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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-2076
March 19, 1986

RESOLUTION

ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
(PG&E) TO IMPLEMENT A SPECIAL FACILITIES INSTALLATION
AGREEMENT WITH HOMESTAKE MINING COMPANY

By Advice Letter 1100-E, filed January 9, 1986, Pacific Gas and Electric Company (PG&E), requests authorization to implement a special agreement with Homestake Mining Company (HMC). The facts are as follows:

1. The purpose of the advice letter is to finalize the payment amounts on the special agreement after a number of negotiation sessions between PG&E and HMC. PG&E has submitted an advice letter requesting approval of a special agreement with HMC entitled "Pacific Gas and Electric Company, Electric 12 kV Facilities Installation Agreement". The Agreement, dated March 9, 1984, provides for the installation of 10.96 miles of 12 kV electric facilities to the Homestake McLaughlin Gold Mine Project located northwest of Knoxville, in Napa County.
2. The purpose of the 12 kV circuitry is to facilitate the acquisition of rights of way from individuals for the installation of approximately 16 miles of 115 kV electric line from Lower Lake in Lake County to serve its McLaughlin Gold Mine. The owners of the right of way lands preferred the availability of electric service rather than actual monetary compensation.
3. The cost of the 12 kV facilities requested are substantially in excess of that which PG&E would install at its expense as provided under the standard provisions of its Rule No. 15, Electric Line Extension, because the anticipated base revenue from potential Applicants in this area is insufficient to justify the expense of owning and maintaining the 12 kV facilities.
4. For convenience of financing and construction, this extension was divided in Sections A, B and C. The funds for section A (2.00 miles) were advanced by HMC, but PG&E did the actual construction. Sections B and C (8.96 miles) were financed and constructed by HMC pursuant to Section 783(f) of the Public Utilities Code which states: "An electrical or gas corporation

shall permit any new or existing customer who applies for an extension of service from that corporation to install a gas or electric extension in accordance with the regulations of the Commission and any applicable specifications of that electrical or gas corporation."

5. The cost to construct Section A was \$35,738. The cost to construct Sections B & C was \$129,755. The total construction cost is \$165,493 and it is subject to refund over a ten year period. Refunds will be made pursuant to Paragraph 2, Agreement 3, dated March 9, 1984.

6. The 12 kV facilities were first available for service on August 1, 1984 and the accumulated refund due HMC as of December 31, 1985 was \$101,099. The remaining reimbursable amount of \$64,394 is subject to a cost-of-ownership under Paragraph 3 of Agreement 3, dated March 9, 1985. The cost-of-ownership charges may be further reduced and reimbursements may increase as new customers are connected to the 12 kV line. Monthly cost-of-ownership charges are based on a percent of the outstanding reimbursable amount and can either be paid monthly or as a lump sum present value payment. Based on the current authorized percentage of 1.10 percent, the monthly charge as of December 31, 1985 is \$708.33 and the lump sum present value payment is approximately \$47,175.

7. A timely protest by HMC was filed on January 27, 1986 alleging the following grounds:

1. PG&E had made unilateral changes in a bilateral agreement, referenced as Agreement 3.
2. That refunds and reimbursements should be promptly made to HMC.
3. That no cost-of-ownership charges should be attributable to the 12 kV distribution facilities.

8. PG&E responded on February 10, 1986 to HMC's protest. The staffs of Energy and Service and Safety Branches have reviewed PG&E's response and are satisfied that PG&E's efforts in this filing have been reasonable and where applicable are in line with Commission policy. Specifically: 1) PG&E has not made any changes to Agreement 3 whatsoever, but under the terms of the agreement unanticipated benefits of refunds, reimbursements and lower cost-of-ownership charges have accrued to HMC; 2) PG&E is ready and willing to make the refunds and reimbursements as soon as HMC grants title of the 12 kV facilities to PG&E; and 3) Cost-of-ownership charges are included in PG&E's filed tariffs and have

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been consistently applied by the Commission to extensions that appear to be uneconomical like HMC's 12 kV line.

9. This filing has been reviewed by the staff of the Energy Branch and the Service and Safety Branch of the Evaluation and Compliance Division. Based on the facts it is believed that P&GE is treating HMC fairly, protecting the ratepayers' interests and complying with its filed tariffs in this matter. Approval of Advice Letter No. 1100-E is recommended by the staff.

10. Public notification of this filing has been made by mailing copies of this advice letter to other utilities who requested it. Commission staff has met with representatives of both HMC and PG&E to discuss the protest. Based on the exchange of information at those meetings, the staff believes the advice letter should be approved as filed.

11. We find that this filing is just and reasonable and will not increase any rate or charge, cause the withdrawal of service, nor conflict with other schedules or rules.

THEREFORE;

1. Pacific Gas and Electric Company is authorized by Sections 454 and 532 of the Public Utilities Code and under the provisions of the General Order 96-A to place the above advice letter and accompanying agreement into effect today.

2. The above advice letter and Pacific Gas and Electric Company's Electric 12 kV Facilities Installation Agreement shall be marked to show that it is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on March 19, 1986. The following Commissioners approved it:

Executive Director