

**ORIGINAL**Decision No. 70947

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CLOVERDALE GAS COMPANY and PACIFIC  
GAS AND ELECTRIC COMPANY for an  
order authorizing, among other things,  
the former to sell and convey to the  
latter the public utility propane gas  
system in the City of Cloverdale, in  
accordance with the terms and condi-  
tions of an agreement dated  
December 2, 1965.

Application No. 48345  
(Filed March 25, 1966)

(Gas)

O P I N I O N

Cloverdale Gas Company, hereinafter called Cloverdale Gas, and Pacific Gas and Electric Company, hereinafter called P.G. and E., applicants herein, have filed their application requesting the Commission to issue an ex parte decision and order:

1. Authorizing Cloverdale Gas to sell and convey to P.G. and E. and authorizing the latter to purchase from the former, its propane gas public utility properties and business, together with all utility rights, in accordance with the terms and conditions of an agreement entered into by applicants under date of December 2, 1965.
2. Granting to Cloverdale Gas Company upon such transfer and conveyance all necessary permission and authority to cease furnishing and supplying service as a public utility and determining that Cloverdale Gas shall thereupon be relieved of the duties and functions of a public utility corporation; and
3. Authorizing P.G. and E., upon acquiring the properties and business of Cloverdale Gas, to withdraw and cancel the tariff

schedules of the latter insofar as they relate to the propane gas service in the City of Cloverdale and to make effective P.G. and E.'s Rules and the rates and charges applicable to natural gas service as herein mentioned.

In support of the application applicants allege:

1. Cloverdale Gas is, and for a number of years last past has been, the owner and in possession of certain propane gas properties and business located in the City of Cloverdale which properties and business are used to furnish and supply propane gas in said City.

2. The original cost of the properties of the Cloverdale Gas system as of February 1, 1965, based on recorded plus estimated amounts, is \$175,642.

3. P.G. and E. is, and ever since October 10, 1905 has been, an operating public utility corporation engaged principally in the business of furnishing electric and gas service in California. It also distributes and sells water in a number of cities and towns and certain rural areas, and produces and sells steam in certain parts of the Cities of San Francisco and Oakland.

4. The sale and purchase agreement, dated December 2, 1965, which is Exhibit A to the application provides:

- (a) Cloverdale Gas agrees to sell and P.G. and E. agrees to purchase Cloverdale Gas's propane gas system within its service area in the City of Cloverdale, as shown on and described in attachments to said agreement, for a total price of \$291,580, which amount includes value of going concern, plus sales and use taxes. The purchase price is to be adjusted for all additions and betterments and retirements made by Cloverdale Gas with P.G. and E.'s approval subsequent to December 2, 1965, and prior to the date of conveyance.
- (b) P.G. and E. further agrees to pay Cloverdale Gas the actual cost of such propane gas as is on hand including the amount of gas in the system lines at the time of conveyance.

- (c) All customer deposits and refundable advances for extensions together with accrued interest thereon relating to the system held by Cloverdale Gas at the time of the conveyance shall be paid by Cloverdale Gas to P.G. and E. within 30 days thereafter, and P.G. and E. will thereupon assume Cloverdale Gas's obligation for settlements of such deposits and advances.
- (d) The agreement shall not become effective until the Commission by its order authorizes Cloverdale Gas and P.G. and E. to carry out its terms and conditions.

5. Exhibit B attached to the application is a summary statement showing the adjusted original cost less estimated depreciation of the facilities to be transferred. These figures will be subject to settlement after the transfer is consummated, and the adjusted figures will be forwarded to the Commission at that time.

6. P.G. and E. proposes to record the purchase of the public utility properties in accordance with the Commission's uniform system of accounts.

7. Cloverdale Gas will continue to operate the propane gas system until the date of conveyance of the properties and business to P.G. and E. which will be when natural gas is available for use in the City of Cloverdale sometime between December 31, 1966 and December 31, 1967.

8. After the conveyance P.G. and E. proposes to exercise the indeterminate franchise granted under Ordinance No. 134 by the City of Cloverdale to Cloverdale Gas on December 2, 1952, which franchise is to be assigned to P.G. and E. A certificate of public convenience and necessity to exercise said franchise was granted by the Commission to Cloverdale Gas in Decision No. 49259.

9. The rates and charges which P.G. and E. proposes to make effective are as follows:

G - 6.2	General Natural Gas Service
G - 40.1	Firm Industrial Natural Gas Service
G - 50	Interruptible Natural Gas Service
G - 53	Interruptible Natural Gas Service

These schedules are the same as those to be filed in connection with the natural gas service to be furnished in the territory adjacent to the proposed natural gas main extension to the City of Ukiah, which includes the City of Cloverdale. P.G. and E. further proposes to make effective in the City of Cloverdale its presently filed tariff rules.

10. The service of natural gas to customers in the City of Cloverdale in lieu of propane gas service will not result in any unreasonable increase in rates or charges to the customers for gas service.

11. P.G. and E.'s proposed rates for natural gas will be lower for customers who now use in excess of 336 cubic feet of propane per month, and so customers using natural gas for house heating may save substantial sums of money.

12. P.G. and E. is planning to construct a natural gas main extension from its present gas system to the City of Ukiah for the purpose of supplying natural gas to the residents and inhabitants of and commercial and industrial establishments situated in and/or immediately adjacent to the cities and towns in the vicinity of said main and not now receiving such service. P.G. and E. proposes to file hereafter an application with the Commission for an order issuing to it a certificate of public convenience and necessity to construct and operate such gas main extension.

13. The agreement of December 2, 1965 and its terms and conditions are fair, just and reasonable; the said public utility holdings are reasonably worth the consideration which P.G. and E. has agreed to pay; and their acquisition, maintenance, operation and extension by P.G. and E. will be in the public interest and for the benefit of public service.

After consideration the Commission finds that the proposed transfer would not be adverse to the public interest and that the proposed increases in rates are justified. A public hearing is not necessary.

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

The certificates herein transferred shall be subject to the following provisions of law:

1. The Commission shall have no power to authorize the capitalization of the franchise involved herein or these certificates of public convenience and necessity, or the right to own, operate or enjoy such franchise or certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the issuance of such franchise, certificates of public convenience and necessity or right.
2. The franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1967, Cloverdale Gas Company may sell and transfer and Pacific Gas and Electric Company may purchase and acquire, the utility rights and property referred to in the application, and may consummate said transaction in accordance with the terms of the agreement dated December 2, 1965, attached to the application as Exhibit A.

2. Cloverdale Gas Company shall, concurrently with the consummation of sale and transfer to Pacific Gas and Electric Company of the property described above, cease furnishing and supplying gas service to customers served by Cloverdale Gas Company by means of said property and is relieved of its public utility obligations in connection with the utility system herein authorized to be transferred.

3. Within thirty days after the consummation of the transfer herein authorized, Pacific Gas and Electric Company shall notify the Commission, in writing, of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect said transfer.

4. Cloverdale Gas Company shall, within thirty days after the consummation of the sale and transfer, furnish the Commission the total costs of any additions, and betterments to and retirements from the facilities involved made by Cloverdale Gas Company between February 1, 1965, and the date of transfer of the facilities to Pacific Gas and Electric Company.

5. Pacific Gas and Electric Company shall account for the acquisition of the property described in this application in

accordance with the provisions of the uniform system of accounts applicable for Class A gas corporations.

6. Within six months after the consummation of the transfer herein authorized, Cloverdale Gas Company and Pacific Gas and Electric Company shall file with the Commission a copy of each journal entry used to record the transfer on their books of account.

7. Upon acquiring the properties and business of Cloverdale Gas Company, Pacific Gas and Electric Company shall withdraw and cancel the tariff schedules of Cloverdale Gas Company insofar as they relate to propane gas service in the City of Cloverdale and may make effective Pacific Gas and Electric Company's presently filed rules and the rates and charges applicable to natural gas service proposed in the application and attached thereto as Exhibit D as follows:

G - 6.2	General Natural Gas Service
G - 40.1	Firm Industrial Natural Gas Service
G - 50	Interruptible Natural Gas Service
G - 53	Interruptible Natural Gas Service

The above tariff schedule filings shall be made effective not earlier than ten days after the effective date of this order on not less than ten days' notice to the Commission and the public, and the effective date of said tariff schedule filings shall be concurrent with the consummation of the transfer herein authorized.

8. On or before the end of the third month after the consummation of the transfer as herein authorized, Pacific Gas and Electric Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of the seller's Cloverdale

system for the period commencing with the first day of the current year to and including the effective date of the transfer.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of JULY, 1966.

*John E. Mitchell* President

*George H. Trover*

*Fredrick B. Hallock*

*Augustus*

*William W. Bennett* Commissioners