

Decision No. 41864

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PACIFIC GAS AND ELECTRIC COMPANY, a
corporation, and the CITY OF PALO ALTO,
a municipal corporation, for an order
of the Public Utilities Commission of
the State of California authorizing the
former to sell and convey to the latter
the gas and electric distribution
facilities referred to in this petition,
in accordance with the terms of an
agreement dated May 5, 1948.

ORIGINAL

Application No. 29408

OPINION AND ORDER

Pacific Gas and Electric Company⁽¹⁾ and the City of Palo Alto⁽¹⁾ have entered into an agreement to transfer certain electric and gas distribution facilities and the customers served therefrom, from the former to the latter. A copy of the agreement is submitted as Exhibit 1 in the application. The application requests authority to carry out the terms of the agreement and upon such approval to relieve Pacific of the duties and responsibilities of a gas and electrical corporation within the area served by these facilities.

Palo Alto is not a public utility subject to this Commission's jurisdiction, and joins in the application simply to comply with Rule No. 24 of Title 20 of the California Administrative Code.

Pacific and Palo Alto under date of May 19, 1938 have heretofore entered into an agreement establishing territorial boundaries defining the areas within which each will construct facilities and serve customers. This agreement provided that Palo Alto could purchase and Pacific, on proper authority, would sell facilities in

(1) Hereinafter referred to as Pacific and Palo Alto respectively.

specified areas which should subsequently be legally annexed by Palo Alto. The agreement further set forth the formula under which the purchase price was to be computed.

On May 2, 1947, Palo Alto completed annexation of a territory known as Stanford Water District and adjacent territory, which area was within the territory covered by the May 19, 1938 agreement and within which Pacific owned and operated certain gas and electric distribution facilities.

The electric distribution facilities which Pacific proposes to sell to Palo Alto under the agreement submitted herewith consist of 137 poles, 112,000 feet of wire, 402 kva of distribution transformers, 144 services, 153 meters, and associated accessory equipment. The gas distribution facilities include 14,000 feet of 2-3/8-inch main, 74 services, 72 regulators, 79 meters, and their associated accessories. In addition to the facilities which are to be sold to Palo Alto, certain other electric and gas distribution equipment will be rendered non-useful as a result of disconnecting these customers from Pacific's system, and for which Pacific will be compensated under the terms of the purchase agreement.

Pacific has filed with the Commission as supplemental information an inventory and appraisal of the reproduction cost, new and depreciated, of the facilities affected by the transfer, together with an estimate of the historical cost of the same facilities. The estimate of the reproduction cost new and the related depreciation for the facilities involved is summarized in the following table:

<u>Properties Transferred</u>	<u>Reprod. Cost Estimates as of 2-28-47</u>		
	<u>New</u>	<u>Depreciation</u>	<u>Depreciated</u>
Electric (Feb. 28, 1947)	\$31,163	\$ 7,761	\$23,402
Gas (Feb. 28, 1947)	15,770	5,061	10,709
Subtotal	46,933	12,822	34,111
<u>Property Rendered Non-Useful</u>			
Electric	8,506	2,519	5,987
Gas	1,230	509	721
Subtotal	9,736	3,028	6,708
Total Property Affected	\$56,669	\$15,850	\$40,819

This estimate is based on a field inventory of the equipment and is determined as of February 28, 1947. The tabulation shows that the depreciated reproduction cost of the total properties affected was \$40,819.

Pacific in the agreement proposes to accept the sum of \$57,317.55 as the payment to be made by Palo Alto for the properties and costs involved. This payment is predicated upon the reproduction cost estimate referred to above which is adjusted to reflect additions and betterments to the system between the date of the foregoing appraisal and January 26, 1948 for the electric facilities, and December 26, 1947 for the gas facilities. The adjusted depreciated reproduction cost is increased by 15% in accordance with the formula contained in the 1938 territorial agreement, and costs incurred by Pacific in rearranging the physical connections are added. The following tabulation summarizes the several elements of the agreed purchase price:

	Estimated Value of System Based Upon Depreciated Reproduction Cost Plus 15%	
Properties to be Transferred		
Electric (Jan. 26, 1948)	\$28,918.00	
Gas (Dec. 26, 1947)	<u>15,641.00</u>	
Subtotal		\$44,559.00
Properties Rendered Non-Useful		
Electric	6,876.00	
Gas	<u>829.00</u>	
Subtotal		7,705.00
Severance Costs		
Electric	3,639.19	
Gas	<u>1,414.36</u>	
Subtotal		<u>5,053.55</u>
Total Price		\$57,317.55

In addition to the foregoing reproduction cost new estimate, Pacific has submitted an estimate of the historical cost of the properties involved which can be summarized as follows:

<u>Historical Cost Estimate</u>	
Properties Transferred	
Electric (Jan. 26, 1948)	\$23,660
Gas (Dec. 26, 1947)	<u>13,777</u>
Subtotal	37,437
Properties Rendered Non-Useful	
Electric	5,011
Gas	<u>786</u>
Subtotal	<u>5,797</u>
Total Properties Affected	\$43,234

This estimate indicates that the total historical cost of the properties was \$43,234.

The agreement further provides that Palo Alto, upon conveyance of the gas and electric facilities, will assume all existing public utility obligations of Pacific to customers supplied from the transferred facilities, to save Pacific harmless from liability arising from failure of City to perform its utility obligations to said customers, and, further, that the contract shall not become effective until authorized by this Commission.

The Commission, having considered the application and being of the opinion that it should be granted, that the proposed transfer is not adverse to the interest of Pacific's other customers or the public, and that a hearing in the matter is unnecessary, therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it is hereby authorized

1. To carry out the provisions of that certain contract with the City of Palo Alto dated May 5, 1948 in accordance with the terms and conditions stated in the copy submitted as Exhibit No. 1 in this application, and to sell and convey to the City of Palo Alto the gas and electric facilities described therein as facilities to be sold.

2. Concurrently with the sale and transfer of the facilities, to cease furnishing gas and electric service as a public utility within the area known as Stanford Water District and the adjacent territory annexed to the City of Palo Alto as of December 26, 1948.

The effective date of this Order is twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 20th day of July 1948.

R. T. Dintarney
Justice F. Casser
Frank L. Luce
Harold P. Kule

Commissioners.