

ORIGINAL

Decision No. 18037

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }
PACIFIC GAS AND ELECTRIC COMPANY, }
a corporation, and C. B. JACKSON, }
for an order of the Railroad }
Commission of the State of }
California authorizing applicants }
to consummate in accordance with }
its terms a certain agreement of }
sale and purchase executed by }
applicants under date of December }
7, 1926, etc. }

Application No. 13429.

C. P. Catten, for Pacific Gas and Electric Company.

McCatchen, Olney, Mannon & Greene,
by A. C. Greene, for C. B. Jackson.

J. L. Johnson, for the City of Stockton.

BRUNDIGE, COMMISSIONER:

O P I N I O N

Pacific Gas and Electric Company and C. B. Jackson ask
the Railroad Commission to enter its decision:

1. Authorizing Pacific Gas and Electric Company to sell,
grant, convey, transfer and assign to C. B. Jackson
or his nominee, and authorizing said C. B. Jackson
to purchase and acquire from the Pacific Gas and
Electric Company all of the properties which the
Pacific Gas and Electric Company has agreed to
sell and convey to the latter under and in
accordance with the terms and provisions of the

agreement of sale dated December 7, 1926; and authorizing applicants to consummate said agreement in accordance with its terms; and

2. Authorizing Pacific Gas and Electric Company upon the transfer of said properties to C. B. Jackson or his nominee to cease furnishing and supplying water service and to be relieved of the duties and functions of a water corporation in the territory in which it now furnishes water service by means of the systems to be transferred.

Generally speaking, the properties which the Pacific Gas and Electric Company ask permission to sell are all of its properties, comprising the water systems owned by it in the Cities of Stockton, Oroville, Redding, Willows, Livermore and Dixon, and all properties of every description or character, whether real or personal, connected and/or used in connection therewith, and/or appertaining to said water systems except such property as is specifically excluded in and by virtue of the agreement of December 7, 1926.

A description of the real property to be transferred is contained in the agreement of December 7, 1926 (applicant's Exhibit "A"). Modifications of some of the descriptions were filed at the hearing had on this application on February 10th and have been marked as "Amendments to Exhibit 'A'".

Under the agreement of December 7, 1926, which agreement is between the Pacific Gas and Electric Company, called the "Seller" in said agreement, and C. B. Jackson, called the "Buyer", C. B. Jackson has agreed to pay for the properties which he intends

to purchase from the Pacific Gas and Electric Company as the same existed on July 31, 1926, the sum of \$2,455,000.00. For additions to and extensions of the properties which he has agreed to purchase, subsequent to July 31, 1926 and prior to the date of the transfer of the properties, the Buyer has agreed to pay the cost thereof provided that the Seller will not make any substantial addition or extension subsequent to the date of the agreement and prior to the transfer of the properties to the Buyer without first obtaining the consent and approval of the Buyer. The agreement further provided for the pro-rating of taxes, insurance, rent and/or other expenses incurred by the Seller in the normal operation or maintenance of the properties which have actually been paid and cover a period subsequent to the date on which the transfer of the property is consummated and likewise the pro-rating of taxes, insurance, rent and any other expenses incurred in or on account of the normal operation or maintenance of the properties before the date of the transfer of the properties and which are paid by the Buyer after the date of said transfer. There shall likewise be pro-rated all revenues actually collected in advance by the Seller subsequent to the date of transfer. The Seller shall be entitled to any revenues collected by the Buyer subsequent to the date of the transfer which are received for service rendered prior to the date of the transfer. Any obligations now resting on the Pacific Gas and Electric Company to furnish water will be assumed by C. B. Jackson. He in turn agrees to observe any contracts under which the Pacific Gas and Electric Company is furnishing water and any special rates which that company may now have in effect. As stated by the counsel at the hearing, the properties, so far as any contracts or service obligations are concerned, will be

operated by C. B. Jackson in the same manner as they are now operated by the Pacific Gas and Electric Company.

Under the terms of the agreement, the Buyer is obligated to construct a filter plant at Redding. From the agreement it appears that the Pacific Gas and Electric Company is selling the intake of the pumping plant at Redding, but reserves the right to take free water for its sub-station requirements from the intake of the pumping plant at Redding. At Willows the Pacific Gas and Electric Company is selling the pumping plant equipment from one well and agrees to lease the ^{well to} C. B. Jackson for a period of five years. The agreement provides, among other things, that if the Buyer operates the plant, it will permit the Seller to take, without charge, all of the water needed by it for the operation of its gas plant and sub-station in the City of Willows and that the Seller shall have the right to operate said plant, without charge, but at its own expense when the Buyer is not operating it for the purpose of obtaining for the Seller the water it desires to supply said gas plant. Under the terms of the agreement, the Seller also reserve the right of repairing, maintaining and operating the electric lines now maintained by it over and across any of the lands or properties to be sold and purchased under the agreement. I am of the opinion that any and all provisions of the agreement, whether mentioned in this decision or not, that give the Pacific Gas and Electric Company free use of and to any property that is being sold or giving the Seller the right to water without charge, should be eliminated. Whatever water is furnished by C. B. Jackson to Pacific Gas and Electric Company should be furnished under rates approved by the Commission, and likewise, the Pacific Gas and Electric Company should pay a reasonable consideration for the use of any property which, under the terms of the

agreement, it has agreed to sell to C. B. Jackson.

In C. B. Jackson's Exhibit No. 2, the operating revenues of the properties which he intends to purchase are reported for the year ending December 31, 1925, at \$398,558.90 and for the year ending October 31, 1926 at \$430,157.93. These amounts are segregated to the different systems as follows:-

<u>Particulars</u>	<u>Year Ended</u>	
	<u>December 31,</u> <u>1925</u>	<u>October 31,</u> <u>1926</u>
Gross Earnings -		
Stockton	\$274,061.24	\$299,899.40
Redding	37,308.62	36,915.72
Willows	19,204.79	21,360.39
Livermore	15,600.00	17,020.03
Dixon	9,793.17	9,755.26
Oroville	42,591.08	45,207.13
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Total --	\$398,558.90	\$430,157.93
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It is of record that the revenues shown above include water sales by the Pacific Gas and Electric Company to other departments of that company on the basis of regular rates of the Pacific Gas and Electric Company less ten percent.

While evidence was submitted in regard to the reproduction cost new and the reproduction cost new less depreciation of the properties, no examination has as yet been made by the Commission's representatives of such costs. For the purpose of this proceeding I do not believe that it is necessary to make such an examination. The order herein will not authorize the transfer of the properties to C. B. Jackson or his nominee, as requested, but only to C. B. Jackson. There is now pending before the Commission Application No. 13574, from which it appears that C. B. Jackson intends to transfer the properties referred to herein to the California Water Service Company. If such a request is made in connection with that proceeding or if C. B. Jackson files a new application for

permission to transfer the properties to that or to any other corporation, the Commission will then determine what examination should be made of the estimated cost of the properties.

No one appeared before the Commission protesting the granting of the application. The Pacific Gas and Electric Company reports that a large part and portion of its water properties, used and useful in its public utility business of furnishing and supplying water for municipal, domestic and/or agricultural purposes, were acquired by it from its predecessors in interest in connection with the purchase and acquisition of electric plants and systems of other corporations. The company desires to cease performing the duties and functions of a public utility water corporation in the territory in which are situated the water systems and properties it has agreed to sell to C. B. Jackson and to devote its efforts in such territory exclusively to the conduct of the business and performance of the duties of an electrical or gas corporation. It is reported that none of the properties which the company asks permission to transfer are necessary or useful in the conduct of the Pacific Gas and Electric Company public utility business of generating, transmitting, furnishing, selling or delivering electricity and/or gas.

I herewith submit the following form of order.

ORDER

Pacific Gas and Electric Company having asked permission to sell, grant, convey, transfer and assign the public utility properties referred to in this application to Mr. C. B. Jackson or his nominee and to cease to operate said properties and C. B. Jackson

having asked permission to purchase the same and the Railroad Commission being of the opinion that this application should be granted subject to the provisions, terms and conditions of this order and not otherwise, therefore,

IT IS HEREBY ORDERED as follows:-

1. The Pacific Gas and Electric Company may sell, grant, convey, transfer and assign, on or before July 1, 1927, the public utility properties referred to in this application to C. B. Jackson who is hereby permitted to purchase, acquire and operate said properties, said transfer to be made under and in accordance with the terms of the agreement filed in this proceeding as applicant's Exhibit "A", provided that the description of the real property in said agreement be modified as indicated in the amendment to Exhibit "A" filed February 10, 1927; and, provided further, that said agreement be modified so that C. B. Jackson will not be obligated to furnish to the Pacific Gas and Electric Company any water, except under rates approved by the Commission; and, provided further, that said agreement be modified so that C. B. Jackson shall not be required to permit Pacific Gas and Electric Company to use any of the property, which he is hereby authorized to purchase, without receiving from Pacific Gas and Electric Company a reasonable consideration for said use.

2. Pacific Gas and Electric Company, upon the effective date of this order and upon the transfer of the aforesaid properties to C. B. Jackson, may cease to furnish and supply water service and is hereby relieved of the duties and functions of a water corporation in the territory in which it now furnishes water service by means of the water systems or properties which it is hereby authorized to sell.
3. The authority herein granted will become effective upon the approval by the Commission of the rates which the Pacific Gas and Electric Company shall pay for water furnished by C. B. Jackson and of the consideration which the Pacific Gas and Electric Company shall pay for the use of any property which may be transferred under the terms of this order.
4. Within thirty (30) days after the transfer of the properties referred to herein, C. B. Jackson shall file a certified copy of each and every deed and a certified copy of any and all other instruments of conveyance under which he acquires and holds title to said properties.
5. Within thirty (30) days after the transfer of the properties referred to herein, Pacific Gas and Electric Company shall file with the Commission a statement showing the exact date on which it transferred the properties and relinquished possession of the same.
6. A detailed statement of the consideration which C. B. Jackson has paid or has agreed to pay for the

properties, shall be filed by him with the Commission within sixty (60) days after he has acquired said property.

7. Pacific Gas and Electric Company within sixty (60) days after the effective date of this order shall file with the Railroad Commission a statement showing how it has or intends to use the proceeds obtained from the sale of the properties referred to herein.
8. The authority herein granted to transfer properties is on condition that applicants will not urge before this Commission that the sale and purchase price of the properties represents the value of said properties for any purpose other than the transfer herein authorized.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 2nd
^{March} day of ~~February~~, 1927.

E. M. West
H. B. Burdick
C. L. ...
Leon ...
Thos. ...

Commissioners.