

ORIGINAL

Decision No. 89454 OCT 3 1978

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 gas distribution facilities in accordance with the terms of an agreement dated April 21, 1978.

Application No. 58177
(Filed June 27, 1978)

O P I N I O N

Pacific Gas and Electric Company (PG&E), a California corporation, and the City of Palo Alto (City), a municipal corporation, seek an order of the Commission granting PG&E authority to sell and convey to City certain gas facilities located in the areas listed below which have been annexed to City:

<u>Area Annexed to City</u>	<u>Annexation Ordinance No.</u>
Bayshore-Embarcadero (Laura Lane)	1751
El Camino No. 4	2009
El Camino/Maybell	2258
Barron Park	2884
Silva Avenue/Silva Court No. 1	2944
Silva Avenue/Silva Court No. 2	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 a gas distribution system located within the corporate limits of the City of Palo Alto. From this system City furnishes gas 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 gas distribution facilities of PG&E described in the agreement and to incorporate them into its municipal gas distribution system. City intends, upon acquiring such properties, to continue furnishing the gas service now being supplied by these facilities.

On April 21, 1978, PG&E and City executed an agreement, a copy of which is attached to the application 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 gas distribution facilities (facilities), plus any additions and less any retirements, within the areas annexed to City as previously designated. 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 a deed conveying the facilities to City. City agrees, upon execution and delivery of the deed, to assume all public utility obligations of PG&E to provide gas service in the area that has been supplied from PG&E's facilities. 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, the sum of \$304,192.00, adjusted to reflect: (a) the net value, as determined in accordance with the practice prescribed for gas utilities under the Uniform System of Accounts as established by the Federal Power Commission and its successors and as adopted by the California Public Utilities Commission, of any additions to and retirements from the Barron Park, Laura Lane, El Camino No. 4 and El Camino/Maybell facilities made by PG&E subsequent to March 10, 1976 and the Silva Avenue/Silva Court facilities made by

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PG&E subsequent to March 10, 1977 and prior to the conveyance of the facilities to the City; (b) 15% of such net value; and (c) any severance costs that may be involved as a result of such additions and retirements. A copy of the proposed bill of sale is attached to the application as Exhibit "C". Exhibit "D" of the application contains 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 tax year 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.

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.

PG&E asserts that, for the 12-month period ending April 30, 1977, it supplied gas service from the facilities involved to 1,187 domestic customers and 42 commercial customers, and that it

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derived gross revenue from these customers as follows: domestic \$204,708.90, and commercial \$42,468.84, for a total of \$247,177.74.

Applicants assert that the furnishing of gas service to these customers by City at its currently effective rates and charges will not result in the charging or collecting of rates or charges in excess of those currently being paid to PG&E by these customers for gas service.

PG&E asserts that it holds no main extension or credit deposits for customers involved in this transaction.

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 main extension or credit deposits for customers involved in this transaction.
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 (PG&E), on or after the effective date hereof, may sell and transfer to the City of Palo Alto (City) the property referred to in this proceeding in accordance with the agreement attached to the application as Exhibit "B".

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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 gas 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 gas facilities on the books of PG&E. These figures should be reflected in 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
3rd day of OCTOBER, 1978.

Robert Bateman
President
William Synow
Joseph L. Steyer
Joseph W. Seal
Clare L. DeRiel
Commissioners