

ALJ/bg

Decision 83 12 051 DEC 20 1983**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND)
 ELECTRIC COMPANY and PLACER COUNTY)
 WATER AGENCY for an order authorizing)
 the former to sell and convey to the)
 latter certain water facilities,)
 known as the Upper Placer Water)
 System, in accordance with the terms)
 of a Purchase Agreement dated)
 November 17, 1982.))

Application 83-08-05
 (Filed August 1, 1983)

O P I N I O N

Pacific Gas and Electric Company (PG&E) and Placer County Water Agency (PCWA) jointly apply for authority to transfer the Upper Placer Water System from PG&E to PCWA, which is a public agency organized under the Placer County Water Agency Act (Stats. 1957 Ch. 1234, as amended; West's Water Code Appendix, Ch. 81). PCWA currently provides treated water service to about 9,000 customers, and irrigation water to about 2,000 customers.

This decision approves the application.

Description of the System

The facilities to be sold comprise most of PG&E's Upper Placer Water System. The system consists of conduits such as ditches, flumes, and pipes and regulating and standby reservoirs generally lying below the community of Alta, between the north fork of the American River and the Bear River in Placer County. The system includes three piped treated water systems serving Alta, Colfax, and Monte Vista. Water for the system comes from the south and middle forks of the South Yuba River above Lake Spaulding and is augmented by diversions from the Bear River. Water is also obtained from Canyon Creek and a well serving Monte Vista.

Value, Purchase Price, and Terms of Payment

Net book value of the entire system as of December 31, 1982 was \$1,554,306. Certain portions of the system to be retained by PG&E had a net book value of \$248,349 at the end of 1982, producing a net book value of the facilities to be conveyed of \$1,305,957. Historical cost before depreciation of the facilities to be conveyed was \$3,837,627.¹ The system's books are separate from PG&E's gas and electric operations for plant and accounting purposes.

Purchase price is \$512,000, of which 10% was tendered as a deposit on September 28, 1982. The remainder of the purchase price is to be placed into escrow and delivered to PG&E after closing.

The Agreement's Terms of Sale

The terms of the agreement are derived from a previous agreement between PG&E and Robert Ollendick, signed September 2, 1982, in which it was stipulated that if PCWA gave notice of its intention to buy the system on the same terms, Ollendick would be relieved of his obligation to buy the system. PCWA gave that notice within the prescribed time, and the PCWA-PG&E purchase agreement was executed on November 17, 1982.

The transfer includes the water treatment plants and distribution systems that serve Alta, Colfax, and Monte Vista, listed in an appendix to the agreement as:

1. Lower Boardman Canal, from Alta Powerhouse tailrace to Lake Arthur.
2. Pulp Mill Canal.
3. Bowman Feeder Canal.
4. Lake Alta.
5. Lake Arthur.
6. Lake Theodore.

The following are retained by PG&E:

¹ We take notice of Decision 92298 in Application 58632 (October 8, 1980) in which the depreciated rate base of the total system was found to be \$1,401,300.

1. Ragsdale Random Canal & Tunnel.
2. Lower and Middle Fiddler Green Canals.
3. Upper Bowman Canal.

The "system" as defined by the agreement includes:

1. The transferred facilities named above.
2. The lands relating to the system.
3. All franchises, permits, etc. which under law may be transferred.
4. System inventories of raw materials and supplies.
5. All water rights for consumptive use associated with the system.
6. Deferred charges and prepaid expenses.
7. Land improvements (storage tanks, buildings, wells, machinery, etc.).
8. Certain automotive or construction equipment.

PG&E and PCWA agree to choose a closing date within 60 days after this Commission gives final approval to the sale. On that date the escrow holder will deliver appropriate documents to PCWA and shall release payment to PG&E. There is an appropriate provision covering outstanding contracts and sales orders. On the closing date, PCWA shall undertake operation of the system and relieve PG&E of its service obligations.

Credit deposits, under the agreement, shall be applied by PG&E to closing bills for customer service and any excess refunded to the customers.

PCWA agrees to assume obligations under all main extension agreements to which PG&E is a party as of the closing date.

Supply of Water

PG&E agrees to supply the system water for "consumptive" use (domestic, industrial, and irrigation) up to 25,000 acre feet per year, at a maximum delivery rate of 38 cubic feet per second. Specific points of delivery are named, and certain limitations on changes of rates of flow are specified.

There is no charge for water delivery up to 13,000 acre feet per year; charges are specified for amounts over that figure with a system of adjusting the price after 10 years. Credits to PCWA are provided when delivery is less than 11,000 acre feet per year.

A "wheeling" provision requires PCWA to transport water for PG&E in the Lower Boardman Canal on a "space available basis for delivery at the lower end of the Bowman Feeder Canal or below Lake Theodore during scheduled or emergency outages of the Bear River Canal." Certain notice provisions are included in this connection as well as a stipulation that PG&E and PCWA shall coordinate operations of their systems to avoid periods when both Bear River Canal and Lower Boardman Canal are out of service at the same time.

Other Provisions

The agreement also includes terms of payment for water, remedies for failure to pay, additional escrow obligations, an indemnification clause, an arbitration provision, and several other clauses which are appropriate in this kind of agreement and need not be discussed in detail.

Need for Public Hearing

Applicants request an ex parte decision. In a letter to the Commission dated October 18, 1983, counsel for PG&E points out that PCWA held public meetings on the subject of the transfer on September 9 and September 22, 1982. Copies of the minutes of the meetings were forwarded with the letter. The first meeting was held in Auburn and the second in Colfax. About 70 persons attended the second meeting. County personnel answered questions from the public. The minutes reflect that the majority of those present favored service by PCWA, although two persons stated that they would prefer PG&E to sell the system to Robert Ollendick (see discussion above on the Ollendick contract being superseded by the PG&E-PCWA contract). A resolution of the PCWA Board of Directors, passed September 22, 1982, authorized the purchase.

The material forwarded shows that there has been adequate opportunity for public participation and no hearing before this Commission is necessary.

Environmental Considerations

This application involves the sale of the water system "as is", and there is no effect upon the environment. This proceeding is not subject to any statutory requirement for an environmental impact report or a negative declaration.

Discussion

The application requests approval of the transfer on the basis that PG&E wishes to withdraw from the water system. PG&E points out that it is in the water business only incidentally to its electric business. PCWA believes local ownership is in the best interests of the system and the customers.

We agree that the transfer is in the public interest. The agreement contains necessary provisions to protect the public's water supply, and the price is reasonable. As the application mentions, it is not possible at this time to predict whether sale to PCWA or retention by PG&E would produce lower rates in the long run. That depends on the level of improvements desired, on cost of maintenance, growth, and other factors.

Findings of Fact

1. The price of sale and terms of the agreement between PCWA and PG&E are reasonable.
2. The transfer is in the public interest because PG&E wishes to withdraw from the water business and PCWA wishes to operate it locally.
3. No public hearing is necessary.
4. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusions of Law

1. The transfer should be authorized.

2. The effective date of the order in this decision should be today, so that the transfer may be consummated without further delay.

O R D E R

IT IS ORDERED that:

1. On or before July 1, 1984 Pacific Gas and Electric Company (PG&E) may sell and transfer the Placer Water System to Placer County Water Agency (PCWA) under the terms of the Purchase Agreement executed November 17, 1982.

2. PG&E shall notify all system customers of the transfer, and its effective date, by bill insert or separate letter.

3. On or before the date of the transfer, PG&E shall refund any customer credit deposits which are subject to refund.

4. PCWA shall assume any liability for refunds of main extension advances.

5. Within 10 days after transfer, PG&E shall write the Commission stating the dates of transfer and deposit refunds, and the date PCWA began operating the system. A copy of the transfer documents shall be attached.

6. Upon compliance with this order, PG&E shall be relieved of its public utility obligation to the transferred system.

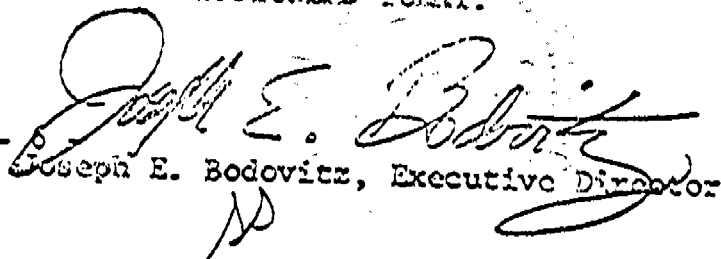
This order is effective today.

Dated DEC 20 1983, at San Francisco, California.

LEONARD M. CRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

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


Joseph E. Bodovitz, Executive Director