

ALJ/RC1/jva

Mailed 7/23/98

Decision 98-07-066 July 23, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39 E) and The Regents of the University of California for an Order under Section 851 of the California Public Utilities Code to Sell and Convey Certain Electric Distribution Facilities.

Application 98-04-007
(Filed April 6, 1998)

O P I N I O N

Summary

We will approve the sale by Pacific Gas and Electric Company (applicant) of certain electrical distribution facilities on the campus of the University of California, Santa Cruz, as described in the application (the Property), to The Regents of the University of California (Buyer), and the ratemaking treatment requested by applicant for this transfer.

Procedural Background

Applicant is a public utility subject to the jurisdiction of the Commission. On April 6, 1998, applicant filed an application for authority to transfer the Property to Buyer, which plans to operate them to distribute electricity on its campus. Notice of the application was published in the Daily Calendar on April 10, 1998. No protests were filed. The Office of Ratepayer Advocates (ORA) filed a response on May 11, 1998 and recommended that the transfer be approved, subject to a condition that the after-tax gain on sale would be credited to the depreciation reserve and that reduction to rate base occur on a specified date. Applicant filed a reply to ORA's response on May 21, 1998, to clarify that it proposed to reflect the reduction of rate base in its 1999 General Rate Case,

Application (A.) 97-12-020. Applicant confirmed that the after-tax gain on sale would be credited to the depreciation reserve.

Commissioner Conlon, the assigned Commissioner, issued an Assigned Commissioner's Ruling Pursuant to Rule 2.5 of the Rules of Practice and Procedure on June 2, 1998, which determined that no evidentiary hearing was required.

Discussion

No public utility may transfer its property that is necessary or useful in the performance of its duties to the public without first having secured the Commission's authorization. (Public Utilities (PU) Code § 851.) The Property is presently used for electrical distribution provided by applicant to Buyer. Therefore, the Property is useful, and PU Code Section 851 applies.

The Property consists of electrical distribution facilities located on the campus of the University of California, Santa Cruz. Buyer offered to purchase the Property so that it would be able to take service under Schedule E-20 P, which will enable it to take service at a higher voltage and lower rate, which requires Buyer to assume the cost of owning and operating the Property. Applicant and Buyer entered into an agreement (Purchase Agreement) for sale of the Property to Buyer for \$205,085, less a credit of \$27,666 for conversion of a portion of the Property from temporary to permanent status pursuant to applicant's Electric Rule 13, subject to the approval of this Commission.

Applicant and Buyer indemnify each other against claims arising from environment contamination in connection with the Property, that arise from releases occurring before and after, respectively, the transfer of the Property.

The net book value of the property at December 31, 1997 was \$33,341. Consistent with prior treatment of gain on sales of miscellaneous depreciable assets, applicant proposes to give ratepayers the benefit of the after-tax proceeds

from the sale, estimated at approximately \$154,000. Applicant proposes to credit such amount to the depreciation reserve, reducing rate base by an equal amount.

Under the California Environmental Quality Act (CEQA), we are obligated to consider the environmental consequences of projects, as defined, that are subject to our discretionary approval. (Public Resources (PR) Code Section 21080.) A transfer of property of a public utility to a public agency of the State of California is not a project, as defined, if the transferee will use and operate the property in substantially the same physical manner. (See *Pacific Gas & Elec.*, Decision (D.) 97-07-019.)

Findings of Fact

1. Applicant is an electric utility subject to the jurisdiction of the Commission.
2. Applicant has agreed to sell the Property to Buyer.
3. The Purchase Agreement contains an indemnification from Buyer to applicant for environmental liabilities arising from the post-transfer discharge of hazardous substances.

Conclusions of Law

1. Transfer of the Property is subject to PU Code Section 851.
2. Transfer of the Property to Buyer is not a project for CEQA purposes.
3. Transfer of the Property should be approved.
4. Following transfer of the Property, applicant should credit the after-tax proceeds to the depreciation reserve.
5. Applicant should reflect the resulting reduction of its rate base in A.97-12-020.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (applicant) may transfer to The Regents of the University of California the property described in the application, subject to the terms and conditions described therein.
2. Following transfer of the property, applicant shall credit the after-tax proceeds to the depreciation reserve.
3. Applicant shall reflect the resulting reduction of its rate base in Application (A.) 97-12-020.
4. The authority granted hereby expires if not exercised within one year of the date of this order.
5. The issues presented in A.98-04-007 are resolved.
6. A.98-04-007 is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners