

**ORIGINAL**

Decision No. 54485

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 )  
 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 November 23, 1956. )  
 (Electric) )

Application No. 38700

OPINION AND ORDER

Pacific Gas and Electric Company and the City of Palo Alto, in this application filed January 2, 1957, request an order of this Commission conferring upon Pacific all necessary authority to sell certain gas and electric distribution facilities to the City of Palo Alto and to consummate such transaction in accordance with the terms of an agreement dated November 23, 1956. A copy of the agreement is attached to the application as Exhibit No. 1. Pacific further requests an order authorizing it, concurrently with the sale and transfer to City of the said properties, to be relieved of the duties and responsibilities of a gas and electric corporation within the areas known as El Camino Real Annexation No. 1 and El Camino Real Annexation No. 2.

Under the terms of this agreement, Pacific is to sell and convey to City certain gas and electric distribution facilities situated in the El Camino Real Annexations Nos. 1 and 2. These annexations were certified on December 29, 1954, and June 2, 1955, respectively, by the Secretary of State for the State of California.

The locations of the gas and electric facilities which are to be conveyed are delineated on four maps attached to the agreement as Exhibits A, B, C, and D. The City has agreed to pay Pacific as the purchase price for the utility facilities the following:

- a. The sum of \$214,983,
- b. The actual cost, as determined in accordance with Pacific's standard accounting practice, of any additions to and betterments of said facilities made by Pacific subsequent to the dates set forth in Section 1 of the contract for each of the respective areas and prior to the conveyance of the facilities to City, together with 15 percent of such cost, and
- c. The cost to Pacific for all necessary work performed by it in connection with the severance of facilities from other properties of Pacific. City shall also pay to Pacific all sales tax payable by Pacific in connection with or as a result of this purchase and sale.

The agreement provides that it shall not become effective until the Commission, by order, shall authorize Pacific to carry out its terms. City now owns a gas and electric distribution system by means whereby it supplies gas and electric service to many of its residents and inhabitants. Pacific alleges that the furnishing of the gas and/or electrical services involved by the City at its effective rates and charges will not result in the charging or collecting from said customers of rates or charges in excess of those now paid by these customers for services now furnished by Pacific, with the exception that there will be minor increases in rates to certain of the electric customers other than domestic customers and an increase to one gas customer now receiving firm industrial service. Pacific states, by letter dated January 10, 1957, that it has received no donations in aid of construction, and it holds no customers' deposits applicable to the distribution facilities proposed to be sold.

Under the date of May 19, 1938, Pacific and City entered into a territorial agreement which defined the division of territory between Pacific and City and established a definite basis for sale by Pacific of the gas and electric distribution facilities upon annexation of certain areas to City. This territorial agreement was filed with this Commission on June 7, 1938. The terms of the agreement dated November 23, 1956, appear to be substantially in accord with paragraph 1 of the territorial agreement. Although only part of the annexed area is covered by the territorial agreement, Pacific states it is willing to sell to City its gas and electric facilities in the entire annexed area.

It appears that City, upon acquisition of the properties which would be transferred under the agreement, is ready and willing to supply gas and electric service to the customers now served through the facilities proposed to be sold by Pacific and that requests of Pacific and City should be granted. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

The Commission, having considered the requests of the applicants and being of the opinion that the application should be granted and that a public hearing is not necessary, and it appearing to the Commission that the proposed transfer of property will not be adverse to the public interest; therefore,

IT IS HEREBY ORDERED that the Pacific Gas and Electric Company be, and it is authorized to sell and convey to the City of Palo Alto, the gas and electric distribution facilities described in the agreement dated November 23, 1956, and Pacific Gas and Electric Company is authorized to consummate said transaction in accordance with the terms of said agreement.

IT IS FURTHER ORDERED that Pacific Gas and Electric Company, concurrently with the consummation of the sale and transfer to the City of Palo Alto of the properties described above, cease furnishing and supplying gas and electric service to customers presently served by it by means of said properties and is relieved of the duties and responsibilities of a gas and electric corporation within the areas known as El Camino Real Annexation No. 1 and El Camino Real Annexation No. 2.

In the event that the City of Palo Alto does not consummate the purchase of the properties under the agreement of November 23, 1956, within two years after said date, the authority granted herein shall expire.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 5th day of February, 1957.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners