

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3253
January 10, 1992

R E S O L U T I O N

RESOLUTION E-3253. PACIFIC GAS AND ELECTRIC COMPANY
REQUEST FOR AUTHORIZATION TO EXTEND ELECTRIC SERVICE TO
LAKE SONOMA RANCH ESTATES NEAR GEYSERVILLE UNDER THE
EXCEPTIONAL CASE PROVISION OF THE UTILITY'S LINE
EXTENSION RULE.

BY ADVICE LETTER 1366-E, FILED ON AUGUST 6, 1991.

SUMMARY

1. By Advice Letter 1366-E, filed August 6, 1991, Pacific Gas and Electric Company (PG&E) requests authorization of an Exceptional Case Uneconomic Facilities Agreement (Agreement) with Sonoma Ventures Inc. (Applicant) to install electric distribution facilities to serve Lake Sonoma Ranch Estates (Lake Sonoma). PG&E is of the opinion that Lake Sonoma is a speculative venture because the lots are to be sold individually, with subsequent site development by lot owners.
2. The Agreement would require Applicant to advance the extension cost, plus a contribution in aid of construction tax (CIAC Tax), and a cost of ownership (COE) charge. Under the Agreement, PG&E would install its electric facilities prior to individual applications for service, and Applicant would pay \$98,861 to PG&E.
3. The Commission Advisory and Compliance Division (CACD) has reviewed PG&E's proposal and recommends amendments to the refund provisions of the Agreement to comport with existing tariff provisions, rather than basing refunds upon revenue calculations.
4. This Resolution authorizes PG&E to enter into the Agreement, as amended.

BACKGROUND

1. Applicant has asked PG&E to install electric distribution facilities to serve Lake Sonoma, an eleven lot subdivision near Geyserville. In PG&E's opinion, Lake Sonoma is a speculative venture because Applicant will sell only bare lots, with subsequent site development by lot owners. The subdivision consists of 11 lots ranging in size from 36 to 257 acres. This lot sizing allows for overhead electric installation under the utility's tariffs.
2. PG&E seeks Commission authorization of the Agreement under the Exceptional Cases section (Section E.7) of its electric Extension Rule (Tariff Rule 15). That provision is as follows:

EXCEPTIONAL CASES

In unusual circumstances, when the application of these rules appears impractical or unjust to either party, ... 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.

3. The Agreement provides that the Applicant will pay \$98,861 to cover PG&E's capital costs, CIAC Tax, and COE charges. This amount is subject to refund under the Agreement according to a cost to revenue formula that would be applied when customers are attached to the system. The payment is based on the following:
 - a. Construction costs of \$60,788 less \$11,929 for a joint pole contribution from other utilities for a net construction cost of \$48,859.
 - b. CIAC tax of \$13,681 on the net construction cost.
 - c. A single payment of \$36,321 to recover COE charges on the net construction cost. The COE is the product of the net construction cost, an annual cost-of-ownership rate for contributed capital of 8.16%, and a present value factor in perpetuity of 9.11 based on PG&E's 1991 authorized rate of return.

NOTICE

1. Public notification of this filing has been made by placing it on the Commission Daily Calendar of August 9, 1991 and by mailing copies of the filing to other utilities, governmental agencies and to all interested parties who requested such notification.

PROTESTS

1. No one has protested this Advice Letter filing.

DISCUSSION

1. PG&E believes that this agreement qualifies as an Exceptional Case because the residential subdivision is a speculative venture with no immediate source of revenue.
2. Under PG&E's Rule 15, individual applicants for service are entitled to extensions of specified footage by the utility based on specific appliances and ratings of equipment to be installed. This "Free Footage" allowance is used to determine refunds.
3. CACD recognizes that Lake Sonoma is speculative and that PG&E's Agreement is necessary to protect the utility and its ratepayers from uneconomic extensions. However, PG&E would also deviate from its extension rule by using a revenue to cost formula for refunding. The utility's tariffs contain provisions that prescribe the manner and allowance for making refunds and there is no apparent reason to anticipate that customers at Lake Sonoma, if and when they finally apply for service, will differ from other individual applicants for service in PG&E's service territory. The Advice Letter does not offer reasons for this deviation.
4. CACD recommends to the Commission that PG&E be ordered to amend the Agreement to provide for refunds in accordance with its standard tariff provisions.

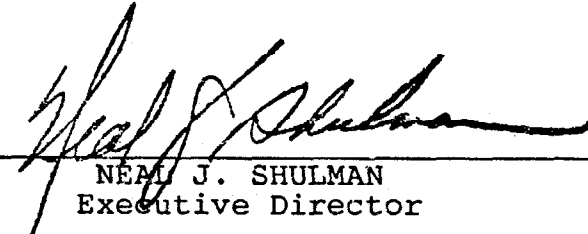
FINDINGS

1. The Agreement covers PG&E's installation of electric distribution facilities prior to receiving any applications for service from residents of Lake Sonoma.
2. Such construction constitutes a speculative venture and should be considered an "Exceptional Case" under the provisions of Section E.7 of PG&E's Electric Tariff Rule 15.
3. Using the "Exceptional Cases" provision, PG&E would collect \$98,026 from the Applicant. This payment should prevent PG&E's cost of construction and ownership of these facilities from becoming a burden on other ratepayers.
4. The payment by Applicant is subject to refund under a cost to revenue formula. Since PG&E's proposed manner of refunding is a subject of ongoing concern by the Commission, it should not be authorized. The Agreement should be amended to provide for refunds under standard tariff provisions when applications for service are made.
5. Acceptance of this amended Agreement is for this specific case only and in no way sets a precedent nor constitutes an endorsement of PG&E's practices concerning Uneconomic Line Extensions. All future "Exceptional Case" agreements must be considered by the Commission on a case-by-case basis.

THEREFORE, IT IS ORDERED that:

1. On or before the tenth day (10) following the effective date of this Resolution, PG&E shall file a revised Advice Letter 1366-E and accompanying Uneconomic Extension Agreement with Sonoma Ranch Estates to include refund provisions as authorized by this Resolution. Upon receipt of the amended Agreement by the Commission, such revised Advice Letter and Agreement shall all be marked to show that they were accepted for filing by Resolution E-3253 of the California Public Utilities Commission.
2. Pacific Gas and Electric Company shall revise its List of Contracts and Deviations to include the Revised Agreement ordered above and shall file such revised tariff sheets with the Commission within sixty (60) days of the effective date of this Resolution.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 10, 1992. The following Commissioners approved it:


NEAL J. SHULMAN
Executive Director

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