

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISIONRESOLUTION E-3292
OCTOBER 21, 1992R E S O L U T I O N

RESOLUTION E-3292. PACIFIC GAS AND ELECTRIC COMPANY (PG&E). REQUEST FOR AUTHORIZATION OF A BILL OF SALE AND UNECONOMIC PURCHASE AGREEMENT BETWEEN PG&E AND RIDGE-WHEEL PROPERTIES, DATED JUNE 1, 1992.

BY ADVICE LETTER 1405-E, FILED JULY 28, 1992

SUMMARY

1. By Advice Letter 1405-E, filed July 28, 1992, PG&E submits for approval a Bill of Sale and Uneconomic Purchase Agreement for Electric Facilities (Agreement) between PG&E and Ridge-Wheel Properties (Ridge-Wheel), dated June 1, 1992.
2. This Resolution approves the Bill of Sale and Uneconomic Purchase.

BACKGROUND

1. Ridge-Wheel constructed an overhead electric distribution system in 1978 to serve the Ridgewood Subdivision located near Ridgewood Park in Mendocino County. There are 185 improved lots within the subdivision including thirty-four homes served by PG&E.
2. During the past fourteen years, Ridge-Wheel and Calumet Inc., Ridge-Wheel's parent company, have been responsible for the operation and maintenance of the electric distribution system. In 1990, Calumet began liquidating its assets after filing for bankruptcy under Chapter 7 of the Federal Bankruptcy Law. The bankruptcy proceeding raised concerns regarding responsibility for the safe operation, maintenance, and ownership of the system.
3. PG&E was contacted in March, 1991, by the executors of Calumet's assets to negotiate the purchase of the Ridgewood system, after the individuals served on the private system expressed no interest in its purchase.
4. Prior to concluding the negotiations, PG&E representatives met with the Commission Advisory and Compliance Division (CACD) to discuss the purchase. The Agreement was negotiated under the exceptional case provisions (Section E.7)

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of PG&E's Tariff Rule 15, "Electric Line Extensions". As Ridgewheel is selling only improved lots, not finished homes, this purchase is considered speculative and subject to the exceptional case provisions of PG&E's Tariff Rule 15.

5. The terms of the Agreement are consistent with PG&E's established policy for such uneconomic line extensions and are the same as those in similar exceptional case agreements approved by the Commission.

NOTICE

1. Public notification was made by publication in the Commission Calendar.
2. Copies of this filing were mailed to other utilities, governmental agencies, and to all interested parties who requested such notification.

PROTESTS

1. No one protested Advice Letter 1405-E.

DISCUSSION

1. Under the Agreement's provisions, the seller is required to make a cash advance to cover the expected Cost-of-Ownership charges and the federal and state Contributions-in-Aid-of-Construction taxes. Due to the bankruptcy proceeding, it did not appear that Calumet and Ridgewheel were in any position to make cash payments. The loads currently served by the Ridgewood distribution system are not quite enough to offset the cash advance required. There are two homes under construction which are expected to be completed this year, and the additional load supplied by these homes will be sufficient to justify offsetting the required cash advance. In return, the Bankruptcy Court agreed to a revenue-based refund process. PG&E estimates that approximately 20-25 more homes need to be connected for the distribution system to become self-supporting. To complete the Calumet liquidation as quickly as possible, the Bankruptcy Court requested that any refunds be paid over a five-year period, rather than PG&E's traditional ten-year period.

2. The negotiations between PG&E and Calumet were completed in 1991 and approved by the Bankruptcy Court on February 13, 1992. CACD believes that the Agreement protects PG&E's other ratepayers and ensures safe and reliable service for the Ridgewood residents. Since the Bankruptcy Court has closed the Calumet Case, Calumet technically no longer owns the distribution system. PG&E requests that this Agreement be approved as filed.

3. CACD has reviewed the Agreement, and believes that it is consistent with electric line extension tariff rules.

4. By virtue of the Agreement, there will be no increases in any rate or charge, withdrawal of service, nor conflict with other rate schedules or rules.

FINDINGS

1. The "Bill of Sale and Uneconomic Purchase Agreement for Electric Facilities" between PG&E and Ridge-Wheel properties (Ridge-Wheel), dated June 1, 1992, to purchase an overhead electric distribution system, is reasonable and should be approved.

2. Since the Bankruptcy Court has requested that any refunds due be paid over a five-year period, rather than PG&E's traditional ten-year period, the shortened period, in this case, appears reasonable.

3. The Agreement will provide service to customers under terms that will not burden PG&E's other ratepayers.

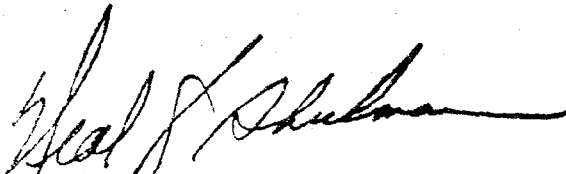
4. The Agreement should be accepted for filing.

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THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to enter into the agreement entitled "Bill of Sale and Uneconomic Purchase Agreement for Electric Facilities" with Ridge-Wheel Properties, dated June 1, 1992, to purchase Ridgewood overhead electrical distribution system under the provisions of General Order 96-A, Section X.A. as filed by Advice Letter 1405-E.
2. Pacific Gas and Electric Company's list of electric Contracts and Deviations is revised to include the Agreement, as required by Commission General Order 96-A.
3. Advice Letter 1405-E and supporting documents shall all be marked to show they were accepted in filing by Resolution E-3292 of the California Public Utilities Commission.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meet on October 21, 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