

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3264
March 31, 1992

R E S O L U T I O N

RESOLUTION E-3264. PACIFIC GAS AND ELECTRIC COMPANY REQUEST FOR AUTHORIZATION TO EXTEND ELECTRIC SERVICE TO REDWOOD HILL RANCH - PHASE 2 IN SANTA ROSA UNDER THE EXCEPTIONAL CASE PROVISION OF THE UTILITY'S LINE EXTENSION RULE.

BY ADVICE LETTER 1371-E, FILED ON SEPTEMBER 18, 1991.

SUMMARY

1. By Advice Letter 1371-E, filed September 18, 1991, Pacific Gas and Electric Company (PG&E) requests authorization of an Exceptional Case Uneconomic Facilities Agreement (Agreement) with Redwood Hill Ranch Limited Partnership (Partners) to install electric distribution facilities to five lots in the Redwood Hill Ranch residential subdivision - phase 2 (Redwood Hill 2) on Markwest Spring Road in Santa Rosa, Sonoma County. In PG&E's opinion, the subdivision is a speculative venture because the lots within it are to be sold individually without guaranteed construction of residences. The Agreement would require Partners to advance the extension cost, plus a contribution in aid of construction tax, and a cost of ownership charge. Under the Agreement, PG&E would install its electric facilities prior to individual applications for service, and Partners would pay \$146,779 to PG&E.
2. The Commission Advisory and Compliance Division (CACD) has reviewed PG&E's proposal and recommends amendments to reflect existing tariff provisions for refunds if future customers apply for service.
3. This Resolution authorizes PG&E to enter into the Agreement, as amended.

BACKGROUND

1. The Agreement provides that Partners will pay to PG&E capital costs of \$62,091, Contribution in Aid of Construction tax of \$17,385, and cost of ownership charges \$46,157. In addition to this refundable amount, Partners will receive a credit of \$2,000

for engineering fees paid and \$23,146 for trenching and CIAC tax thereon. Partners would therefore pay \$146,779; the net of above charges.

2. PG&E would obligate itself under the Agreement to install 4,871 feet of new underground distribution line to serve the five lots in Redwood Hill 2.

3. PG&E seeks Commission authorization of the Agreement under the Exceptional Cases section (Section E.7) of its Gas 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.

NOTICE

1. Public notification of this filing has been made by placing it on the Commission calendar for wednesday, September 18, 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" under the provisions of Section E.7. of PG&E's Electric Tariff Rule 15 because the residential subdivision is a speculative venture with no immediate source of revenue.

2. When PG&E submits an advice letter for Exceptional Case treatment, it now would apply and incorporate the following interim criteria and guidelines:

- a. The extension is beyond the applicant's free footage allowance; and
- b. The construction of the proposed extension departs from utility "optimal" construction conditions as described in NOTE 1 and has one or more of the following characteristics:
The extension is speculative in nature; or
The extension involves unusual service requirements or has unusual local site characteristics; or
The extension is in an isolated location; or

- The connected load is small, intermittent or nonexistent (e.g. sprinkler controls); and
- c. The total estimated cost of the job is greater than \$10,000; and
 - d. PG&E has provided the applicant with the greater of either
a revenue based allowance or
a free footage allowance equivalent to \$10,000.
 - e. For exceptional cases meeting the criteria listed above, charges to the applicant would include the associated Cost-Of Ownership and CIAC tax on the difference between the job cost and the allowance in d.

NOTE 1: For evaluation purposes, "optimal" construction conditions are represented by an extension on level terrain, adjacent to an existing road, unobstructed by trees or other structures, and where standard construction equipment (e.g. augers, trenching equipment, etc.) could be used. This "optimal" condition would be less difficult than "average" construction conditions, and utility management would be responsible for exercising restraint when determining that a proposed extension departed from the "optimal" conditions sufficiently to justify Exceptional Case application.

3. CACD agrees with PG&E that Redwood Hill 2 meets the interim criteria for Exceptional Cases because it is speculative. The Agreement is therefore necessary to protect other ratepayers.

4. PG&E's Agreement also deviates from the Utility's extension rule by using a revenue to cost criteria for refunds. This practice is inconsistent with PG&E's tariffs.

5. Under PG&E's Rule 15, individual applicants for service are entitled to extensions of specified footage by the utility based on specific appliances to be installed. This "Free Footage" allowance should be applied as the appropriate method of making refunds in the event that individual applicants for service purchase lots in Redwood Hill 2 and subsequently build residences.

FINDINGS

1. The Agreement covers PG&E's installation of electric distribution facilities prior to receiving any applications for service.

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. Payment of \$146,779 by Partners will prevent PG&E's cost of construction and ownership of these facilities from becoming a

burden on other ratepayers. The payment by Partners is subject to refund under the Agreement when applications for service occur.

4. Acceptance of this Agreement, amended as recommended by CACD, is for this specific case only. It does not set a precedent nor does it constitute an endorsement of PG&E's practices concerning uneconomic line extensions. All future "Exceptional Cases" agreements must be considered by the Commission on a case-by-case basis.

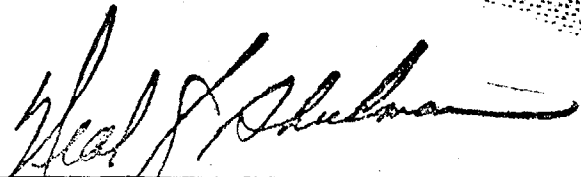
THEREFORE, IT IS ORDERED that:

1. On or before the sixtieth day (60) following the effective date of this Resolution, PG&E shall file a supplemental advice letter and accompanying Exceptional Case Uneconomic Facilities Agreement with Redwood Hill Ranch Limited Partnership to include revised refund provisions as authorized by this Resolution. Upon receipt, the documents shall be marked to show that they were accepted for filing in compliance with Resolution E-3264 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 March 31, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. O'HANLAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners