NB

Decision No. 55623

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFIC GAS AND ELECTRIC COMPANY and RICHFIELD OIL CORPORATION for an order of the Public Utilities Commission of the State of California authorizing the former to sell and convey to the latter certain electric distribution facilities in accordance with the terms of an agreement dated April 30, 1957. (Electric)	Application No. 39178

OPINION AND ORDER

By the above-entitled application filed June 24, 1957, Pacific Gas and Electric Company and Richfield Oil Corporation request an order of this Commission conferring upon Pacific all necessary permission and authority to sell and convey to Richfield certain electric distribution facilities referred to in the application, and to consummate said transaction in accordance with the terms of a sale agreement dated April 30, 1957. A copy of the agreement is attached to the application as Exhibit No. 1. Attached to the application as Exhibit No. 2 is a copy of an electric service contract dated April 30, 1957, under which Pacific proposes to serve Richfield after consummation of the aforesaid sales agreement.

Sales Agreement

Under the terms of this agreement Pacific will sell to Richfield certain electric distribution facilities situated within the Cuyama Valley, Santa Barbara County, State of California, together with appurtenant rights of way therefor. The location of said facilities is delineated on a map entitled "Lines to be purchased by Richfield Oil Corp. from P.G.& E. Co." attached to the sales agreement as Exhibit A.

Upon delivery by Pacific to Richfield of a deed conveying all of its right, title and interest in and to said facilities, Richfield agrees to pay Pacific as the purchase price for said facilities: (a) the sum of $63,671, and (b) the actual cost, as determined in accordance with Pacific's standard accounting practices, of any additions to and betterments of said facilities made by Pacific subsequent to April 30, 1956, and prior to the conveyance of said facilities to Richfield. Richfield will pay Pacific all sales tax payable by the latter in connection with or as a result of this sale and purchase.

Richfield grants to Pacific the right to continue to furnish electric service to three customers now served by Pacific from the facilities to be sold to Richfield as well as the right to use said facilities therefor, all without charge to Pacific. Richfield also grants to Pacific, without charge, the right to use said facilities and to make such additions thereto and extensions therefrom as shall be necessary to serve future additional customers. It is agreed between Pacific and Richfield that the latter shall not resell electricity.

The agreement provides that Pacific must first obtain authorization from this Commission to carry out the terms thereof, and in the event of failure to obtain such authorization the agreement shall terminate.

Electric Service Agreement

By the terms of the service agreement Richfield will be served in accordance with Pacific's filed Schedule A-13, delivery to be made at a single metering point and at 12 kv, 3 phase.

Although it is not mentioned in the service agreement it is stated in the sales agreement that Pacific shall deduct from the metered energy for which Richfield will be billed under the service agreement the total of the measured energy (plus 2% for losses) used by the three customers and any future additional customers to be served by Pacific through the facilities to be owned by Richfield. The Commission believes this provision to be properly a part of the service agreement and is so construing it here.

In order for Richfield to convey electricity to certain of its utilization equipment Pacific will, by the terms of the service agreement, install conductors and related equipment on Pacific's poles Nos. 118 to 128 at an agreed estimated cost of $1,434 to be paid by Richfield. Thereafter, Richfield will own and maintain such conductors and will also pay Pacific an annual pole contact charge of $6.60 for each of poles Nos. 118 to 128, inclusive. The right to contact said poles may be terminated by 90 days' written notice from Pacific. The authorization granted herein with respect to pole contact charges should not be construed as a determination of the reasonableness of charges of this nature in other than the present instance.

By its terms the service agreement is to become effective upon the effective date of an order of this Commission authorizing Pacific to carry out the terms of the sales agreement above referred to, and is to continue in force for an initial period of five years, and for subsequent terms of five years each. Either party has the right to terminate the agreement at the end of any five-year term on 12 months' written notice. The agreement provides that it shall at all times be subject to such changes or modifications as this Commission may, from time to time, direct in the exercise of its jurisdiction.

Reason for Sale of Facilities

Pacific states that it now furnishes electric energy and service to Richfield through the distribution facilities here involved for use by Richfield in the operation of its oil fields in the aforesaid area. Such energy is being delivered to Richfield on an individually metered basis, there being some 46 accounts, under Pacific's applicable filed tariffs. This arrangement was satisfactory to Richfield during the development period of its oil field as it was then impossible to predict future power requirements. As such power requirements can now be predicted with considerable accuracy Richfield desires to acquire said distribution facilities and to receive service at a single point of delivery. Pacific states that it is common practice for oil companies to own and operate electric distribution facilities for their oil field operations and is willing to sell to Richfield the aforementioned electric facilities, subject to the terms and conditions of the sale agreement.

Based on the 12-month period ending March 27, 1957, Pacific estimates the reduction in revenue resulting when 12-kv delivery is made at a single point will be approximately $20,200 per year.

Conclusions

Pacific's agreement to sell certain of its operating distribution facilities in the Cuyama Valley to its customer, Richfield Oil Corporation, inasmuch as it provides for Pacific's continued service to other customers, present or prospective, in the area, does not appear to be adverse to such customers' interests. In fact, Pacific does not anticipate expansion of its business in the area involved because the area consists of barren hills and the southern portion abuts a National Forest.

Although there will be some loss in revenue due to furnishing service at a single point of delivery, there will also be some offsetting savings in operating expenses. In accordance with a statement in its application Pacific has filed with the Commission, by letter dated July 1, 1957, an inventory and appraisal of the electric facilities involved, which are hereby made a part of the record in this proceeding. The net total of the appraisal is shown to be $63,671 on a depreciated reproduction cost basis, which Pacific has agreed to accept as part of the selling price. The estimated historical cost of the properties is shown to be $57,342 as of the Apri, 30, 1956 inventory date. No donations in aid of construction were involved.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

The Commission having considered the request 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 the property will not be adverse to the public interest; therefore,

IT IS HEREBY ORDERED:

1. That Pacific Gas and Electric Company may, on or after the effective date hereof, and on or before July 1, 1958, sell and transfer to Richfield Oil Corporation, in accordance with the terms of a sales agreement dated April 30, 1957, and attached to the application as Exhibit No. 1, the electric distribution facilities described therein as shown by a map attached to the agreement as Exhibit A.

2. That applicant, Pacific Gas and Electric Company, shall within 30 days thereafter, notify this Commission in writing, of the date of completion of the property transfer herein authorized.

3. That Pacific Gas and Electric Company be and it is authorized to carry out the terms and conditions of the written service agreement dated April 30, 1957, and attached to the application as Exhibit No. 2, with Richfield Oil Corporation, and to render the service described therein under the terms, charges and conditions stated therein.

4. That Pacific Gas and Electric Company shall file a statement with this Commission promptly after termination of the service agreement, showing the date when said agreement was terminated.

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

Dated at San Francisco, California, this 1st day of OCTOBER, 1957.

President

Commissioners