PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3341
Date: October 20, 1993

R E S O L U T I O N

RESOLUTION E-3341. PACIFIC GAS AND ELECTRIC COMPANY REQUEST FOR APPROVAL OF AN EXCEPTIONAL CASE UNECONOMIC ELECTRIC LINE EXTENSION AGREEMENT WITH MR. GLEN BIGGERS.

BY ADVICE LETTER 1431-E, FILED ON MARCH 23, 1993.

SUMMARY

1. By Advice Letter 1431, filed March 23, 1993, Pacific Gas and Electric Company (PG&E) requests authorization of an Exceptional Case Uneconomic Facilities Agreement (Agreement) with Mr. Glen Biggers (Biggers) under the Exceptional Cases provision of the utility's Electric Underground Line Extension Rule for Subdivisions (Rule 15.1). Under the Agreement, PG&E would build a 6,000 foot underground electric system to serve a lot sale subdivision near Butte Meadows in Butte County, California. In return, Biggers would pay PG&E $108,964.

2. This Resolution approves PG&E's request.

BACKGROUND

1. Typically, service to new subdivisions is extended under the utility's rule covering Underground Extensions Within New Residential Subdivisions and Residential Developments (Rule 15.1). Under the Rule, an applicant for service pays to the utility a refundable advance for the construction of the system and also provides the trench, backfill and conduit for the system.

2. When the minimum parcel size of a residential subdivision is three acres or more, the extension may be made overhead under the provisions of PG&E's Rule 15, Electric Line Extensions.

3. Bigger's subdivision consists of 30 lots (26 residential and 4 commercial) near Butte Meadows in Butte County, California. Every lot in the Biggers Subdivision is at least 5 acres in size. Extending underground service to Biggers would require the installation of 6,000 feet of underground electric distribution line. The proposed development will be a "lot sale" subdivision wherein the developer sells empty lots with the basic utility infrastructure installed.

4. The utility's extension Rule 15.1 has an "Exceptional Cases" provision for unusual circumstances. The text of that provision is as follows:

EXCEPTIONAL CASES
In unusual circumstances, when the application of these rules appears impractical or unjust to either party, PG&E or the developer 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.

5. The Commission established interim criteria for Exceptional Case treatment in Resolution E-3259. The Resolution stated:

When PG&E submits an advice letter for Exceptional Case treatment, it 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 (not included) 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."

6. In previous PG&E filings involving speculative ventures, the Commission has approved a cost of ownership formula (e.g. Resolutions E-3253, E-3256, and E-3264). The cost of ownership charges were derived from the monthly cost of ownership charges contained in the utility's Rule 2, Description of Service. The charges compensate the utility for the costs of owning, maintaining and replacing special facilities and allow PG&E to recover its expenses from specific customers responsible for the expenditure, relieving other ratepayers of this burden. The cost of ownership charge issue was assessed in Commission Decision (D.) 86-12-014 on Complaint (C.) 84-10-037. The methodology for the Rule 2 rates was developed during workshops.

7. In the Resolutions cited above, PG&E was ordered to amend the contracts because it had included a provision for refunds based on a revenue to cost formula without offering a justification for deviating from the tariff provisions. To quote from Resolution E-3253, "...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."

NOTICE

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

PROTESTS

1. No party filed a protest of Advice Letter 1431-E.

DISCUSSION

1. In this advice letter, there are two issues: Should this line extension be treated as an Exceptional Case? Is the Agreement reasonable?

2. PG&E believes this extension satisfies the interim criteria for Exceptional Case treatment for the following reasons:

A. There is no anticipated load to be served and consequently no free footage allowance;
B. The construction requirements of the extension depart from PG&E's optimal conditions. The subdivision is located at an elevation of 5,000 feet in mountainous terrain making access to and work at the site difficult. The developer had the option of an overhead line extension, but chose underground instead;
C. The subdivision is a speculative lot sale subdivision where the development of customers depends upon the sale of the lots and subsequent residential or commercial construction by the lot purchaser. At present PG&E does not anticipate any revenue from the subdivision;
D. The estimated extension cost of $108,964 exceeds $10,000.

3. In addition to the specifics outlined above, PG&E expressed the following concerns about the viability of the extension: Butte Meadows is experiencing a low growth rate which PG&E does not expect to change in the near future. If the low growth rate persists, it is unlikely that the subdivision will be built-out during the ten year term of the Agreement. Furthermore, since Butte Meadows is comprised primarily of vacation or summer homes, the seasonal load from this subdivision may produce scant revenues.

4. Based on the foregoing, PG&E requests Exceptional Case treatment. The Commission Advisory and Compliance Division (CACD) concurs.

5. Is the Agreement reasonable? PG&E would deviate from the extension rule by adding costs of ownership to Bigger's other charges under the extension rule. The Agreement is consistent with previous Exceptional Case filings in which PG&E sought and obtained Commission approval of agreements with cost of ownership charges. However, the Agreement also includes a cost to revenue formula for refunds which the Commission rejected. In this case, PG&E cites the vacation and summer home characteristics of Butte Meadows as a potential for below average revenues. Given the potential for low revenues and the higher expenses associated with underground construction at the Biggers site, CACD would agree that the cost to revenue refund provision is appropriate in this instance.

6. PG&E has fashioned the Agreement to require Biggers to pay PG&E an advance of $108,964. Of this amount, $101,745 is subject to refund if sufficient load develops. The advance consists of the cost of the extension, a Contributions-In-Aid-of-Construction tax (CIAC tax) on the extension cost and a Cost-of-Ownership Charge (CO) representing the continuing cost of ownership and maintenance of the line. The extension cost is $48,495; the CIAC tax is $16,488; and the CO is $36,762. Other minor costs bring the total to $108,964.

7. Mr. Biggers signed the Agreement on November 18, 1992.

8. PG&E is of the opinion that the Agreement protects PG&E's other ratepayers from bearing the cost of this speculative extension. CACD has reviewed the terms of the Agreement and supporting workpapers and concurs with PG&E's request for this specific case only. All future Exceptional Case agreements should be considered on a case-by-case basis.

FINDINGS

1. The Biggers subdivision satisfies the interim criteria for Exceptional Case treatment under PG&E's extension rules.

2. This Exceptional Case Uneconomic Facilities Agreement between PG&E and Mr. Glen Biggers would provide service to Mr. Biggers under terms which are fair to Mr. Biggers and to PG&E's ratepayers.

3. The refund provisions of the Agreement reflect the potential for low revenues and high installation costs which were not presented in other Exceptional Case speculative venture filings.

4. Mr. Biggers has agreed to this contract.

5. Acceptance of this agreement should be for this specific extension and should not be considered in any way as a precedent or endorsement by the Commission of PG&E's current practices in dealing with line extensions and/or acquisitions.

6. This filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with any rate schedule or rule.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company's Advice Letter 1431-E is approved.

2. Acceptance of this agreement is for this one case only and is in no way a precedent or an endorsement by the Commission of Pacific Gas and Electric Company's current practices in dealing with line extensions and/or acquisitions. All such future cases shall be determined on a case-by-case basis.

3. Pacific Gas and Electric Company shall revise its list of Contracts and Deviations to include the Agreement ordered above and shall file such revised tariff sheets with the Commission within sixty (60) days of the effective date of this Resolution.

4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 20, 1993. The following Commissioners approved it:

Neal J. Shulman

Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT Jr.
Commissioners