

ORIGINAL

Decision No. 36945

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CALIFORNIA-PACIFIC UTILITIES COMPANY,

for an order authorizing it (a) to dispose of three Diesel engine generators and appurtenant equipment, and (b) to use Accounts Nos. 141 (Extraordinary Property Losses) and 506 (Property Losses chargeable to Operations) of the Uniform Systems of Accounts.

Application
No. 26004

Orrick, Dahlquist, Neff, Brown & Herrington,
by T. W. Dahlquist, for Applicant.

Harold Payne, City Attorney, for City of Needles.

BY THE COMMISSION:

O P I N I O N

California-Pacific Utilities Company asks the Commission to make its Order authorizing it to sell one 360 H.P. and two 240 H.P. Diesel generating units and appurtenant equipment and to charge to Account 141, "Extraordinary Property Losses," the extraordinary property losses to which reference is made hereafter, and to amortize said losses through the use of Account 506, "Property Losses Chargeable to Operations."

The California-Pacific Utilities Company, hereinafter sometimes referred to as applicant, is engaged in the public utility business (among others) of supplying electric, gas and telephone service to the public at Needles and vicinity. The issues raised by this application relate only to applicant's electric and gas properties and business at Needles and vicinity.

Applicant owns, in the City of Needles, a parcel of land, irregular in shape which is bounded on the north by A and P Avenues, on the east by Nevada Street, and on the southwest by The Atchison, Topeka & Santa Fe Railway Company's right of way. Its location is shown on the map filed at the hearing had on this application as Exhibit No. 1. On this land is located applicant's generating electric plant, consisting of three 360 H.P. and two 240 H.P. Diesel engine driven generators with auxiliary equipment, including fuel pumps, switchboards, and other appurtenant equipment. In addition to the power plant, there is located on the said parcel of land, a machine shop, a meter test shop, and a warehouse. Applicant's gas generating plant is also located on said parcel of land adjacent to the electric plant. The present gas plant is a butane air gas generating plant with appurtenant equipment, with a storage capacity of 40,000 gallons of butane and an output capacity of 30,000 cubic feet of gas per hour. There is also located on the parcel of land, a 2,000 kva. stepdown transformer substation appurtenant to applicant's 69 kv. transmission line from Boulder Dam to Needles.

The testimony shows that the construction of Boulder and Parker Dams and the operation of these dams has created a serious flood condition at Needles. Pursuant to Senate (California) Resolution No. 138, adopted by the Fifty-fifth Session, a Committee was appointed to give further study to the conditions at Needles, California, caused by the Colorado River since the construction of Boulder and Parker Dams. A copy of the Committee's report, dated January 27, 1944, is attached to applicant's petition as Exhibit No. 1. The Committee reports that in about April, 1941, shortly after the Parker Dam was placed in operation, sand bars began to appear along and in the channel of the Colorado River above and below Topock. Since then the bed of the Colorado River from Topock up to and beyond Needles has gradually filled in so that the river along and adjacent to Needles has continued to rise. Many homes in the City of Needles situate between the Santa Fe tracks and the Colorado River have had to be abandoned because of the rising water. Applicant's electric and gas plants are situate adjacent to the flooded area. To protect its plants and keep them in operation, applicant has expended from \$4,000 to \$5,000 in building a dike around its plants and raising the foundation for its transformer substation and filling in its yard with gravel, installing pumps to pump out seepage water, and for other purposes. It had to abandon its machine shop and move the material stored on said parcel of land to higher ground. To date neither the Federal Government nor the Metropolitan Water District have done anything to relieve the flood conditions. The rising waters of the Colorado River have al-

ready partially nullified the remedial measures taken by applicant. The City Council has passed a resolution requesting that applicant's power facilities be moved to higher ground in order to avoid an electric failure, and thus prevent the operation of the city's pumps to supply the city and its inhabitants with water. The record is conclusive that the situation is serious and that steps should be taken forthwith by applicant to relocate its electric and gas properties heretofore mentioned.

To remove such properties, it will be necessary for applicant to build a new building, move two of its 360 H.P. electric generating units, move its butane fuel tank, gas-making equipment, and stepdown transformer substation. The change in location also makes it necessary to build about a one-half mile of 69 kv. transmission line, about three miles of electric distribution lines and three-quarters of a mile of 8 inch gas main. The cost of the new facilities is estimated at \$145,785.

Applicant estimates the original cost of its electric and gas properties in its Needles Division at \$607,047.05. This figure includes the cost of that portion of its Boulder Dam transmission line situate in California. It further estimates that property costing \$309,192.82 will be retired because of the relocation of the electric and gas properties. Upon the completion of the relocation of the properties, applicant estimates the cost of its electric and gas properties in its Needles Division at \$443,639.23, of which \$347,955.97 represent electric and \$95,683.26 gas properties. These figures do not include any part of the Boulder

Dam transmission line situate in Nevada. Applicant further estimates that the relocation of the electric and gas properties will result to it in a loss of \$120,143.47. This figure is determined as follows:

Property to be Retired - estimate	\$309,192.82
Plus Cost of Removal - estimate	<u>16,910.00</u>
Subtotal	\$326,102.82
Less Salvage - estimate	<u>113,367.98</u>
Net Retirement - estimate	\$212,734.84
Less Charges to Depreciation Reserve - estimate	<u>92,591.37</u>
Net Loss - estimate	<u>\$120,143.47</u>

Applicant's actual loss will not be available until the work has been completed.

We believe that this is a case which warrants the use of Account 141, "Extraordinary Property Losses." This account reads in part as follows:

"This account shall include, when so authorized or directed by the Commission, losses in service value of property abandoned or otherwise retired from service which are not provided for by the depreciation or other reserves and which could not reasonably have been foreseen and provided for. It shall include also, when so authorized or directed by the Commission, extraordinary losses, such as unforeseen damages to property which could not reasonably have been anticipated and which are not covered by reserves or by insurance."

Applicant will credit to Account 141 whatever income tax savings it may experience because of its losses and whatever damages it may recover. In the meantime, it desires to proceed with the amortization of the amount in Account 141 by charges to Account 506, "Property Losses Chargeable to Operations." This account reads, "This account shall be charged with amounts credited to Account 141, 'Extraordinary

Property Losses,' when the Commission has authorized the amount in the latter account to be amortized by charges to operations."

Applicant's President testified that the amortization of the amount included in Account 141 would not result in an increase in rates.

We cannot at this time enter an order indicating the amount which applicant may charge to Account 141. When actual figures are available, applicant should file the same in a supplemental petition in this matter. The Commission will then enter a supplemental order covering this phase of the application.

Because of the construction of the Boulder Dam transmission line, applicant's President is of the opinion that there is no need for it to retain all of its Diesel generating electric equipment. Both he and the Mayor of the City of Needles believe that applicant should retain two 360 H.P. Diesel generating units for standby service. They are of the opinion that these units are sufficient to supply the power necessary to operate the city's pumping plants in case of a temporary failure of the Boulder Dam transmission line. We believe that the sale of three electric generating units should be authorized.

ORDER

A public hearing having been held on this matter before Examiner Fankhauser and the Commission having considered the testimony submitted at such hearing and it being




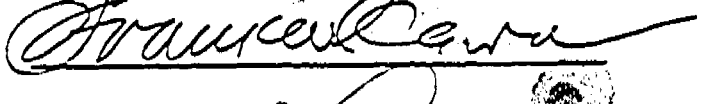

of the opinion that California-Pacific Utilities Company should be authorized to sell two 240 H.P. and one 360 H.P. Diesel generating units and appurtenant equipment,

IT IS HEREBY ORDERED that California-Pacific Utilities Company be, and it is hereby, authorized to sell two 240 H.P. and one 360 H.P. Diesel generating units and appurtenant equipment.

IT IS HEREBY FURTHER ORDERED that within sixty (60) days after the sale of said generating units and appurtenant equipment, California-Pacific Utilities Company shall file with the Railroad Commission a statement showing the amount received from the sale of such generating units, the amounts credited to its several electric plant accounts because of said sale, and the amount charged to its depreciation reserve.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 21st day of March, 1944.






Commissioners.