easements exist to do the job.

"If enough homeowners sign up for natural gas service the cost to each homeowner could be nominal or even no charge at all.

"Of course the costs associated with converting the individual home must be borne by the homeowner. There are economies of scale that can be employed on a project such as this, therefore we should be able to negotiate the best possible prices for furnaces and/or hot water heaters.

"PG&E estimates savings of up to 60% on our heating and hot water bills. An additional benefit is the enhanced value and desirability of our homes if they are equipped with natural gas.

"Please give me a call if you would like natural gas piped to your lot. The results will be turned over to PG&E for action. PG&E estimates 3-4 months to complete the project provided enough homeowners sign up for the service."

Of the 47 residents at Southridge, 35 applied for defendant's natural gas service. Mayes estimated that each applicant would be conservatively entitled to a free footage allowance of 120 feet pursuant to the provisions of Rule 15(B)(1). This standard allowance would equate to 4,200 feet before the excess charge of \$12.13 per foot would apply.

Defendant responded to the filed applications for service by informing complainant that the requested Southridge extension

would require 3,945 feet of line and would require a capital cost of \$143,467. As the estimated annual revenue from the 35 applicants would not support the cost, PG&E took the position that the proposed extension was not "economically feasible" under the standard provisions of Rule 15(B)(1), but could only be considered under the exceptional case provisions of Rule 15(E)(7). The exceptional case provisions, according to PG&E, would require that complainants pay the entire cost of the extension, irrespective of the \$12.13 per foot advance set forth in Rule 15, and without any free footage allowance whatsoever.

Further discussions with PG&E being fruitless, Mayes filed this complaint that claimants be treated in the same manner as all others in their area and that the standard provisions of Gas Main Extension Rule 15 be applied to them.

Relevant Provisions of Rule 15

"RULE 15--GAS MAIN EXTENSIONS"

"Extension of gas distribution mains necessary to furnish permanent gas service to applicants will be made by the Utility in accordance with the following provisions:

* * *

"B. FREE EXTENSIONS TO INDIVIDUAL APPLICANTS FOR PRIORITY P1 SERVICE

"1. FREE FOOTAGE ALLOWANCES

"Gas main extensions will be made by the Utility at its own expense provided the length of main required does not exceed the free length as determined from the following allowances:

"a. RESIDENTIAL USE

- For space heating equipment:
- For the first 10,000 Btu per hr. input capacity 7 feet
- Additional per 10,000 Btu per hr. input capacity 5 feet
- For each gas range customer 50 feet
- For each automatic storage type gas water heater customer 80 feet

For each gas refrigerator customer 10 feet
 For each gas clothes dryer customer 10 feet
 For air conditioning equipment of 10,000 Btu
 per hr. input capacity or more, 10,000 Btu
 per hour. input capacity 20 feet
 For each swimming pool heater customer 20 feet

* * *

"3. MAIN EXTENSIONS BEYOND THE FREE LENGTH

"a. ADVANCES

- "(1) Extensions of mains beyond the free length will be made by the Utility provided applicants for such extensions advance to the Utility \$12.13 for each foot of main in excess of the free length. ... All extensions will be owned, operated and maintained by the Utility.
- "(2) In cases where more than one applicant is to be served from the same extension, the total free length thereof will equal the sum of the individual allowances made to each applicant as computed in accordance with Section B.1. The amount to be advanced by the members of the group shall be apportioned among them in such manner as they shall mutually agree upon.

"b. OPTIONS

"The applicant may elect one of the following options:

- "(1) That the Utility install the extension at its system average cost of \$12.13 per foot; or

* * *

"E. SPECIAL CONDITIONS

* * *

"2. PERIODIC REVIEW

The Utility will review its known and estimated cost of construction of main extensions annually and shall prepare a contemplated tariff revision when such costs have changed by more than ten percent since the last revision of the charge for excess footage as used in Section B.3. Contemplated revisions of what, in the

Utility's judgment, are proper and up-to-date costs, shall be submitted to the Commission for review in proposed form not less than thirty days prior to any contemplated filing date.

* * *

"7. EXCEPTIONAL CASES

"In unusual circumstances, when the application of this Rule appears impractical or unjust to either party, the Utility or applicant shall refer the matter to the Public Utilities Commission for special ruling or for the approval of special conditions which may be mutually agreed upon, prior to commencing construction."

Discussion

Offering no comment or evidence to the contrary, PG&E apparently concedes that the free footage allowances in the standard provisions of Rule 15 would be more than enough to qualify claimants to the free extension of the length of 3,945 feet estimated as necessary by defendant. There are at least 32 furnaces, 27 water heaters, 4 ranges, and 6 dryers to be connected, each of which carries its own free footage allotment under Rule 15(B)(1).

PG&E explains, however, that it has changed its policy in recent months or years so that now free footage allowances are not given unless analysis shows that anticipated revenue from a proposed line extension will be sufficient to support the cost of the extension. Only where the generated revenue would totally support the construction will PG&E compute and apply free footage allowances. This new policy protects the general body of ratepayers because they will no longer be required to subsidize uneconomic service extensions, according to PG&E.

At hearing, PG&E provided no specific instances where the new policy has been applied. At the request of complainant, defendant did prepare the following chart showing four cases within three miles of Southridge where PG&E approved free extensions in the face of evident unsupported capital costs.

GAS RETROFIT COMPARISONS

Topics	Southridge (Maves)	Tanglewood	Oakview 1	Oakview 2	Arroyo
Length of extension, feet	3,390	2,165	103	495	944
Capital cost of extension	\$143,467	\$43,673	\$2,929	\$10,785	\$11,599
Type of Load:					
Residences	32	15	1	7	7
Residential Contracted load:	[1990]	Apr 85	Jan 89	May 89	Mar 88
Furnace	32	11	1	6	-
Water Heater	27	13	1	4	-
Range	4	2	0	0	-
Dryer	6	11	0	2	-
Average gross rev, Auburn	\$ 9,600	\$ 4,500	\$ 300	\$ 2,100	\$ 2,100
Estimated gross annual revenue	18,661	5,634	457	27,453	2,630
Estimated base annual revenue	11,197	3,268	265	1,423	1,525
Supported capital cost	38,506	11,239	911	4,894	5,244
Unsupported capital cost	104,961	32,434	2,018	5,891	6,355
Annual expense to ratepayers	30,606	9,458	588	1,718	1,853

One of PG&E's witnesses, its Director of New Business Tariffs, testified that the above table of gas retrofit projects shows that all the listed retrofits are economically infeasible and, hence, none should have been approved as a free extension.

Another of PG&E's witnesses, its Service Planning Supervisor in Auburn, testified differently. This witness had approved the four retrofit examples in the table. He was of the opinion that only one project of the four listed was uneconomic and should not have been approved as a free extension. The remaining three projects, according to this witness, were economical in spite of the apparent annual expense to ratepayers. Whether the exceptional cases provision of Rule 15 is invoked depends upon many things, according to this decisionmaker. He testified that:

"You use all of those types of information. How we might have to design the line, where we might go to tie it in as a feeder line, where we might get additional customers, what land is available. You use all kinds of judgments to make that economic criteria as to ... is this thing going to ultimately be economic or not. This is done in any business decision that anybody makes.

"I have to determine what is the potential beyond the system that you now want to install, and that's all that we're trying to do. It's just our best judgment after 24 years of working in the area."

Plainly, the recited subjective considerations have no place in the application of tariff rules which should be comprehensible to the utility and to its customers, as well. Nor is there any inference in Rule 15 that free footage provisions are only applicable if a proposed line extension shows that its capital cost will be fully supported by projected revenues.

The record here presents a case where a large majority of residents in a tract of homes applies to PG&E for a gas main extension under a tariff rule which provides for specific free

footage allowances for given appliances. In the aggregate, the free footage allowances exceed the length of line necessary to connect the proposed load to the system. That the connected load will not yield sufficient revenue to support the cost of construction is nowhere mentioned in the tariff rule as a consideration or controlling factor in the application of the rule.

Further, it is shown by recent and specific example that others similarly situated to complainants have been accorded gas main extensions under the same terms sought by complainants.

We agree with Mayes that PG&E should be required to apply its tariff to Southridge as it was applied to the other subdivisions referred to in the testimony.

Findings of Fact

1. Complainant and 34 other residents of Southridge, a subdivision in Auburn, applied for a gas main extension pursuant to PG&E's Rule 15(B)(1).

2. Under the provisions of Rule 15(B)(1) gas main extensions are made at PG&E's expense provided the length of main required does not exceed the free footage allowance.

3. PG&E claims it has a new policy which requires that the projected revenues of a main extension must be sufficient to support the capital cost of the main extension if the provisions of Rule 15(B)(1) are to be applied.

4. The expected revenue from complainant's main extension is insufficient to support capital costs.

5. All other extensions shown on the record of this proceeding were approved as free extensions even though none of them shows revenues sufficient to support costs of construction.

Conclusions of Law

1. Defendant's claimed new policy of limiting the application of Rule 15(B)(1) to those extensions showing sufficient revenue to justify cost of construction cannot be applied unless and until it is incorporated into PG&E's tariff.

2. There is insufficient evidence that the main extension sought by complainant constitutes an exceptional case under Rule 15(E)(7).

3. The gas main extension to Southridge subdivision in Auburn should be constructed in accordance with the provisions of Rule 15(B)(1).

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company shall build a gas main extension to serve Southridge Subdivision in Auburn in accordance with the free footage provisions of Rule 15(B)(1).

2. This proceeding is closed.

This order becomes effective 30 days from today.

Dated April 24, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SULMAN, Executive Director
PB