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Decision 88 10 028 OCT 14 1988 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

OCT 14 1988

Application of STANDARD PACIFIC GAS LINE INCORPORATED and PACIFIC GAS AND ELECTRIC COMPANY (U 39 G) for an order authorizing the former to sell and convey to the latter certain natural gas transmission pipeline facilities in accordance with the terms of an agreement dated April 12, 1988. (Gas)	Application 88-06-036 (Filed June 23, 1988)

OPINION

Pacific Gas and Electric Company (PG&E) is an operating public utility corporation, organized under the laws of the state of California. It is engaged principally in the business of furnishing electric and gas service in Northern and Central California.

Standard Pacific Gas Line, Inc. (Stanpac) is a California public utility corporation operating a 129.5-mile natural gas pipeline system, extending approximately 40 miles south of Los Banos, California, to the San Francisco Bay Area. PG&E owns 6/7ths of Stanpac's outstanding stock, and is entitled to 6/7ths of the capacity of the pipeline. Chevron Pipeline Company (Chevron) owns the remaining 1/7th of Stanpac's stock, and is entitled to 1/7th of the pipeline capacity.

On April 12, 1988, PG&E and Stanpac executed an agreement for the sale of three segments of Stanpac's pipeline facilities. A map of Stanpac's pipeline system, and the facilities to be sold to PG&E, is presented in Appendix A.[1] Under the terms of the agreement, the purchase price will be $16,595,987, which represents the depreciated book value of the facilities as of December 31, 1987. In addition, PG&E assumes all the cost of pipeline improvements and operating and maintenance expenses after that date, pending consummation of the sale. The agreement will not become effective until the Commission authorizes the transfer. A copy of the agreement is on file with the Commission as Exhibit E in Application (A.) 88-06-036.

On June 23, 1988, PG&E and Stanpac (applicants) jointly filed A.88-06-036 requesting authority for Stanpac to sell the pipeline facilities to PG&E, according to the terms of the April 12, 1988 agreement. The application was served on all parties of record in A.88-08-036, Stanpac's amended application for a certificate of public convenience and necessity to replace pipeline facilities along its No. 2 pipeline. There were no protests.

Applicants assert that the agreement of April 12, 1988, is fair and reasonable to the parties. Since at least 1963, Chevron has not used and has no future plans to use its capacity rights in the three pipeline segments that are being sold. As a result, Chevron has no interest in continuing to pay for 1/7th of the capital and operations and maintenance costs of the three segments. PG&E, on the other hand, does use its share of capacity in these segments, and desires to obtain full operational and ownership control over the segments.

1 The segments to be sold are described in the application as follows: the Stanpac No. 2 pipeline, from Panoche Junction in Fresno County (Milepost [MP] 39.9) to Brentwood in Contra Costa County (MP 158.0); the Brentwood (MP 158.0)-Delta Fair Junction (MP 167.28) segment in Contra Costa County; and a 2.12-mile lateral spur line known as the Crockett Branch near the town of Crockett in Contra Costa County.

PG&E's investment in Stanpac is already in rate base. PG&E's 6/7ths share of operations and maintenance expenses is presently included in PG&E's expenses for its general rate case. Accordingly, the rate base and expenses to be included in PG&E's next general rate case will increase by the amount of Chevron's present 1/7th investment and share of expenses. The transfer will reduce PG&E's cash flow by $2,370,855. Although the purchase price is $16,595,987, 6/7ths of the amount will be returned to PG&E as partial payment of Stanpac's debt to PG&E.

Findings of Fact

1. A public hearing is not necessary in this matter.

2. On April 12, 1988 PG&E and Stanpac executed an agreement for the sale of three segments of Stanpac's pipeline facilities.

3. Since 1963, Chevron has not used, and has no future plans to use its capacity rights in the three pipeline segments that are being sold.

4. PG&E does utilize its share of capacity in these segments and desires to obtain full ownership control over the segments.

5. PG&E will purchase Chevron's 1/7th share in the three sections of Stanpac's pipeline for $16,595,987, the depreciated book value of the three pipeline segments.

6. The transfer will reduce PG&E's cash flow by $2,370,855.

7. The proposed transfer will not be adverse to the public interest.

Conclusions of Law

1. The application should be granted.

2. This authorization is not a finding of the value of the rights and properties over which control is being acquired.

ORDER

IT IS ORDERED that:

1. Standard Pacific Gas Line, Inc. (Stanpac) is authorized to sell and transfer to Pacific Gas and Electric Company (PG&E) the three sections of gas transmission pipeline referred to in the application, according to the terms of the April 12, 1988 agreement between PG&E and Stanpac.

2. Stanpac shall notify the Commission, in writing, of the transfer of title within 30 days of consummating the transaction.

This order is effective today.

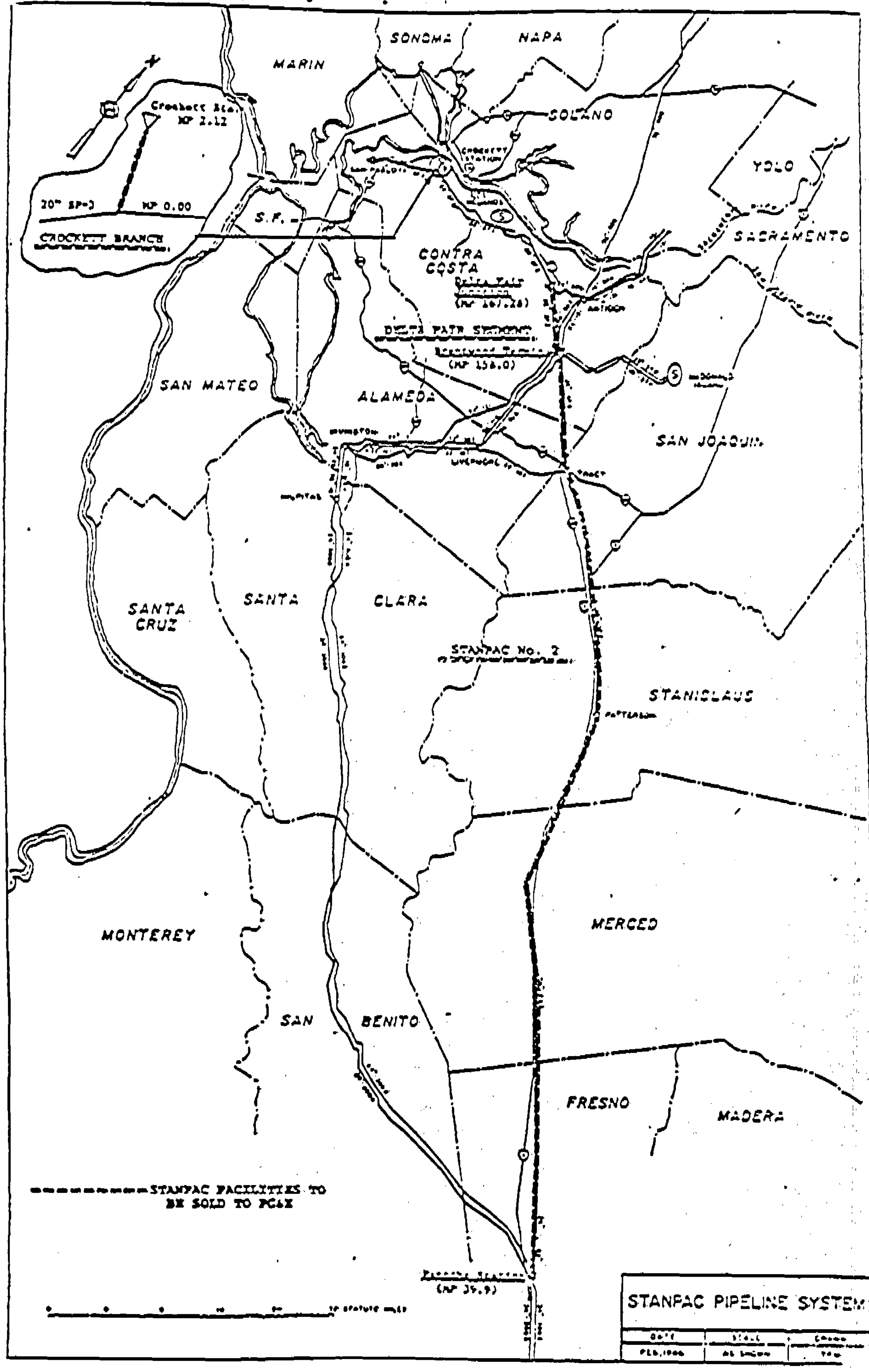
Dated OCT 14 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser

Victor Weisser, Executive Director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