

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and WESTERN STATES GAS AND ELECTRIC COMPANY, a corporation, for an order of the Railroad Commission of the State of California authorizing the sale and conveyance of properties; the determination of a fair and reasonable value of the properties to be sold and conveyed; authorizing the applicants to cease furnishing electric service in the territory mentioned herein.

Application No. 7556

Charles P. Cutten, for Pacific Gas and Electric Company.
Chickering & Gregory, by Allen Chickering, for Western States Gas and Electric Company.

MARTIN, COMMISSIONER

O P I N I O N

Applicants, Pacific Gas and Electric Company and Western States Gas and Electric Company, have entered into a certain agreement dated December 1, 1921, for the transfer of certain electric distribution properties near Stockton and Lodi whereby they will eliminate present unsatisfactory conditions of competition and duplication of system. The property desired to be transferred consists of certain distribution lines and equipment of Pacific Gas and Electric Company which will be conveyed to Western States Gas and Electric Company, and certain distribution lines of that company which will be conveyed to Pacific Gas and Electric Company.

The applicants ask, in effect, that the Commission fix and determine the fair and reasonable value for the purpose of sale and purchase of the properties to be transferred by each company to the other; that the Commission authorize the transfer of the properties as described in the contract and inventory and appraisals submitted at the values determined, and that it authorize Pacific Gas and Electric Company to cease furnishing electric service in the territory served by means of the property to be transferred to Western States Company, and the Western States Gas and Electric Company to cease furnishing service in the territory served by means of the lines it proposes to transfer to Pacific Company.

It is urged that the transfer is advisable as it will eliminate existing duplication of electric transmission and distribution lines and prevent future duplication, with resultant benefits to the utilities and to the consumers in less cost and better service. Applicants also filed a supplemental petition at the hearing, which sets forth the corrected description of the properties to be transferred, including an inventory and appraisal of properties as of April 1, 1921.

The agreement dated December 1, 1921 between the two parties, filed as Exhibit A in this proceeding, provides in detail for the transfer of the properties and business of each company and delineates on maps attached thereto the location of the same, showing the proposed division line between the territory to be served by each company. If the transfer is consummated Western States Gas and Electric Company will take over and operate all electric distribution lines, serving consumers within the territory near Stockton, generally bounded on the north by the Calaveras River, east by the

Diverting Canal, on the west by the San Joaquin River and on the south by a line approximately four miles south of French Camp, designated upon the maps attached to the contract. Certain transmission and main distribution lines are retained by the Pacific Company for transmission of power through the district. Pacific Gas and Electric Company will take over Western States Company's lines outside of this district. Western States Gas and Electric Company agrees, in addition, to construct an 11,000 volt transmission line north of the Calaveras River, to replace one now owned by the Pacific Company south of the river. The territory from which Pacific Company will withdraw, in and about Lodi, is bounded on the south by a road known as "Hogan's Lane" and an extension thereof, on the west by a zigzag line, generally located between existing distribution lines of the two companies, on the east by the eastern boundary of San Joaquin County. There is no boundary on the north.

Applicants request the Commission to find the fair values of these properties for the purpose of purchase and sale, and further request that these values be designated as the amounts to be paid by each party for the property which it is to receive in the event that the mutual transfer herein discussed be consummated. Applicants request that the Commission authorize them in effect, to transfer the properties on the same basis as might be determined were the properties being condemned. Evidence as to the matter of such values was introduced at the hearing and this evidence has been carefully considered by the Commission.

It does not appear that the value which might be determined for condemnation purposes represents the reasonable price for which these utilities should be authorized to exchange these properties. Both parties are public utilities whose properties have been dedicated to

public service and whose rates are subject to regulation by this Commission. Duplication exists in the systems, which upon transfer will result in the taking down of certain lines and reducing them to a salvage value.

The price at which this Commission will approve the purchase and sale of properties under the conditions in this case is represented by the historical cost of the properties less the reasonable depreciation accrued by each party in the normal operation of its business. From analysis of the evidence, it appears that these amounts are as follows:

Properties to be transferred to Western States Gas
and Electric Company:

Historical cost less depreciation,	4-1-21	\$ 92,015
Additions and Betterments to	6-1-22	12,206
Total		\$104,221

Properties to be transferred to Pacific Gas and
Electric Company:

Historical cost less depreciation,	4-1-21	\$ 37,977
Additions and Betterments to	6-1-22	4,718
Total		\$ 42,695

It is the opinion of the company's representatives and also of the Commission's engineers investigating the matter that it will be of benefit to the public that an elimination of duplication and competition be had. The territory in question is too sparsely settled to justify the existence of two utilities under any circumstances and the elimination of the competition I find to be a justification for the transfer.

An investigation of the rates of the two utilities indicates that in general, the rates of Pacific Gas and Electric Company, in this district, are higher than those of Western States Gas and Electric Company, although certain consumers will be reduced if they are placed on Pacific Company's rates, and similarly certain consumers

will be raised by transfer to Western States Gas and Electric Company. There is before the Commission at the present time for decision a proceeding for the fixing of rates of the Pacific Gas and Electric Company. A proceeding is also pending before the Commission for the fixing of rates of the Western States Gas and Electric Company. It appears that upon the transfer of the properties under consideration herein, the present rates in effect to the consumers should continue until the rates are fixed in the proceedings now pending on the respective companies^{systems} / at which time the new rates should become effective, unless in the meantime individual consumers elect to take service under the purchasing company's rates.

Both Pacific Gas and Electric Company and Western States Gas and Electric Company hold certain deposits for extensions or guarantee of bills of their consumers. Upon the transfer of the properties a settlement of these deposits should be had for consumers to be transferred either by the transfer of the same to the company purchasing the system or by a return of deposits to consumers. The Order herein will require that prior to the final transfer of the property, applicants shall submit to the Commission a definite plan satisfactory to the Commission for the handling of these deposits.

I submit the following form of Order

O R D E R

Pacific Gas and Electric Company and Western States
✓ Gas and Electric Company having filed with the Commission^a petition for authorization of sale and conveyance of properties and the determination of the fair and reasonable value of properties to be transferred and the cessation of serving in certain territory, hearing having been held and the matter submitted and ready for decision, and the Commission being of the opinion that it is in the public interest that the transfer be made,

IT IS HEREBY ORDERED as follows:

(1) That Pacific Gas and Electric Company be, and the same is hereby authorized, to sell and convey to the Western States Gas and Electric Company, and the Western States Gas and Electric Company to purchase from Pacific Gas and Electric Company all of the property which Pacific Gas and Electric Company has agreed to sell and convey unto the Western States Gas and Electric Company for the sum of \$104,221, plus the cost of net additions and betterments to said properties made on and after June 1, 1922, as provided in that certain agreement dated December 1, 1921.

(2) Western States Gas and Electric Company be, and the same is hereby authorized to sell and convey to Pacific Gas and Electric Company, and Pacific Gas and Electric Company to purchase from Western States Gas and Electric Company all of the property which Western States Gas and Electric Company has agreed to sell and convey to the Pacific Gas and Electric Company, as provided in that certain agreement dated December 1, 1921, for the sum of \$ 42,695. plus the cost of all net additions and betterments to said properties made on and after June 1, 1922:

(3) Pacific Gas and Electric Company is hereby authorized to cease furnishing service to the public in the territory served by means of the property which Pacific Gas and Electric Company has agreed to sell and convey to Western States Gas and Electric Company, or any extensions thereof or additions thereto, effective concurrently with the date of transfer of properties herein authorized.

(4) Western States Gas and Electric Company is hereby authorized to cease furnishing electric service to the public in the territory served by means of the property which the Western States Gas and Electric Company has agreed to sell and convey to Pacific Gas and Electric Company or any extension thereof or addition thereto, except as provided in said agreement of December 1, 1921, effective concurrently with the date of the transfer of properties herein authorized.

(5) Pacific Gas and Electric Company and Western States Gas and Electric Company file with this Commission statements of all deposits on hand as of January 1, 1923, from consumers served from the systems herein authorized to be transferred, together with a definite plan for the disposition of the same.

The above authorization shall be applicable to such transfers as shall be made on or before April 1st, 1923.

The above 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 29th day of December, 1922.

H. G. Brundage
Dwight Martin
J. T. Lueder
Commissioners