

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3116
April 6, 1994

R E S O L U T I O N

RESOLUTION G-3116. PACIFIC GAS AND ELECTRIC COMPANY.
REQUEST FOR APPROVAL OF AN EXCEPTIONAL CASE FACILITIES
GAS TRANSMISSION LINE EXTENSION AGREEMENT WITH THE CITY
OF REDDING.

BY ADVICE LETTER 1815-G, FILED ON NOVEMBER 18, 1993

SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests approval of an Exceptional Case Facilities Agreement (Agreement) between PG&E and the City of Redding ("Redding"), located along Clear Creek Road in Redding. The Agreement provides for a 3.3 mile gas transmission line extension to serve Redding. The Agreement is for the installation of PG&E owned facilities at Redding.
2. No protests to this advice letter were filed.
3. This Resolution grants the request.

BACKGROUND

1. Redding has requested that PG&E install 3.3 miles of gas transmission line in order to serve Redding's newly-installed natural gas burning turbine power plant which will generate electricity to meet Redding's peak or emergency electric load requirements. In order to serve this increased load, the new gas main will be built parallel to PG&E's existing transmission Line 402 near State Highway 273. It will also be necessary to rebuild Line 402 for operation under the increased pressures needed to serve the power plant.
2. Redding has no base load and therefore cannot guarantee any gas usage. PG&E considers the gas transmission line augmentation a speculative venture with no immediate source of revenue. The speculative character of the extension qualifies it as one of the criteria for exceptional case under the provisions of PG&E Tariff Rule 15.

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3. PG&E's extension Rule 15 has an "Exceptional Cases" provision for unusual circumstances. The text of that provision is as follows:

"In unusual circumstances, when the application of this Rule appears impractical or unjust to either party, PG&E 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."

4. PG&E is willing to install the necessary facilities and supply energy service, and Redding agrees to pay PG&E's capital costs, applicable taxes, costs-of-ownership and other pertinent costs set forth in its Agreement. PG&E claims that the Agreement would ensure that the unsupported line portion (costs not borne through Redding power load revenue) and ongoing cost-of-ownership are not transferred to the general ratepayer.

5. The estimated construction cost of approximately \$2,427,380 exceeds the \$10,000 threshold specified by Commission Resolution E-3341 for consideration of exceptional cases.

6. The cost-of-ownership charge issue was assessed in Commission Decision 86-12-014 on Complaint 84-10-037. The methodology for the Tariff Rule 2 was developed during workshops. In previous PG&E filings involving speculative ventures, the Commission has approved a cost-of-ownership formula (e.g. Resolutions E-3253, E-3256, E-3264 and E-3341). The cost-of-ownership charges were derived from the monthly cost-of-ownership charges contained in the utility's Tariff Rule 2, Description of Service. The charges compensate the utility for the costs of owning, maintaining and replacing facilities and permit PG&E to recover its expenses from specific customers responsible for the expenditure, relieving other ratepayers of this burden.

7. This filing will not increase any rate or charge, cause the withdrawal of service or conflict with any rate schedule or rule.

8. PG&E's List of Contracts and Deviations should be revised to reflect the Agreement.

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 protests were received for this advice letter filing.

DISCUSSION

1. PG&E has requested approval of an Exceptional Case Facilities Agreement between itself and the City of Redding. An extension agreement qualifies for consideration as an exceptional case if it meets the following guidelines adopted by the Commission in Resolution E-3341:

- 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.

2. The speculative nature of this extension is the prime reason for exceptional case consideration. Expected revenues from Redding may not be realized. The proposed gas transmission line will serve a peaker plant which will not produce a base load and therefore cannot guarantee any gas usage.

3. If, in the future, Redding's generation plant requires greater gas usage, Redding's base annual revenue will be adjusted and PG&E will make a refund to Redding. PG&E is required to audit Redding's gas usage annually.

4. According to PG&E Gas Rule 15-D--"Main Extensions to Applicants for other than Priority P1 Service", the applicable construction allowance for an extension of this type is the gross annual revenue, as determined by PG&E. PG&E estimates no gross annual revenue. Without revenue to support the costs, the cost-of-ownership and the Contributions-in Aid-of-Construction (CIAC) taxes must be offset by contributions from the City of Redding.

5. As the construction costs for the extension are approximately \$2,427,380, the first requirement for an exceptional case is met. (Job cost greater than \$10,000.)

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6. Based on the application of the adopted guidelines, this main extension is an exceptional case. The Commission Advisory and Compliance Division supports PG&E's position that this is an exceptional case line extension and recommends approval of the Agreement shown in the advice letter between PG&E and the City of Redding.

FINDINGS

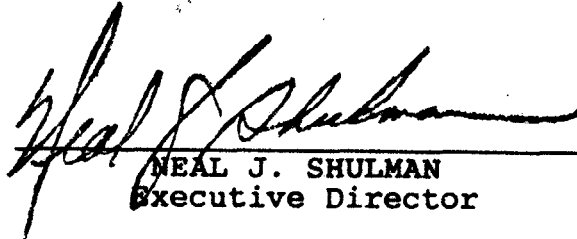
1. PG&E filed Advice Letter 1815-G on November 18, 1993.
2. PG&E requests approval of an Exceptional Case Facilities Agreement between PG&E and the City of Redding located along Clear Creek Road in Redding. The Agreement covers a 3.3 mile gas transmission main extension by PG&E to serve the City of Redding's newly-installed natural gas burning turbine power plant which will generate electricity to meet Redding's peak or emergency electric load requirements.
3. In order to serve this increased load, the new gas main will be built parallel to PG&E's existing Transmission Line 402 near State Highway 273. It will be necessary to rebuild Line 402 for operation under the increased pressures needed to serve the plant.
4. This extension is a speculative venture with no immediate source of revenue since the transmission line would serve a peaker plant that has no base load and therefore cannot guarantee any gas usage. The speculative nature of this plant complies with the guidelines for an exceptional case.
5. Since this main extension is speculative and has a job cost greater than \$10,000, the extension meets the guidelines for consideration as an Exceptional Case in PG&E Tariff Rule 15.E.7.
6. Based on the application of the adopted guidelines, this gas transmission line extension is an exceptional case. The Commission Advisory and Compliance Division supports PG&E's position that this is an exceptional case and recommends approval of the Agreement between PG&E and the City of Redding.

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THEREFORE, IT IS ORDERED that:

1. The Agreement for a gas transmission line extension between Pacific Gas and Electric Company and the City of Redding for a power plant near Clear Creek Road in Redding is approved.
2. Pacific Gas and Electric Company is authorized to add the above Agreement to its List of Contracts and Deviations.
3. Pacific Gas and Electric Company Advice Letter 1815-G shall be marked to show that it was approved by Commission Resolution G-3116.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 6, 1994. 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