

ORIGINAL

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Decision No. 90594 JUL 31 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY and the CITY OF
REDDING for an order authorizing
the former to sell and convey to
the latter certain electric
distribution, transmission, sub-
station, and street lighting
facilities, including real property,
in accordance with the terms of an
agreement dated February 15, 1979.

Application No. 58876

O P I N I O N

Pacific Gas and Electric Company, a California corporation (PG&E), and the City of Redding, 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 the area previously known as the Enterprise Public Utility District, which has been annexed to City, and to effectuate the agreement between PG&E and City dated February 15, 1979.

City is, and for some time has been, the owner of an electric distribution system located within the corporate limits of the City of Redding. From this system, City furnishes electric service to many of the residents and inhabitants thereof. City desires to acquire the electric distribution, transmission, substation, and street lighting Facilities (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 February 15, 1979, PG&E and City executed an agreement, a true and correct copy of which is annexed to the application and made a part thereof as Exhibit A. 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, the Facilities including additions, all as described in Exhibit A, within the areas previously known as the Enterprise Public Utility District. The locations of the Facilities are more particularly shown and delineated on the maps attached to Exhibit A hereof. PG&E promises to execute and deliver to City 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 electric service in the area that has been supplied from PG&E's Facilities. City also 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.

City agrees to pay PG&E as the purchase price for the Facilities: (a) the sum of \$7,600,000 and (b) the net value, as determined in accordance with PG&E's standard accounting practice, of any additions to and retirements from the Facilities made by PG&E subsequent to October 4, 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, all as specified in Exhibit A. A copy of the proposed bills of sale are attached to the application as Exhibit C. Exhibit C of the application also contains a summary statement showing the appraised value 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 October 4, 1977, 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. A copy of the proposed grant deed for the contemplated transfer of real property involved is attached to the application as Exhibit D. A proposed form of the necessary assignment of easements is attached to the application as Exhibit E.

Applicants assert that the agreement of February 15, 1979, 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 and any additions are conveyed shall be prorated as of the date of conveyance.

For the 12-month period ending December 31, 1978, PG&E supplied electric service from the facilities involved to 362 street lights, 4,982 domestic customers and 435 commercial, industrial and agricultural customers. PG&E derived gross revenue from these customers as follows: streetlights \$26,543; domestic \$2,204,395; and commercial \$311,760 for a total of \$2,542,698.

The furnishing of electric service to these customers by City at its effective rates and charges will result in the charging or collecting of rates or charges lower than those paid to PG&E by the customers for electric service since the City of Redding is a preference agency customer of the United States Department of Energy, Western Area Power Administration, for its wholesale purchased power requirements.

PG&E holds a number of credit and line extension deposits for customers involved in this transaction, all of which will be refunded when the purchase of these facilities has been authorized.

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 of Fact

1. The purchase price for the Facilities of \$7,600,000 plus the net value of additions specified in Exhibit A is reasonable.
2. The proposed sale described in this application will not be adverse to the public interest.
3. It can be seen with certainty that there is no possibility that the transaction in question may have a significant effect on the environment.

Conclusions of Law

1. A public hearing is not necessary in this matter.
2. PG&E should refund credit deposits to customers whose service will be transferred to the city.
3. 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 Redding (City) the property referred to in this proceeding in accordance with the agreement attached to this decision as Exhibit A.

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 is the date hereof.

Dated JUL 31 1979, at San Francisco, California.

John E. Supro
President

William L. Sturgeon

Charles A. Gavelle

Charles J. DeFuria

Thomas W. Jones
Commissioners