

February 16, 2001

Advice 2294-G

(Pacific Gas and Electric Company)

Public Utilities Commission of the State of California

Subject: Submits Agreement with the Department of the Air Force and the County of Sacramento Reuse Authority In Accordance with General Order 96-A, Sections I.E. and X.B.

Pacific Gas and Electric Company ("the Company") hereby submits in accordance with Sections I.E. and X.B. of General Order 96-A an agreement between the Company and the County of Sacramento, California, a political subdivision of the State of California, regarding the provision of gas utility service to present and future occupants within the closing McClellan Air Force Base, along with a license from the United States Air Force ("Air Force") for use of Air Force property for that gas service, and a map showing the service area covered by the agreement. The McClellan Air Force Base consists of the main base, the Capehart Housing, Camp Kohler, and the Sacramento River Dock Area. Each of these is shown on the Agreement, respectively, in Exhibits A through D.

Background:

The Agreement is the result of extensive negotiations among the Company, the County of Sacramento ("County"), and the Air Force over an extended period of time. McClellan Air Force Base ("McClellan") is scheduled for closure as an active military installation no later than July 13, 2001, pursuant to the Defense Base Closure and Realignment Act of 1990, Public Law No. 101-510, as amended. Previously the base was under exclusive and partial Federal jurisdiction. On June 27, 2000 the State of California accepted retrocession of jurisdiction from the Federal Government effective on October 1, 2000.

The transaction consists of a number of steps involving the County, the Company, and the Air Force. The basic elements of the transaction are for the Air Force to transfer title of the gas distribution facilities to the County, and then for the County to transfer title of those facilities to the Company. Concurrently, the County must convey land rights to the Company for those facilities as the County obtains those land rights from the Air Force. Finally, the Company will obtain temporary land rights from the Air Force for the existing facilities until the lands and those facilities are transferred to the County.

The transaction between the Company and the County along with the accompanying Air Force action, consists of:

(1) Agreement Between the County of Sacramento and The Pacific Gas and Electric Company For The Conveyance of McClellan AFB Natural Gas Distribution System, which provides the foundation for the transaction. (Tab A)

(2) Easement from the County to the Company for the presently Air Force-owned facilities, the Company's currently owned facilities, and for future extensions made by the Company; all to go into effect as the County takes title to the real estate from the Air Force, Agreement, Exhibit G;

(3) A license from the Air Force to the Company to use the lands on which the Company's current gas facilities are located, and to the use the lands on which the to-be-transferred facilities are located, which license will be effective until the Air Force completes environmental remediation and transfers fee title to the County, at which time the County's easements to the Company will become operative. (Tab B).¹ The County will have to consent for the Company to use the lands in which the County will have a leasehold interest until the Air Force completes environmental clean-up and transfers fee title to the County. The Air Force signed the license on January 24, 2001, and the County executed its consent on February 6, 2001.

(4) A bill of sale from the County to the Company for gas utility facilities to be delivered when the County takes title to the gas distribution facilities from the Air Force, (Tab C).

The Company currently provides gas service to the Base through two master meters located at the boundaries of McClellan Air Force Base (see Agreement, Exhibit E-1 Sheet 7 and Sheet 20). Under the Agreement, the Air Force owned and operated the gas distribution system within McClellan Air Force Base.

The Agreement reflects the challenges of taking over utility service on a closing military base. For example, among other things, it addresses issues such as upgrading the existing facilities; obtaining temporary and permanent land rights for the facilities as the Air Force goes through the closing process; confirming responsibility for preexisting environmental hazards; and agreeing to procedures for working around contaminated areas.

¹ The final Air Force's license for the Company to use lands on which the gas facilities are located (Tab B), and the final County's consent to that license are acceptable to the Company, although they are in a different form from those described in the Agreement Section 5, and Exhibits H and I.

As part of the transaction, the Air Force will transfer its gas distribution facilities to the County, which will transfer them to the Company at no cost. However, the Air Force's existing gas distribution system does not meet safety and operating conditions for utility ownership according to applicable CPUC General Orders. The Company estimates that the cost to upgrade the facilities is approximately \$1.7 million. The Company will perform the necessary upgrades over approximately an eleven-year period consistent with safety needs and load growth.

The Air Force will transfer fee title of the Base to the County as the Air Force completes environmental remediation over the next 50 years. As and when the Air Force transfers fee title to the County, the County will give the Company easements for the gas facilities (Agreement, Exhibit G). In the meantime the Air Force will give the Company a license to use lands on which the gas facilities are located. (Tab B).

Because of the unique situation of the temporary rights granted to the Company, as the Air Force goes through the process of transitioning the base to civilian use, the Company may advise customers on the Base that it can serve them only as long as the Air Force does not alter its permission to continue to locate the gas facilities on Air Force property. The Air Force has agreed in its permit that its right to revoke the license "may be exercised only at the level of Director, AFBCA [Air Force Base Conversion Agency], or higher" and it "agree[d] not to revoke this License or require PG&E to relocate the Facilities except for reasons of national security." License, Section 13 (Tab B).

All pre-existing environmental hazards at McClellan Air Force Base are the responsibility of the Air Force under the terms of the agreements, existing environmental legislation, and base re-use legislation. (See, for example, Agreement Section 16).

Because the Air Force under Federal law is in the process of remediating environmental problems in certain discrete sites on the base as part of base closure, the Company had to agree that the Air Force would be involved if the Company needed to dig in those discrete "contaminated areas". Except in an emergency, either the Air Force would do the digging or it would oversee the digging as part of an approved digging plan. License, Section 17 (Tab B).

Gas service to the base is currently master-metered. Consequently, the Company will have to establish individual services to customers on the base, which it has agreed to do no later than September 1, 2001. In the meantime, the Company will use subtractive billing for individually metered services until the master meter is removed. Agreement, Section 9 (Tab A).

The Air Force and the County are discussing which will be responsible for any master meter billings if the Air Force should leave before September 1, 2001. If the Air Force leaves before that date, and it and the County have not agreed on master

meter billing responsibility, the Company will be required to turn off all unmetered service until individual services have been established, which will be no later than September 1, 2001.

Basically while the McClellan Air Force Base was under Federal jurisdiction the Company provided gas service at the boundary of the base. In a few instances such as Wherry Housing, the Company supplied gas service within the Base. Upon retrocession and the effective date of these agreements, the Company will serve customers within the Base through the system it is acquiring from the Air Force, at individual meters and through line extensions, if any, which the Company will make under the terms and conditions of its filed tariffs. To reflect this change of the Base from Federal to State jurisdiction, the Company is filing a service area map of McClellan Air Force Base showing the boundaries of the Base, including the main base, Capehart Housing, Camp Kohler, and the Sacramento River Area. (Tab D). Gas Service within these areas is contiguous to the Company's existing service territory.

The gas and electric Lists of Contracts and Deviations have been revised to reflect the agreements; the affected tariff sheets are listed on Enclosure I.

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

Protests

Anyone wishing to protest this filing may do so by sending a letter within 20 days of the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be sent by U.S. mail and via facsimile to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission (at the address shown below).

Pacific Gas and Electric Company
Attn: Les Guliasi

Manager, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based, and shall be submitted expeditiously. There is no restriction on who may file a protest.

Effective Date

In accordance with General Order 96-A, Section X.B., the Company requests that this filing be effective **February 16, 2001**, which is the date of filing.

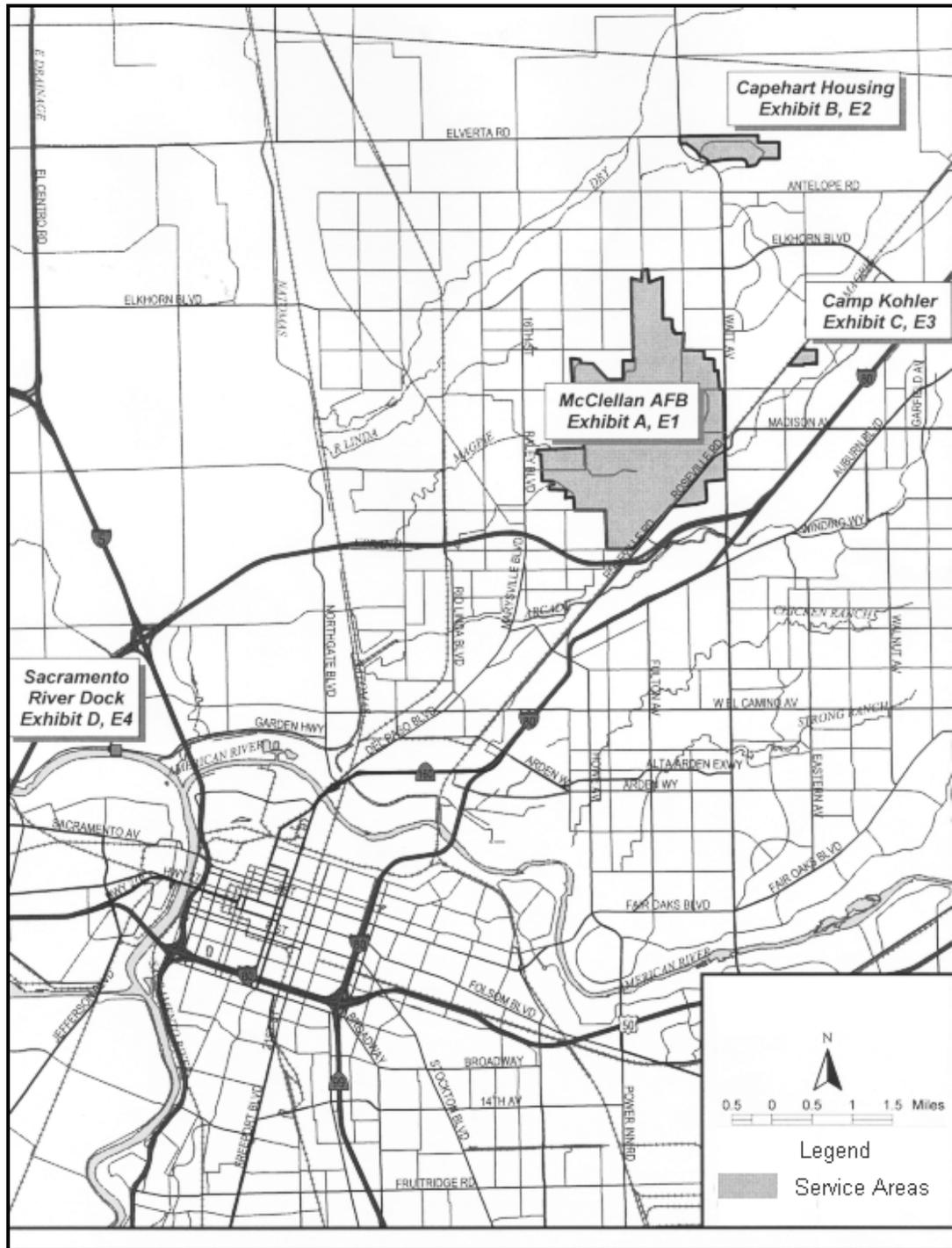
Notice

In accordance with Section III, Paragraph G, of General Order 96-A, the Company is sending a copy of this advice letter electronically and via U.S. Mail to parties shown on the attached list. Address and electronic address changes should be directed to Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Cc: United States Department of the Air Force, Conversion Agency
County of Sacramento, Military Base Conversion
County of Sacramento Reuse Authority

Attachments



Former McClellan Air Force Base Service Area



LIST OF CONTRACTS AND DEVIATIONS
(Continued)

Name and Location of Customer PG&E Installation Reference No.	Type or Class of Service	Execution and Expiration Dates	Commission Authorization Number and Date	Most Comparable Regular Tariff		
				Schedule or Rule No.	Contract Difference	
<u>SACRAMENTO VALLEY REGION</u>						
<u>Federal Agencies</u>						
U.S. Air Force, Fairfield Gardens, Travis Air Force Base, Solano County	Firm	6-3-59*1	G.O.96,X.B.	G-5	Facility Charge	
U.S. Air Force, McClellan Air Force Base, North Sacramento, Sacramento County	Firm	10-20-60*1	G.O.96,X.B.	G-4	Facility Charge	
U.S. Air Force, Mather Heights, Mather Air Force Base, Sacramento County	Firm	1-18-62*1	G.O.96-A,X.B.	G-5	Facility Charge	
U.S. Air Force, McClellan Air Force Base, North Sacramento, Sacramento County	Residential/ General Service	2-16-01	G.O.96-A, 1.E., X.B.	Rule 15	Negotiated Agreement	(N) (N)
<u>State Agencies</u>						
State of California Department of Public Health, Research Facility Solano County	Firm	12-18-64*1	G.O.96-A,X.B 4-20-65	G-6	Facility Charge	
<u>Counties and Cities</u>						
City of Redding	Inter	9-21-93*1	G.O.96-A,X.B	Rule 15 E-7	Gas Transmission Line Extension	(L)

* *1 to *8 See last page of Gas Contracts and Deviations Section for explanation of footnotes.

(Continued)



LIST OF CONTRACTS AND DEVIATIONS
(Continued)

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				Schedule or Rule No.	Contract Difference	
<u>SACRAMENTO VALLEY REGION (Cont'd.)</u>						
<u>Other Public Agencies</u>						
Consolidated Housing Authority of Sutter County	Firm	9-22-00*1	G.O.96-A,X.B.	Rules 15, 16	Special or Negotiated Agreement	(L) (L)
<u>Developers/Subdividers</u>						
Northgate 880 Industrial Park, Sacramento	Firm	10-22-74 ---	Res. G-1715 1-21-75	Rule 15	Monthly Cost of Ownership Charge	
Keith R. Anderson Walden Woods Subdivision Loomis, Placer County	Firm	7-15-75 10 years	Res. G-1798 8-26-75	Rule 15	Annual Cost of Ownership Charge	
Southern Pacific Industrial Development Co. Fairfield Industrial Park	Firm	1-76 ---	Res. G-2036 3-1-77	---	Monthly Cost of Ownership Charge For Special Facilities	
Southern Pacific Industrial Development Co. Fairfield, Solano Co.	Firm	1-76 ---	Res. G-2112 7-12-77	Gas Rule 15	Monthly Cost of Ownership Charge	
Crocker Land Co. Vaca Valley Industrial Park Vacaville	Firm	2-14-77 ---	Res. G-2099 6-21-77	Gas Rule 15 Sect. E-7	Cost of Ownership fund	
Southern Pacific Industrial Development Co. Southern Pacific Industrial Park, Fairfield	Firm	10-20-78 ---	Res. G-2270 4-11-79	Gas Rule 15 Sect. E-7	Monthly Cost of Ownership Charge	
L. John Propp Oakview Estates Folsom Road, Auburn	Firm	1-15-92 ---	Res. G-2950 12-181-91	Gas Rule 15 Sect. E-7	Uneconomic Line Extension	

* *1 to *8 See last page of Gas Contracts and Deviations Section for explanation of footnotes.

(Continued)



Pacific Gas and Electric Company
San Francisco, California

Original
Cancelling

Cal. P.U.C. Sheet No. 20391-G
Cal. P.U.C. Sheet No. 20212-G

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Advice Letter No. 2294-G
Decision No.

Issued by
DeAnn Hapner
Vice President
Regulatory Relations

Date Filed February 16, 2001
Effective February 16, 2001
Resolution No. _____



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