

ORIGINALDecision 82 12 064 DEC 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of CP NATIONAL CORPORATION, a)	
California corporation, for)	Application 82-10-32
authority to sell its Needles)	(Filed October 14, 1982)
electric system to the City of)	
Needles.)	

O P I N I O N

CP National Corporation (CP National) seeks an ex parte order of the Commission authorizing the sale and transfer of its public utility system in the City of Needles (City) and adjacent areas to the City. The City joins in the application.

CP National owns and operates public utility electric, gas, water, and telephone systems in a number of locations in California. It also provides public utility services in Oregon Nevada, Utah, and Arizona. The Needles electric system of CP National provides electric service to approximately 2,000 residential, commercial, and other customers.

The Deputy Secretary, US Department of Energy, has made available to the City an option to purchase electric energy from federally owned hydro projects. The City will be entitled to a proportionate share of the electric energy previously made available to CP National for the Needles area under a now terminated federal contract. In order to exercise this option, the City must qualify as a preference customer, which will require that the City own the electric distribution facilities and accept utility responsibility for present and future customers in Needles and adjacent areas.

In order to accomplish that purpose, the City and CP National have entered into an Agreement of Purchase and Sale dated as of September 30, 1982. Under the agreement the purchase price is an amount equal to the net book value of all CP National's assets located in San Bernardino County, California, used and useful in connection with the furnishing of electric power to the Needles community plus the book cost of materials and supplies, the amount of customer accounts receivable (net of an agreed reserve for uncollectibles), and the amount in the purchased power cost balancing account, and less an amount equal to the total of all refundable customer deposits and advances held at closing. The purchase price also includes an amount equal to all federal and state income taxes and all other taxes incurred by CP National, including but not limited to, investment tax credit and depreciation recapture incurred by CP National as a result of the sale.

The agreement provides that the City will assume CP National's liabilities and obligations to refund customer deposits and advances made to the utility for the Needles electric system and other contractual commitments to which CP National is a party at closing. Further, the agreement provides for reading of meters adjusted to the closing date.

Upon acquisition, the City will assume full responsibility to provide electric service within the boundaries of CP National's Needles service area without unreasonable differences or discrimination between members of the public as to rates, charges, practices, rules, service facilities, or in any other respect.

The City is negotiating a contract with CP National to operate and maintain the system following its purchase. If

the contract is terminated, the City would continue to provide public utility service with its own personnel.

Upon acquisition, the City proposes to charge the same rates for electric service that were being charged by CP National on the date of transfer.

All electric power sold by CP National in the Needles community is purchased from Nevada Power Company. Over the past several years, CP National rates for electric service in the Needles community have increased because of increases in the rates for power purchased from Nevada Power Company.

The City will be entitled to receive a federal preference power allocation when it acquires ownership of CP National's Needles electric system. The sale will enable the City to provide electric service to its customers at rates lower than those being charged by CP National. An option for such entitlement has been granted to the City by the United States Department of Energy, Western Area Power Administration (DOE).^{1/} The option is available until January 17, 1983. The allocation will not be immediately available, but will be not later than January 1, 1988. Pending receipt of the allocation, DOE is authorized to make purchases from nonfederal sources, with the cost to be borne by the City.

The agreement provides that the closing date shall be January 6, 1983, or such other time as may be mutually agreed upon in writing by the parties. In order to secure its preference power allocation, the City must close the purchase by January 17, 1983.

^{1/} DOE letter to the City dated January 18, 1979 received in the record as Exhibit 1.

In its application CP National shows an original cost of \$3,109,000 and a net book value of \$2,217,000 for its Needles electric system as of June 30, 1982. For the year 1981 CP National Needles sales were 46.2 million kWh with revenues of \$2,807,000.

Notice of the application appeared in the Commission's Daily Calendar of October 19, 1982. No protest has been received.

Findings of Fact

1. The proposed sale and transfer of the Needles electric system from CP National to the City are not adverse to the public interest.

2. The transfer will enable the customers in the City to receive electric service at preferential rates that otherwise would not be available if the system remained in the ownership of CP National.

3. The City will charge rates which are the same rates as were charged by CP National on the date of transfer in the Needles community.

4. The City has the ability to operate and maintain the electric system in a manner which will not be detrimental to the public interest.

5. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

6. A public hearing is not necessary.

7. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. Any legal interest which ratepayers served by CP National's Needles electric system may have in the appreciated value of assets to be transferred will be adequately protected by their transfer to the City, a public agency. This authorization does not constitute a finding of the value of rights and properties to be transferred.

2. The application should be granted.

3. CP National should be released from its public utility obligation in its Needles electric system, and the City should undertake that obligation.

4. The effective date of this order should be the date of signature in order to provide for an expeditious transfer so that City may promptly secure its preference power allocation. This authorization is not a finding of the value of rights and properties to be transferred.

O R D E R

IT IS ORDERED that:

1. The Agreement of Purchase and Sale between CP National Corporation (CP National) and the City of Needles, California, (City) attached to the application, with such changes as may be necessary that are not inconsistent with this decision, is approved.

2. On or before January 17, 1983, CP National may perform such acts as necessary to transfer its electric system located in San Bernardino County, California, to the City according to the terms of the agreement,

3. As a condition of our authorization, the City shall assume all liability of CP National for refunds of customer deposits and advances in aid of construction existing upon the close of sale and shall assume all liability for their repayment when due in accordance with all terms applicable to such deposits and advances when made.

4. Within 10 days after transfer, CP National shall notify the Commission in writing of the date of transfer and of the date when the City began operating the electric system. A true copy of the transfer documents shall be attached to the notice.

5. On or at the time of actual transfer, CP National shall deliver to the City, and the City shall keep, all records pertaining to the construction and operation of the transferred electric system.

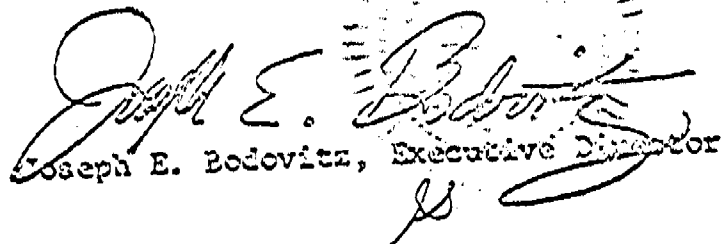
6. Upon compliance with this order, CP National shall be relieved of its public utility obligation in connection with the transferred system.

This order is effective today.

Dated DEC 15 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

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Findings of Fact

1. The proposed sale and transfer of the Needles electric system from CP National to the City are not adverse to the public interest.
2. The transfer will enable the customers in the City to receive electric service at preferential rates that otherwise would not be available if the system remained in the ownership of CP National.
3. The City will charge rates which are the same rates as were charged by CP National on the date of transfer in the Needles community.
4. The City has the ability to operate and maintain the electric system in a manner which will not be detrimental to the public interest.
5. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.
6. A public hearing is not necessary.
7. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. The application should be granted.

2. CP National should be released from its public utility obligation in its Needles electric system, and the City should undertake that obligation.

The effective date of this order should be the date of signature in order to provide for an expeditious transfer because time is of the essence, since there is no known opposition and no reason to delay the request. This authorization is not a finding of the value of rights and properties to be transferred.

O R D E R

IT IS ORDERED that:

1. The Agreement of Purchase and Sale between CP National Corporation (CP National) and the City of Needles, California, (City) attached to the application, with such changes as may be necessary that are not inconsistent with this decision, is approved.

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