

FG

Decision No. 89265 AUG 22 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC
COMPANY and the CITY OF PALO ALTO for
an order authorizing the former to sell
and convey to the latter certain electric
distribution facilities in accordance
with the terms of an agreement dated
April 21, 1978.

Application No. 58178

(Electric)

O P I N I O N

Pacific Gas and Electric Company, a California Corporation (PG&E), and the City of Palo Alto, a municipal corporation (City), seek an order of the Commission granting PG&E authority to sell and convey to City certain electric facilities located in an area known as Barron Park, which was annexed to City by Ordinance No. 2884, and two additional areas known as Silva Avenue/Silva Court No. 1 and Silva Avenue/Silva Court No. 2, which were annexed to City respectively by Ordinances Nos. 2944 and 2945, and to effectuate the agreement between PG&E and City dated April 21, 1978.

City is, and for some time has been the owner of an electric distribution system, located within the corporate limits of the City of Palo Alto. From this system City furnishes electric service to many of the residents and inhabitants thereof. The properties which PG&E proposes to convey are located in an area which has been annexed to and has become a part of the City of Palo Alto. City desires to acquire the electric distribution facilities of PG&E described in the agreement and incorporate them into its municipal electric distribution system. City intends, upon acquiring such properties, to continue furnishing the electric service now being supplied by these facilities.

On April 21, 1978, PG&E and City executed an agreement, a true and correct copy of which is annexed and made a part hereof as Exhibit B. By this agreement PG&E agrees, among other things, to sell to City, and City agrees to purchase from PG&E, for the price and on the terms therein set forth, PG&E's electric facilities (facilities) plus any additions and less any retirements within the areas known as Barron Park and Silva Avenue/Silva Court Nos. 1 and 2. The locations of the facilities are more particularly shown and delineated on the maps attached to the agreement. PG&E promises to execute and deliver to City a bill of sale and assignment of land rights and property interests conveying the facilities to City within the time prescribed by the California Public Utilities Commission. City agrees to integrate these facilities into its electric system within no more than three months after the effective date of the Commission's order authorizing this agreement. City further agrees to save PG&E harmless from any and all liability arising from any failure of City to perform its utility obligations to customers in the area after the conveyance.

City agrees to pay PG&E as the purchase price for the facilities, upon delivery by PG&E to City of the bill of sale conveying the facilities and the assignment of land rights and property interests: (a) the sum of \$425,599, and (b) the net value as determined in accordance with PG&E's standard accounting practice, of any additions to and retirements from, the Barron Park facilities made by PG&E subsequent to February 18, 1976, and the Silva Avenue/Silva Court facilities made by PG&E subsequent to March 10, 1977, and prior to the conveyance of the facilities to the City, together with 15% of such net value, and any severance costs that may be involved. A copy of the proposed bill of sale is attached hereto as Exhibit C to the application. Exhibit D of the

application is a summary statement showing the estimated historical cost and the reproduction cost new, less depreciation, of the facilities. The actual cost of additions to and betterments of the facilities together with 15% of such cost, which accrued between the dates of inventory and the date of conveyance, will be determined as of the date of conveyance to City. The Commission will be advised of these figures within 90 days after the date of transfer.

Applicants assert that the agreement of April 21, 1978, is fair, just, and reasonable to the parties thereto and the customers affected thereby; that the properties and business which PG&E has agreed to sell to City are reasonably worth the amount City has agreed to pay therefor; and that PG&E and City desire to effectuate the agreement in accordance with its provisions.

Pursuant to the agreement, the current ad valorem taxes for the tax year in which the facilities are conveyed shall be prorated as of the date of conveyance, with PG&E to pay such taxes attributable to the portion of the taxes preceding the conveyance and the City to pay such taxes, if any, attributable to the portion of the tax year from and after the conveyance.

For the 12-month period ending April 30, 1977, PG&E supplied electric service from the facilities involved to 1,286 domestic customers and 41 commercial customers. PG&E derived gross revenue from these customers as follows: domestic \$199,268.61; and commercial \$60,571.12, for a total of \$259,839.73. The furnishing of electric service to these customers by City at its effective rates and charges will not result in the charging or collecting of rates or charges in excess of those paid to PG&E by the customers for electric service. PG&E holds no deposits for customers involved in this transaction.

The agreement provides that it shall not become effective until the Commission shall, by order, authorize PG&E to carry out its terms and conditions.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

Findings and Conclusions

We find that:

1. PG&E holds no deposits of customers whose service will be transferred to City.
2. The proposed sale described in this application will not be adverse to the public interest.
3. A public hearing is not 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.

We conclude that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company on or after the effective date hereof may sell and transfer to the City of Palo Alto the property referred to in this proceeding in accordance with the agreement attached to the application as Exhibit B.
2. Within 30 days after the date of actual transfer, PG&E shall file written notification to this Commission of the date of transfer and the date upon which City shall have assumed operation of the electric facilities authorized herein to be transferred. A true copy of the instrument of transfer shall be attached to the written notification.
3. Within 90 days after the date of actual transfer, PG&E shall file with this Commission the original cost figures to record properly the sale of the electric facilities on the books of PG&E. These figures should be reflected on proposed journal entries.

4. Upon compliance with the conditions of this order, PG&E shall stand relieved of all of its public utility obligations in the areas served by the transferred facilities, and may discontinue service concurrently with the commencement of service by City.

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

Dated at San Francisco, California, this 22nd
day of AUGUST, 1978.

Robert Batminal
President
William S. Jones Jr.
Vernon L. Sturgeon

Commissioners

Commissioner Richard D. Gravoille, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.