

LBM

Decision No. 23054.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY and PACIFIC
GAS AND ELECTRIC COMPANY, a corpora-
tion, for an order of the Railroad
Commission authorizing the applicants
to consummate a certain agreement of
sale and purchase dated August 29, 1930.)

ORIGINAL

Application No. 16928

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

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to make its order granting and conferring upon Pacific Gas and Electric Company all necessary permission and authority to consummate an agreement dated August 29, 1930 by and between Pacific Gas and Electric Company and the Board of Trustees of the Leland Stanford Junior University, hereinafter mentioned as Stanford University.

The agreement of August 29, 1930, a copy of which is filed as Exhibit "A", has reference to the sale by Stanford University to Pacific Gas and Electric Company, for \$25,000.00, of an electric distribution system located on the university campus, known as the "unmetered circuits", together with rights of way of reason-

able width across the campus for the maintenance, operation, repair and replacement of the system and for any extensions thereof. The "unmetered circuits" consist of poles, underground ducts and manholes, together with all wires, cables, conductors and other equipment located within said ducts and between said manholes, and also overhead wires, conductors and other equipment attached to and located upon and between said poles, as follows:-

1. Overhead conductors, together with insulators, cross-arms and incidental equipment, constituting the feeder circuit from the Purchaser's distribution system, adjoining the Stanford University Campus, to the Seller's substation on Panama Street upon said campus;

2. Overhead conductors and services, together with insulators, cross-arms and incidental equipment, connected to said feeder circuit;

3. Overhead conductors and services, together with insulators, cross-arms and incidental equipment, extending onto the Stanford University Campus connected directly to the Purchaser's distribution system adjacent to said Campus;

4. Overhead conductors, insulators, cross-arms and other devices incidental thereto, extending from Mayfield Avenue in a southerly direction along San Francisquito Creek known as the Quarry Tap;

5. And all conductors and other equipment extending by means of pole risers between said poles and said manholes and duct lines.

Such overhead conductors as emanate from Seller's substation upon said Campus for service of Seller's principal buildings, pumping plants and street lights, including all incidental insulators, cross-arms, and services connected thereto and all poles indicated upon the annexed drawing by crosses, are not included as part of the electric distribution system to be sold and purchased hereunder.

Testimony introduced at the hearing on this application shows that Pacific Gas and Electric Company supplies the university with electricity at one central point at 2300 volts. The university owns the circuits, designated as "metered circuits", leading from this central receiving point to the university buildings, while

Pacific Gas and Electric Company operates the so-called "unmetered circuits", also located on the university properties, extending to the various inhabitants on the campus, fraternity houses, etc. For a number of years the unmetered circuits had been installed with the university paying for the materials, such as poles, wire, cross-arms, insulators and other items, and the electric company supplying the labor and installing its own transformers, services and meters and billing the consumers direct under the regular schedules of rates applicable in that area.

The arrangement is said to have become very complicated and to clear the matter, the university has decided to transfer title to the unmetered circuits to the utility. Upon the conclusion of the transactions, the university will own its own distributing system serving only its buildings, with current purchased from Pacific Gas and Electric Company, while the latter will own the properties supplying other consumers and buildings on the campus. Such poles as may carry both circuits will be owned by the utility, the university receiving contact for its circuit. The transaction will result in no change in rates to the consumers served by Pacific Gas and Electric Company.

The purchase price of \$25,000.00 is said to represent approximately the investment made by the university in the properties to be sold. Mr. J. T. Ryan, valuation engineer of Pacific Gas and Electric Company, testifying on the value of the properties, stated that in his opinion the reproduction cost new less depreciation, as of December 31, 1929, aggregated \$31,486.00, as shown in detail in Exhibit No. 1, and the historical reproduction cost amounted to \$36,721.00, approximately, and the historical reproduction cost less depreciation to \$28,736.00. While the record here shows, as pointed out in this opinion, that Pacific

Gas and Electric Company furnished the labor in the construction of the circuits to be transferred, it appears that such labor costs were not set up by the company in its capital accounts so that the transfer as now proposed should not result in any duplication in investment figures.

We believe the application should be granted. In the recording of the transaction on the books of account of the purchaser, the figures representing historical reproduction cost should be the ones set up in the fixed capital accounts, rather than the reproduction cost new estimates, offsetting such costs in part with an amount in the depreciation reserve account representing estimated accrued depreciation. Any difference between the historical reproduction cost less depreciation figures and the purchase price may be adjusted through the profit and loss account.

O R D E R

Application having been made to the Railroad Commission as set forth in the preceding opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that it should enter its order as follows:

IT IS HEREBY ORDERED that:

- (1) Pacific Gas and Electric Company may enter into the agreement dated August 29, 1930 with the Board of Trustees of the Leland Stanford Junior University, referred to in the foregoing opinion, and do whatever may be necessary to consummate said agreement.
- (2) Pacific Gas and Electric Company, upon recording the purchase of the properties referred to in said agree-

ment, may charge to fixed capital accounts amounts not exceeding the estimated historical reproduction costs of such properties as of the date of transfer, offsetting such amounts, in part, with a credit entry to its depreciation reserve account representing depreciation estimated to have accrued as of the date of transfer.

- (3) The authority herein granted will become effective ten (10) days from the date hereof.

DATED at San Francisco, California, this 6th day of November, 1930.

C. L. Weaver
Wm. B. Lott
Wm. B. Lott
Wm. B. Lott
Commissioners.