

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION E-3083
July 8, 1988

R E S O L U T I O N

RESOLUTION E-3083. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), ELECTRIC AND GAS DEPARTMENTS. ORDER AUTHORIZING REVISED UNIT COSTS FOR ELECTRIC AND GAS LINE EXTENSIONS, BY ADVICE LETTERS 1452-G AND 1188-E FILED JANUARY 29, 1988.

SUMMARY

1. By Advice Letters 1452-G and 1188-E, filed January 29, 1988, Pacific Gas and Electric Company (PG&E) requested authorization to increase the unit cost charges for gas and electric line extensions specified in Electric Rules 15 and 15.1 and Gas Rules 15 and 16. PG&E's requested charges range from 27 to 283 percent higher than its current charges. According to PG&E, the increases are due to inflation and a change in the methodology used to develop the charges.
2. PG&E's request is authorized by this Resolution.

BACKGROUND

1. Electric Rules 15 and 15.1 set forth provisions for extensions necessary to furnish permanent electric service of standard voltages (22 kilovolts or less); and Gas Rules 15 and 16 set forth provisions for extensions of gas distribution mains and gas distribution services, respectively, necessary to furnish permanent gas service. The charges are intended to recover the utility's costs for line extensions which exceed the free footage amount. Section E.2 of Gas and Electric Rules 15 and 15.1 requires PG&E to annually review its known and estimated costs of construction of line extensions and to submit a tariff revision when such costs have changed by more than 10 percent since the last revision. Section H.1 of Gas Rule 16 provides a similar requirement for gas distribution extension charges.
2. Public Utilities (PU) Code Section 783 requires the Commission to continue to enforce the rules governing the extension of service by gas and electric utilities that were in

effect on January 1, 1982. PU Code Section 783(a) provides an exception that allows utilities to revise unit costs.

DISCUSSION

1. PG&E proposes to revise the unit costs for gas and electric service extensions specified in Section E.2 of Electric and Gas Rules 15 and 15.1, and Section H.1 of Gas Rule 16. Table 1 shows a comparison between PG&E's existing and proposed unit costs.

2. According to PG&E, there are two major reasons for the increases in the unit costs: (1) Inflation-related changes that have occurred since 1984 when the unit costs were last adjusted; and (2) A change in estimating methodology. Previous cost studies did not use a statistically-determined sample of actual jobs. Rather, PG&E relied on experience and judgement to determine the sample selection. According to PG&E, its proposed unit costs are now developed from a statistically valid random sampling method.

3. PG&E believes that the new cost estimation method is more reliable and provides a sound basis on which to assess unit extension costs. According to PG&E, 12 percent of the unit cost change is due to inflation which occurred between 1984 and 1987. The remaining cost increases are due to the change in cost estimation methodology. PG&E contends that the previous method did not accurately reflect the actual unit costs. (Previously, the unit costs were determined from trending and engineering judgement.)

4. The Commission Advisory and Compliance Division (CACD) met with PG&E to discuss the workpapers for the revised unit cost estimates. CACD requested PG&E to validate the unit cost of \$23.53, for Electric Rule 15.1.c.1b (Extensions to Multi-Family Dwellings).

5. PG&E chose to validate its original unit cost of \$23.53 for Electric Rule 15.1.c.1b by using a verification study which costs out an average job using PG&E's COMPRESS engineering estimating model. This method resulted in a unit cost of \$24.35 per distribution trench foot. This is slightly higher (\$.82 or 3.5%) than the \$23.53 originally filed with the Commission in Advice Letters 1452-G and 1188-E.

6. CACD agrees with PG&E's contention that the verification study supports the original filing with a negligible difference. Therefore, CACD finds PG&E's statistically determined sample of recorded data to be as valid as an alternate method when calculating its unit costs.

7. In accordance with Section III, Paragraph G, of General Order 96-A, PG&E has mailed a copy of this advice letter to all

utilities and interested parties requesting notification of advice filings.

8. PG&E has requested that this filing become effective on August 1, 1988, thus allowing PG&E sufficient time to notify parties affected by tariff revisions.

PROTESTS

1. A protest was submitted to Advice Letters 1452-G and 1188-E by the California Building Industry Association (CBIA) on February 16, 1988. CBIA's specific concerns focused on the effect that PG&E's revised unit costs would have upon the viability of the competitive bidding process. It was CBIA's understanding that PG&E would use its revised unit costs as the basis for determining the tax liability associated with Contributions-in-Aid-of-Construction (CIAC) made through competitive bidding, rather than as the actual cost incurred by the applicant.

2. In this context, CBIA requested that PG&E provide further information regarding its estimation methodology.

3. PG&E responded that it will continue to use its estimate of what it would cost PG&E to connect the new customer for those applicants who wish to use the competitive bidding alternative for extending electric and gas service. PG&E will not use the proposed unit cost for this purpose, as CBIA contended.

FINDINGS

1. We find that PG&E's request to revise its unit costs as specified in Electric Rules 15 and 15.1 and Gas Rules 15 and 16 is just and reasonable.

2. We also find that in light of these increased unit costs for specific line extensions, PG&E should ensure that customers requesting line extensions are fully informed about their options to perform this work privately and to obtain competitive bids for such work.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company, as requested by Advice Letters 1452-G and 1188-E, is authorized under PU Code Sections 532 and 783, Decision 85-08-043, and General Order 96-A to revise its unit costs.
2. Pacific Gas and Electric Company shall inform all customers requesting line extensions of the competitive bidding option.

3. Advice Letters 1452-G and 1188-E, and accompanying tariff sheets shall be marked to show that they were authorized by Resolution E-3083 and became effective on and after August 1, 1988.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 8, 1988. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director

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

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Table 1

Rule and Section	Present Unit Cost w/o CIAC	Revised Unit Cost w/o CIAC	% Change	Revised Unit Cost w/CIAC
Elec. Rule 15.B.3	\$ 5.00	\$ 7.85	57%	\$10.05
Elec. Rule 15.1.C.1.a	7.63	11.74	54	15.03
Elec. Rule 15.1.C.1.b	14.45	23.53	63	30.12
Elec. Rule 15.1.C.3(a)	1.90	7.28	283	9.32
Elec. Rule 15.1.C.3(b)	8.06	14.35	78	18.37
Gas Rule 15.B.3.a	7.45	9.48	27	12.13
Gas Rule 16	4.10	6.71	64	N/A