

Decision No. 85496

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ALEX BROWN ELECTRIC
COMPANY and SACRAMENTO MUNICIPAL
UTILITY DISTRICT for an order
authorizing the former to sell and
convey to the latter the electric
facilities herein described.

Application No. 55750
(Filed June 19, 1975)

Joint Application of ALEX BROWN
ELECTRIC COMPANY and PACIFIC GAS
AND ELECTRIC COMPANY for an order
authorizing, among other things,
(a) the former to sell and convey
to the latter the electric facili-
ties herein described, (b) Pacific
Gas and Electric Company to make
effective electric tariff schedules
as herein requested.

Application No. 55751
(Filed June 19, 1975)

(Electric)

Forrest A. Plant, Attorney at Law, for Alex Brown
Electric Co.; Kermit R. Kubitz, Attorney at Law,
for Pacific Gas and Electric Company; and David S.
Kaplan, Attorney at Law, for Sacramento Municipal
Utility District; applicants.
Robert T. Baer, Attorney at Law, for the Commission
staff.

INTERIM OPINION AND REPORT TO THE
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
PURSUANT TO GOVERNMENT CODE SECTION 56019

On June 19, 1975 Alex Brown Electric Company (Alex Brown)
filed, jointly with Pacific Gas and Electric Company (PG&E) and
Sacramento Municipal Utility District (SMUD), two applications to

transfer portions of its facilities to PG&E and SMUD. The applications were consolidated for a hearing which was held on September 10, 1975 in Walnut Grove, Sacramento County. The record of that hearing is summarized in the Examiner's Ruling, attached hereto as Appendix A.

The proceeding was submitted on September 10, 1975. However, by his ruling dated September 24, 1975, Examiner Parke L. Boneysteele set aside submission and took the proceeding off calendar until April 30, 1976, so as to allow Alex Brown's customers located in the area outside of SMUD's boundaries an opportunity to petition for annexation to SMUD, rather than be served by PG&E.

According to correspondence received from the Sacramento Local Agency Formation Commission (LAFCO), a sufficient petition for annexation to SMUD has now been filed with LAFCO. LAFCO has, in turn, submitted to this Commission a certified copy of the petition for annexation pursuant to Sections 56019 and 56263.1 of the Government Code.

Government Code Section 56019 requires the Commission to make an investigation to determine whether, in the opinion of the Commission, the proposed service by SMUD to the former service area of Alex Brown will substantially impair the ability of any public utility to provide adequate service at reasonable rates within the remainder of its service area. Section 56019 does not require the Commission to hold hearings. Section 56263.1 requires that a certified copy of the report of the Commission must be on file with the executive officer of LAFCO prior to setting of the annexation petition for public hearing.

The record in the instant proceeding is more than adequate to make the determinations required by Section 56019. No additional investigations nor public hearings are necessary. The following findings of fact and conclusions of law are supported by the record:

Findings

1. PG&E is the only public utility subject to the jurisdiction of this Commission that could reasonably assume the provision of electric service in Alex Brown's service area.

2. We take official notice that PG&E is one of the largest combination public utilities in the nation, serving almost 3 million customers.

3. The portion of Alex Brown's service area, which petitioning property owners seek to annex to SMUD and which PG&E sought by Application No. 55751 to acquire, contains only 30 electric service accounts in a 2,000-acre agricultural area.

4. Alex Brown presently purchases all of its power from SMUD.

5. A certificate of service attached to Appendix A shows that a copy of the examiner's ruling was mailed to the attorney for PG&E who participated in this proceeding. A search of the Commission's files in Applications Nos. 55750 and 55751 reveals no response from PG&E concerning the 7-month delay in these proceedings occasioned by the examiner's ruling nor objection to the annexation suggested therein.

6. SMUD electric rates are lower than the rates that PG&E would apply to Walnut Grove area.

7. It is inconsequential to the owners of Alex Brown, which seeks to withdraw entirely from the electric utility business, whether its facilities are purchased wholly by SMUD or in part by SMUD and in part by PG&E.

Conclusions

1. The proposed service by SMUD to that portion of the service area of Alex Brown described in application No. 55751 will not impair the ability of PG&E to provide adequate service at reasonable rates within the remainder of PG&E's service area.

A. 55750, A. 55751 b1 *


2. The Executive Director of the Commission should be ordered to forward a certified copy of this order to the Sacramento Local Agency Formation Commission.

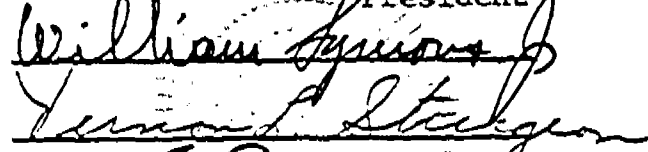
INTERIM ORDER


IT IS ORDERED that the Executive Director of the Commission shall forward a certified copy of this interim decision and report to the Sacramento Local Agency Formation Commission.

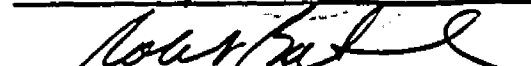
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 2nd day of MARCH, 1976.



President






Commissioners

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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things, (a) the former to sell
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electric tariff schedules as
herein requested.

Application No. 55751
(Filed June 19, 1975)

(Electric)

EXAMINER'S RULING

Alex Brown Electric Company (Alex Brown), a partnership, seeks authority to transfer its public utility electric system to Sacramento Municipal Utility District (SMUD) and Pacific Gas and Electric Company (PG&E).

Alex Brown furnishes electric service to approximately 300 meters in an area of approximately 2,400 acres surrounding the unincorporated community of Walnut Grove in the Delta region of Sacramento County. The system was established in 1911 and is presently owned by 18 descendants of the founder who died in 1924. No certificate of public convenience and necessity has ever been issued. All of Alex Brown's power is purchased from SMUD and its rates have been unchanged since 1947.

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By Application No. 55750, Alex Brown proposes to transfer that portion of the system located north of Snodgrass Slough to SMUD and by Application No. 55751, that portion on Tyler Island, south of the slough to PG&E. The service area proposed to be transferred to SMUD is about 400 acres in size and includes the community of Walnut Grove. About 270 of the meters are located in this area which is located within the boundaries of SMUD. The remaining 2,000-acre area that would be transferred to PG&E is located outside of the SMUD boundaries and is mainly agricultural.

According to Alex Brown's annual report to this Commission, as of December 31, 1974, the original cost of the properties to be transferred amounted to \$99,292.19. The depreciation reserve amounted to \$71,263.83, resulting in net plant of \$28,028.36. There are no customers' deposits nor advances for construction.

The consideration for the proposed transfers is \$38,385 to be paid by SMUD and \$30,148 to be paid by PG&E. In addition the purchasers are to compensate Alex Brown for any required capital additions or replacements to the facilities made by Alex Brown.

SMUD would apply its rates to the area that it proposes to acquire but PG&E intends to keep the presently effective Alex Brown schedules in effect until a change in the Alex Brown rates is authorized by this Commission. For regulatory purposes, PG&E intends to impute the revenues that would be collected under its regular rate schedules. Although PG&E would pay \$30,148 for the properties, it only would claim an appraised historical cost of \$12,120 in rate base.

Several protests to the proposed PG&E transfer were received and, on September 10, 1975, public hearing was held at Walnut Grove before Examiner Boneysteele. Although one witness supported the sale of facilities to PG&E, two others testified in opposition, and one witness presented a petition with 13 signers, mostly business people, from the area proposed to be transferred to PG&E. The protestants were concerned that PG&E would eventually apply its regular rate

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schedules to the Alex Brown area and that these rates would be much higher than those of SMUD. One witness pointed out that since SMUD was presently supplying the power distributed by Alex Brown, service to the entire area would not be an additional burden on SMUD. This witness also argued that, as a Sacramento County taxpayer, he was being required to pay additional taxes to offset SMUD's tax free status, and felt that he should receive some benefit for these higher county taxes through SMUD's lower rates. The witness said that the affected customers had made no attempt to annex to SMUD because they were unaware that a transfer of their area to PG&E was impending.

A PG&E engineer described plant additions which PG&E planned to install for the purpose of supplying the acquired facilities and improving reliability of service.

The attorney for SMUD explained the procedure for initiating annexations to SMUD. He said it was not the general policy of SMUD to grant requests for annexation, but, in at least one case, an entire irrigation district which formed an island within SMUD was annexed.

The customers' concern that the transfer of the facilities south of Snodgrass Slough would result in higher rates appears to be well founded. The Commission has, in Decision No. 84902 dated September 16, 1975 in general rate increase Applications Nos. 54279, 54280, and 54281, completed a major restructuring of PG&E's electric and gas rates. This restructuring resulted in the virtual elimination of special rate areas created as a result of acquisitions. PG&E has now on file Applications Nos. 55509 and 55510 for further general increases in rates. It is indeed doubtful if a unique special rate area for thirty accounts could survive a redesign of rates involving almost three million customers. Service to the entire area by SMUD would require no additional generating capacity on SMUD's part and seems to be the most reasonable alternative. Since it is not practical to authorize the transfer of the northern system to SMUD and require

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Alex Brown to continue service to the remaining 30 customers on Tyler Island, submission of both applications will be set aside and they will be taken off calendar until April 30, 1976, to permit the affected customers an opportunity to seek annexation to SMUD. If, by April 30, 1976, the Commission has not, by amendment to Application No. 55750, received a request to transfer the entire Alex Brown system to SMUD, Applications Nos. 55750 and 55751 will be decided on this record.

Accordingly it is ruled that submission of Applications Nos. 55750 and 55751 is set aside and that the proceedings be taken off calendar until April 30, 1976.

Dated at San Francisco, California, this 24th day of September, 1975.

/s/ PARKE L. BONEYSTEELE

Parke L. Boneysteele
Examiner

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the attached Examiner's Ruling on all parties listed below by mailing a copy thereof to each such party or to his attorney of record:

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San Francisco, CA 94102

Dated at San Francisco, California, this 24th day of September, 1975.

/s/ BETSEY LIPNOSKY

Betsey Lipnosky