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ORIGINAL

Decision No. 90713 AUG 28 1979

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 October 12, 1978.

(Electric)

Application No. 58737
(Filed March 13, 1979)

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 the area known as Foothills Annexation No. 3, which had been annexed to City on July 27, 1959, and to effectuate the agreement between PG&E and City dated October 12, 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. City desires to acquire the electric distribution facilities consisting of PG&E's share of tap line described in the agreement and incorporate them into its municipal electric distribution system.

On October 12, 1978, 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 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, the facilities including additions, all as described in Exhibit B, within

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the area known as Foothills Annexation No. 3. The locations of the facilities are more particularly shown and delineated on the maps attached to Exhibit B thereof. 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 this area.

City agrees to pay PG&E as the purchase price for the facilities: (a) the sum of \$2,566 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 November 18, 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 B. A copy of the proposed bills of sale are attached to the application as Exhibit C. Exhibit D of the application 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 November 18, 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.

Applicants assert that the agreement of October 12, 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.

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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 November 30, 1977, PG&E supplied electric service from the facilities involved to two (2) domestic customers and derived a gross annual revenue of \$861 from these customers.

The furnishing of electric service to these customers by City and 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.

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 \$2,566 plus the net value of additions specified in Exhibit B is reasonable.
2. The proposed sale described in this application will not be adverse to the public interest.
3. PG&E holds no credit deposits for and owns no refunds to customers whose service will be transferred to the City.
4. 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. 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 this decision 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 is the date hereof.

Dated AUG 28 1979, at San Francisco, California.

Commissioner JOHN E. BRYSON

Present but not participating

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

Verde L. Stenger
President

Robert D. Howell
Edward W. Dennis
Commissioners