

Decision No. 32651.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of THE DIAMOND MATCH COMPANY and PACIFIC GAS AND ELECTRIC COMPANY for an order of the Railroad Commission authorizing applicants to enter into an agreement providing for the assumption by Pacific Company of Diamond Company's public utility obligations in respect to electric service to customers in Stirling City, Butte County, California, etc., and authorizing Pacific to make effective in the territory involved the electric rates, rules and regulations herein referred to.

ORIGINAL

Application No. 23090.

Matthew E. Marsh, for The Diamond Match Company.

R. W. DuVal, for Pacific Gas and Electric Company.

BY THE COMMISSION:

O P I N I O N

In this application The Diamond Match Company, hereinafter sometimes referred to as Diamond, and the Pacific Gas and Electric Company, hereinafter sometimes referred to as Pacific, ask the Railroad Commission of the State of California for an order authorizing Pacific to enter into an agreement with Diamond providing for the assumption by Pacific of The Diamond Match Company's public utility obligations in respect to electric service in Stirling City, Butte County, California, and, further, to make effective in that territory Pacific's rules and regulations and certain of its electric rates herein referred to.

A public hearing was held in this matter in Stirling City on December 4, 1939, at which evidence was taken by Examiner Wehe and the matter submitted for decision.

According to testimony presented at the above hearing, The Diamond Match Company has been supplying direct

current electric service, primarily as an accommodation, to the inhabitants of Stirling City for a number of years but this service has been incidental to the Company's primary undertakings in this area, namely, the operation of saw mills. The electric generating equipment was designed and installed more than twenty years ago and, because of its limited capacity, is inadequate to render service properly to the public under present-day conditions. Pacific has indicated that, in the event this application is granted, it will replace the present direct current service in Stirling City with alternating current service by connecting with the remainder of its system.

The record shows that, in order to serve the inhabitants of Stirling City, it will be necessary for Pacific to construct an 11 Kv. single phase transmission line from Toad Town to Stirling City and to install a completely new distribution system at its terminus. In addition, it proposes to install meter loops on all existing buildings in Stirling City which shall be supplied with electric service within thirty (30) days after the installation of the proposed distribution system. Further, under the terms of the proposed agreement, Pacific has agreed to dismantle, at its own expense, all copper wires and insulators from the existing distribution system and deliver the same to The Diamond Match Company's storehouse. Diamond has agreed to dismantle and dispose of all poles, cross arms and hardware of said system. The estimated cost to Pacific to complete the program outlined above is approximately \$22,100.

According to the terms of the agreement, The Diamond Match Company will discontinue rendering electric service in Stirling City and vicinity, except to supply its own requirements in its mill and other company-owned buildings used in its saw mill operations. Pacific has agreed to convert, at its own expense,

from direct current operation to alternating current operation all existing electric refrigerators, washing machines, etc., now supplied by direct current electric service by Diamond and which will have been connected with Pacific's service lines within thirty (30) days after the installation of the said distribution system.

To extend Pacific's electric system to Stirling City, it will be necessary to utilize certain of the county roads of the County of Butte. There is before this Commission, at the present time, Application No. 22216 of the Pacific Gas and Electric Company which requests the granting to Pacific of a certificate of public convenience and necessity to exercise the rights and privileges of a general franchise granted to Applicant by Ordinance No. 349 of the Board of Supervisors of the County of Butte, California. At the hearing in Stirling City, heretofore mentioned, Pacific introduced an amendment to its original application requesting the granting to it of a certificate of public convenience and necessity to exercise the rights and privileges of the franchise covered by Application No. 22216, in order to extend its electric facilities to Stirling City. In so far as the extension of Pacific's electric facilities to Stirling City is concerned, the Order will provide for such a certificate.

At the hearing witness for Pacific testified that, according to the terms of the agreement, the Pacific Gas and Electric Company will pay The Diamond Match Company, in installments, the sum of \$3,500 in the following manner: at the end of each year from 1940 to 1949, inclusive, Pacific will submit to Diamond a statement showing the gross dollar receipts received from the sale of electric energy in the territory involved and, in the event such sales exceed \$4,000 for said year, Pacific will pay to Diamond twenty (20) per cent of the amount such receipts so exceed \$4,000; provided no sum will be paid for any year after 1949.

The record shows that Pacific Gas and Electric Company will construct a new and complete electric distribution system, adequate to supply all the inhabitants of Stirling City with alternating current for electric service. It is not acquiring any physical property, except rights of way, for the \$3,500, or such lesser amount, which it must pay The Diamond Match Company under the agreement filed in this proceeding as Exhibit "A." By the terms of this agreement, and according to the testimony, Pacific Gas and Electric Company will dismantle the existing electric distribution system at Stirling City; will install meter loops on all existing buildings; and convert from direct current operation to alternating current operation all consumers' appliances. The Pacific Gas and Electric Company is not rehabilitating an existing electric distribution system. It has obligated itself to incur expenses which are not chargeable to any fixed capital account. The \$3,500, or such lesser amount as the company may have to pay The Diamond Match Company under said agreement, may temporarily be charged to Account 391, Electric Plant Purchased. The original cost of the rights of way, which The Diamond Match Company will grant to Pacific Gas and Electric Company, should be cleared from said Account 391 and transferred to Distribution Plant Account 350, Land and Land Rights. The balance remaining after such transfer from said Account 391 may then be transferred to Account 100.5, Electric Plant Acquisition Adjustments, subject to the provisions of said account. There is no occasion to carry through said Account 391 the cost of the new distributing system which the Pacific Gas and Electric Company will construct at Stirling City.

Pacific's witness presented, as Exhibit No. 1 at the hearing, a survey of the potential electric business anticipated in Stirling City. This exhibit indicated that Pacific may reasonably expect, within the first five years following commencement of the

the new service, to derive a gross revenue of approximately \$27,385.

For a number of years, The Diamond Match Company has been charging its customers a flat rate per lamp. In Application No. 22011, The Diamond Match Company requested authority to change to metered electric service. In response to this application, and after public hearing in the matter, this Commission in Decision No. 31665, dated January 16, 1939, authorized Diamond to render metered service and to make effective on March 1, 1939, certain meter rates set forth therein. Because of the practical difficulties involved in the change from flat rate to metered service, by supplemental orders the effective date was extended to November 1, 1939. In the interim, the agreement covered by this application was consummated by the two parties involved.

Applicants have requested authority for Pacific to withdraw and cancel the filed electric rates and rules and regulations of The Diamond Match Company and to make effective in Stirling City and vicinity Pacific's own filed rules and regulations covering the furnishing of electric service and also to make effective for electric service in the said area Pacific's several filed rate schedules presently applicable to alternating current service in its unincorporated areas (exclusive of built-up suburban areas) of Butte County. Because of the form of the Pacific Gas and Electric Company's rates, compared to those prescribed by this Commission's Decision No. 31665 heretofore referred to, the application of Pacific's proposed rates in Stirling City will bring about increased billings for certain usages; however, when consideration is given to the improvement in the character of the service, which will be rendered under the proposed program, it is the opinion that the proposed rates are not unreasonable.

At the public hearing of this matter, a representative

group of the consumers of Stirling City were present and no one appeared to oppose or protest the granting of the various matters prayed for in the application.

O R D E R

The Diamond Match Company and Pacific Gas and Electric Company having applied to the Railroad Commission of the State of California for permission to enter into an agreement providing for the assumption by Pacific Gas and Electric Company of The Diamond Match Company's public utility obligations in respect to electric service to consumers in Stirling City, Butte County, and for an Order certifying that present and future public convenience and necessity require and will require the granting to Pacific the authority to exercise all permits, easements and franchises used or useful in connection with the construction and operation of the necessary transmission and distribution system for Stirling City and vicinity, as herein described, and the making effective in the territory involved certain of its rate schedules and its rules and regulations;

A public hearing having been held, the matter being submitted and now ready for decision,

The Railroad Commission of the State of California Hereby Authorizes the Pacific Gas and Electric Company to enter into an agreement with The Diamond Match Company for the assumption by it of the latter's public utility obligations in respect to electric service in Stirling City, Butte County, according to the terms and conditions set forth in said agreement, marked Exhibit "A" and attached to the application.

The Railroad Commission of the State of California Hereby Certifies and Declares that public convenience and necessity require and will require the construction, operation and use by the Pacific

Gas and Electric Company of an electric transmission line from Toad Town to Stirling City; the furnishing of alternating current electric service from said transmission system to customers in Stirling City and vicinity; and, also, the exercise, in so far as this particular project is concerned, of the rights and privileges of that certain franchise of the County of Butte, State of California, covered by Application No. 22216, now pending before this Commission.

The authorization herein granted is subject to the following additional conditions and not otherwise:

- (1) That the Pacific Gas and Electric Company shall file two (2) copies of the executed agreement with The Diamond Match Company with the Commission within thirty (30) days after its execution.
- (2) That the Pacific Gas and Electric Company shall withdraw and cause to be cancelled all of the presently effective rates and rules and regulations of The Diamond Match Company for electric service in Stirling City.
- (3) That the Pacific Gas and Electric Company, upon the completion and placing in operation of the electric project prescribed in this Order, shall make effective in this area the rates set forth in its several filed rate schedules presently applicable to alternating electric current service in the unincorporated areas (exclusive of built-up suburban areas) of Butte County, California, and its presently filed rules and regulations.

Except as otherwise provided herein, this Order shall become effective upon the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of December, 1939.

Robert W. Johnson  
Frank D. Wilson  
W. H. Baker  
Justus J. Casner  
Commissioners.