

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3155
June 7, 1989

R E S O L U T I O N

RESOLUTION E-3155. PACIFIC GAS & ELECTRIC COMPANY (PG&E), AUTHORIZED TO ENTER INTO A SPECIAL CONTRACT WITH WESTERN STATES MICROWAVE TRANSMISSION COMPANY (WSMTC) FOR A LINE EXTENSION. ADVICE LETTER 1249-E, FILED APRIL 29, 1989.

SUMMARY

1. PG&E has requested authority under Section X.A. of General Order No. 96-A to enter into a special agreement with Western States Microwave Transmission Company (WSMTC), dated March 24, 1989, which provides for an overhead line extension to serve the applicant's electrical needs and which is submitted under Section E.7. of PG&E's Electric Rule No. 15.
2. This resolution grants PG&E's request.

BACKGROUND

1. The exceptional cases section of PG&E's Line Extension Rule (Section E.7. of Rule 15) states: "In unusual circumstances, when the application of these rules appears impractical or unjust to either party, or in the case of the extension of lines of higher voltage, the Utility or the 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."
2. The terms of the proposed agreement are consistent with PG&E's established policy for uneconomic line extensions and are the same as those in similar agreements previously approved by this Commission.

DISCUSSION

1. The proposed agreement covers installation of and service through an overhead line extension to the applicant's property located near Bakersfield in Kern County. These facilities will

serve the electrical load of applicant's microwave station. The electrical load consist of 2kw for lighting, 7kw for rectifiers and 9kw for air conditioning.

2. To serve this load, PG&E will install approximately 13,100 feet of 12kv overhead distribution facilities, including poles, conductors, transformers, meters, service conductor and assorted equipment. Total installed cost of the facilities is estimated at \$117,773.

3. PG&E estimates that it will receive an annual net revenue of \$4,882 from the sale of electric energy to WSMTC. The rule of thumb is that when the cost exceeds 5 times the annual revenue the facility would be burden on other ratepayers if PG&E paid for it. In this situation, the cost is approximately 24 times the annual revenue. Therefore it is an uneconomic line extension.

4. To compensate for this uneconomic line extension, the proposed agreement provides that WSMTC will pay PG&E \$93,363 in advance of construction (Advance), which is the difference between the total cost of the facilities and five times the amount of the estimated annual net revenue from these facilities.

5. The Commission has authorized PG&E to collect a tax (28%) on Contributions-in-Aid-of-Construction (CIAC). This additional charge of \$26,142 is required due to the treatment of CIAC as ordinary income by the Federal Tax Reform Act of 1986. These CIAC charges will be refunded in the same manner as the Advance is refunded.

6. Under the agreement, the Advance (and CIAC tax) paid by WSMTC will be subject to refund, without interest, for each separately-metered new permanent electric load served directly from the facilities, or subsequent extension. The amount of the refund for each new service extension will be five times the first year's actual revenue, exclusive of that revenue attributable to any adjustments for additional installed load, less the cost of PG&E serving such new load.

7. WSMTC will also pay \$61,924 (Equivalent One-Time Cost-of-Ownership Payment) which is the present worth (at the current annual prime rate of 11.04%, as provided in Section C.1. of Rule 7.) of the monthly costs to PG&E of owning, operating and maintaining the facilities for a period of ten years.

8. In the calculations of refunds and adjustments, interest at the rate of 11.04% annually will be added to the unamortized balance of the One-Time Cost-of-Ownership Payment before the cost of ownership charges have been deducted.

9. In addition to the above charges, the customer has already paid a \$5,000 engineering deposit.

10. The total advance and charges paid by WSMTc are:

| | |
|-----------------------|-----------|
| Advance----- | \$93,363 |
| CIAC----- | 26,142 |
| Cost of Ownership--- | 61,924 |
| Subtotal----- | 181,429 |
| Less Engr. Deposit--- | 5,000 |
| Total | \$176,429 |

11. These total charges of \$181,429 (including engineering deposit) prevent the extension from becoming a burden on other ratepayers as otherwise would be the case.

12. The Commission Advisory and Compliance Division (CACD) has reviewed this filing and proposed contract agreement, and believes that it is consistent with other previously approved uneconomic line extensions. CACD, therefore, recommends its approval.

13. The utility alleges and CACD concurs, that this filing will not cause the withdrawal of service nor conflict with any other schedule or rule.

14. Public notification of this filing has been made by mailing copies of the Advice Letter to other utilities, governmental agencies and to all interested parties who requested such notification. To conserve mailing costs the agreement itself was not mailed to any of the above parties, but copies were made available upon written request.

15. The CACD has received no protests in this matter.

FINDINGS

1. PG&E's proposed agreement with WSMTc is just and reasonable because it provides service to applicant without creating a burden upon other ratepayers and is also mutually agreeable between the parties.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized to enter into the special agreement with Western States Microwave Transmission Company, as presented in Advice Letter 1249-E.
2. The effective date of the authorization shall be June 8, 1989, which constitutes regular 40-day statutory notice.
3. The above advice letter and special agreement shall be marked to show that they were approved for filing by Commission Resolution E-3155.
4. Pacific Gas & Electric Company shall revise its List of Contracts and deviations to include the agreement detailed above and shall file such revised tariff sheets with the Commission within sixty (60) days of the effective date of this resolution.
5. The effective date of this resolution is the date hereof.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 7, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OGANIAN
PATRICIA M. ECKERT
Commissioners

Executive Director

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.