

Decision 90 06 073 JUN 20 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas &
Electric Company and the City of
San Diego for an Order under Section
851 to Sell and Convey a Streetlight
System.

Application 85-04-111
(Filed April 30, 1985)

FINAL OPINIONStatement of Facts

By Interim Decision (D.) 85-08-088 in this proceeding, the Commission in 1985 authorized San Diego Gas & Electric Company (SDG&E) to sell and convey to the City of San Diego (City) the streetlighting system set forth in their April 16, 1985 agreement. While authorizing the transfer, SDG&E was ordered to record the gain to be realized over net book in an appropriate memorandum account until further Commission order. SDG&E was also relieved of its public utility obligation relative to ownership, maintenance, and operation of the system, but not of its obligation to continue to provide electric energy to the City for the system sold.

In November 1985, the sale and transfer having been consummated, SDG&E advised the Commission that net of applicable taxes the gain realized was \$93,950. SDG&E filed a Petition for Modification of D.88-08-088 to reflect this result. On February 10, 1986, the Accounting and Financial Branch of the then Evaluation and Compliance Division of the Commission staff advised Administrative Law Judge Weiss that the methodology used by SDG&E was correct. The book value of the system sold was \$677,054, and the revenue to be received under SDG&E's LS-2 tariff applicable to City owned facilities after the transfer would be approximately 1/3

of the \$1,728,500, annual revenue previously received under the LS-1 tariff.¹

There were no protests to the application.

Discussion

On July 6, 1989, the Commission issued D.89-07-016 in Order Instituting Rulemaking (R.) 88-11-041 providing the disposition to be followed with reference to a gain or loss resulting from a utility sale of a distribution system located within a geographically defined area, when the system consists of part or all of the utility's operating system, and the sale is to a municipality or other public or governmental entity such as a special utility district. The decision specifically provides:

"For sales of utility assets within the scope of this ruling, any gain on the sale shall accrue to the utility shareholders, providing that the ratepayers have not contributed capital to the distribution system and any adverse effects on the selling utility's remaining ratepayers are fully mitigated."

The decision in this Rulemaking proceeding further provided that the gain/loss issue in outstanding proceedings within its scope be disposed of pursuant to the findings, conclusions, and order of the decision.

In the present proceeding, Bruce Williams, SDG&E's Principal Regulatory Affairs Manager, has declared under penalty of perjury that SDG&E's ratepayers contributed no capital to the

¹ The LS-1 schedule rate as of January 1, 1985 was \$11.21 per lamp per month while the LS-2 schedule rate was \$3.73, approximately 1/3 of the former.

streetlighting system sold to City,² and that for 1985 SDG&E's total electric rate base was \$2,028,199,446, and total on-system electric revenues were \$1,383,241,902.

Unlike the situation in App. of Dyke Water Co. (1964) 63 CPUC 641, or App. of Plunkett Water Co. (1966) 65 CPUC 313, or App. of Kentwood in the Pines (1963) 61 CPUC 629, cited in D.89-07-016 as examples of significant adverse effects on remaining ratepayers, and each discussed and distinguished in D.89-07-016, and where major portions of the facilities of each cited utility were to be sold which would have resulted in significant rate increases, or inadequate service, to the remaining ratepayers of the cited utility, and/or precarious financial conditions which would have jeopardized the utility's future operations (i.e., significant adverse economic impacts for remaining ratepayers), it is obvious in the present situation neither the cost nor quality of service to SDG&E's remaining ratepayers was adversely affected by the sale. The streetlighting system sold comprised a very small percentage of SDG&E's electric distribution facilities (e.g., slightly over three hundreds of 1% of the net book value of SDG&E's electric distribution system). The loss in revenue occasioned by switching to the LS-2 rates was also very small when contrasted to SDG&E's revenues from its total on-system electric operations (e.g.,

2 Furthermore, while during the period 1979-1985 SDG&E participated in a streetlight conversion program to convert utility owned incandescent and mercury vapor streetlights to more efficient high pressure sodium vapor (HPSV) types, and planned to convert about 42,500 lights, the actual number finally converted was far less. This result was because of delamping and direct sales to various cities, including San Diego, which obviated the need for SDG&E actual conversions. San Diego never authorized SDG&E to convert mercury vapor lights to HPSV. The sale here involved 414 HPSV new and 9,847 mercury vapor lights. While it may have included a few mercury vapor conversions included with the HPSV, these could not be identified. Thus substantially all the lights sold reflected no ratepayer contribution.

approximately four hundreds of 1%). SDG&E was able to continue to serve its remaining customers without any diminution in quality of service or economic harm as a result of the sale.

On balance therefore, the ratepayers having contributed no capital to the streetlighting system sold, and there being no significant impact to the ratepayers from the sale - they being in the same position before and after the sale, the conditions set down in D.89-07-016 of the Rulemaking are met for the \$93,950 capital gain after taxes to accrue to SDG&E and its shareholders.³

The petition filed in November 1985 by SDG&E seeking modification of D.88-08-088 in this proceeding should be granted so far as it asks that the decision reflect that the gain realized from the transaction was \$93,950 after taxes.

Given the clearly minuscule impact on ratepayers of this transaction, and there being no material issue of fact involved, there is no need for a hearing.

Findings of Fact

1. In the captioned application, while SDG&E was authorized by Interim D.85-08-088 to proceed with the sale and transfer to City of a streetlighting system located within City's limits, and consisting of part of SDG&E's systemwide electric operating system, a transaction since consummated, SDG&E was also ordered to record

3 Indeed, the ratepayers were left even better off. The streetlighting facilities were removed from rate base, and since the sale and transfer ratepayers have not had to pay any return on that investment. Furthermore, by Ordering Paragraph 8 in Interim D.85-08-088 (which authorized the sale and transfer), SDG&E was relieved of its public utility duties and responsibilities of owning, maintaining, and operating the streetlighting system except for the duty and responsibility to furnish the City with electric energy for the system from central points of connection with SDG&E facilities.

in a memorandum account the capital gain realized and to retain the gain in that memorandum account until further Commission order.

2. D.89-07-016 in R.88-11-041 determined that in proceedings where ratepayers have not contributed capital to a distribution system, and any significant impacts from the sale to the remaining ratepayers are fully mitigated, a capital gain or loss realized from a sale of a distribution system located within a geographically defined area to a municipality when that distribution system consists of part of the utility's operating system shall accrue to the utility and its shareholders.

3. There was a \$93,950 gain realized after taxes from the SDG&E sale of this streetlighting system to City, and SDG&E's November 1985 motion to modify D.85-08-088 should be granted insofar as it reflects this fact.

4. Ratepayers contributed no capital to the streetlighting system here sold and transferred to City by SDG&E.

5. In that the net book value of the streetlighting system here sold comprised a very small percentage of the net book value of SDG&E's total electric rate base, and the revenues lost by switch to the LS-2 rates also constituted a very small percentage of SDG&E's total on-system electric revenues, the effect on SDG&E's ratepayers of this transaction was minuscule.

6. The facts and results of the present transaction serve to bring the gain disposition issue within the scope of D.89-07-016 in R.88-11-041.

Conclusions of Law

1. Pursuant to the Commission's determinations in D.89-07-016 in R.88-11-041, the \$93,950 gain realized on the sale of the streetlighting system sold by SDG&E to City, as authorized by D.85-08-088, should accrue to SDG&E and its shareholders.

2. A public hearing is not necessary.

FINAL ORDER

IT IS ORDERED that:

1. The November 1985 motion of San Diego Gas & Electric Company (SDG&E) to modify Decision 85-08-088 in the captioned proceeding to set forth a net gain of \$93,950 from the authorized sale of SDG&E's local streetlighting system to the City of San Diego is granted.

2. The gain realized on the sale of the streetlighting system in the captioned application shall accrue to SDG&E and its shareholders.

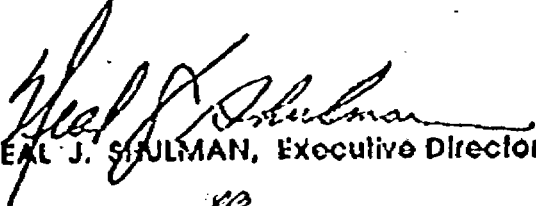
This order becomes effective 30 days from today.

Dated JUN 20 1990, at San Francisco, California.

FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

President G. Mitchell Wilk,
being necessarily absent, did
not participate.

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


NEAL J. SAULMAN, Executive Director