

Decision No. 21560

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTHERN CALIFORNIA GAS COMPANY, )  
a corporation, to buy, and of )  
Producers Gas and Fuel Company, a )  
corporation, to sell, all of the )  
properties of Producers Gas and Fuel )  
Company; and of Southern California )  
Gas Company for a certificate of )  
public convenience and necessity to )  
exercise certain franchises. )

**ORIGINAL**

Application No. 15854.

In the Matter of the Application of )  
SOUTHERN CALIFORNIA GAS COMPANY, )  
a corporation, to buy, and of )  
Southwestern Gas and Fuel Company, a )  
corporation, to sell, all of the )  
properties of Southwestern Gas and )  
Fuel Company; and of Southern )  
California Gas Company for a cer- )  
tificate of public convenience and )  
necessity to exercise certain )  
franchises. )

Application No. 15855.

A. E. Peat, for applicants.

BY THE COMMISSION:

O P I N I O N

In the above entitled proceedings the Railroad Commission is asked to make its order authorizing the sale by Producers Gas and Fuel Company and Southwestern Gas and Fuel Company of all of their properties to Southern California Gas Company and the execution and delivery of the necessary deeds, conveyances, assignments and instruments of transfer to effect said sales; authorizing Southern California Gas Company to purchase said properties; and determining that public convenience and necessity require the exercise by Southern California Gas Company of each and all of the franchises to be conveyed to it by Producers Gas and Fuel Company and Southwestern Gas and Fuel Company.

The three corporations, applicants in these proceedings,

are engaged in the business of furnishing and supplying natural gas for domestic, commercial and industrial purposes in the southern part of the state. At the close of 1928, according to the 1928 annual reports of the companies to this Commission, Southern California Gas Company served 201,952 consumers in the Counties of Los Angeles, San Bernardino, Riverside, Kern, Kings and Tulare and elsewhere, Producers Gas and Fuel Company 98 consumers in and about McKittrick, in Kern County, and Southwestern Gas and Fuel Company 1,300 consumers in and about Beaumont, Banning, Hemet and San Jacinto in Riverside County. The properties of Producers Gas and Fuel Company and Southwestern Gas and Fuel Company are adjacent to those of Southern California Gas Company, and both companies receive all, or substantially all, of the gas they sell from Southern California Gas Company, the systems being interconnected.

It appears that the three corporations are controlled through stock ownership by the same interests and that it is believed by those in control that the operations and accounting can be carried on more advantageously if the three systems are operated as one than when operated separately, and that public convenience will be better served by such consolidated operations. Arrangements have therefore been made for the transfer of the properties as herein proposed.

The applications show that Southern California Gas Company proposes to pay for the properties of Producers Gas and Fuel Company the sum of \$94,523.67 in cash and assume its outstanding liabilities, which, as of June 30, 1929, aggregated \$13,239.51, and to pay for the properties of Southwestern Gas and Fuel Company the sum of \$151,598.15 in cash and assume its outstanding liabilities of \$101,208.59 and reserves of \$19,310.06. The liabilities and reserves are also as of June 30, 1929.

The original cost of the properties of Producers Gas and Fuel Company, as of June 30, 1929, is reported at \$107,763.18, an amount equal to the proposed cash payment and the liabilities to be assumed, and the original cost of the Southwestern Gas and Fuel Company, as of the same date, at \$246,565.79, an amount \$25,551.01 less than the cash payment and the liabilities and reserves to be taken over by the purchaser. The purchase price of the Producers Gas and Fuel Company's properties is based, it appears, on the book costs of such properties, while the price for the Southwestern Gas and Fuel Company's properties is based on the amount paid by the present holder of that company's stock, Pacific Lighting Corporation, in acquiring such stock and in retiring the company's bonds.

It appears that the credit balance in the reserve for accrued depreciation account of Producers Gas and Fuel Company, as of June 30, 1929, amounted to about \$50,000.00 and of Southwestern Gas and Fuel Company to about \$18,400.00. In this connection, however, Mr. A. E. Peat testified that, in his opinion, the proper balance in the reserve for accrued depreciation account of Producers Gas and Fuel Company should be reduced to about \$25,000.00. In a statement filed subsequent to the hearing, Mr. Peat advised us that, in his opinion, the proper balance in the reserve should be \$28,898.53. We believe that in purchasing the properties of these two companies, Southern California Gas Company should transfer to its books of accounts the cost of the properties as shown on the books of the vendor companies. In the event the purchaser pays for the properties more than the reported original cost of the properties less the liabilities assumed and appropriate reserves for accrued depreciation, it must charge such excess to its corporate surplus account.

Included in the properties of the two companies to be

transferred to Southern California Gas Company are the following franchises:

PRODUCERS GAS AND FUEL COMPANY:

Ordinance No. 120 passed by the Board of Supervisors of the County of Kern on April 6, 1917.

Ordinance No. 35 passed by the Board of Trustees of the City of McKittrick on April 3, 1917.

SOUTHWESTERN GAS AND FUEL COMPANY:

Ordinance No. 109 passed by the Board of Trustees of the City of Banning on January 13, 1920.

Ordinance No. 73 passed by the Board of Trustees of the City of Beaumont on December 12, 1919.

Ordinance No. 148A passed by the City Council of the City of Hemet on September 19, 1927.

Ordinance No. 157 passed by the City Council of the City of San Jacinto on September 6, 1927.

Ordinance No. 174 passed by the Board of Supervisors of the County of Riverside on September 6, 1927.

Southern California Gas Company asks for an order declaring that public convenience and necessity require the exercise by it of the rights and privileges granted by such franchises. The Commission heretofore by Decision No. 4772, dated October 20, 1917, made its order declaring that public convenience and necessity required the exercise by Producers Gas and Fuel Company of the rights and privileges granted by Ordinance No. 120 of the County of Kern and Ordinance No. 35 of the City of McKittrick, and by Decision No. 7825, dated July 8, 1920, that public convenience and necessity required the exercise by Twin Cities Gas Company, the predecessor of Southwestern Gas and Fuel Company, of the rights and privileges granted by Ordinance No. 109 of the City of Banning and Ordinance No. 73 of the City of Beaumont. We do not believe it necessary to

again make a finding that public convenience and necessity require the exercise of the rights and privileges granted by these four ordinances. The transfer of properties, including franchises whose holders heretofore have been authorized to exercise the rights and privileges granted by them, carries with it to the purchaser authority to exercise such rights and privileges.

It appears, however, that the Commission has never made its order of public convenience and necessity with respect to the franchises held by Southwestern Gas and Fuel Company which were granted by the Cities of Hemet and San Jacinto and the County of Riverside. Copies of the ordinances granting such franchises have been filed herein. The order herein will authorize the purchaser to exercise the rights and privileges granted by these franchises.

It appears to us that public convenience and necessity will be served by the transfer of the properties referred to herein to Southern California Gas Company, and the order herein accordingly will so provide.

#### ORDER

Applications having been made to the Railroad Commission for orders authorizing the transfer of properties and the exercise of franchise rights, as indicated in the foregoing opinion, and a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the applications should be granted, as herein provided,

The Railroad Commission of the State of California hereby declares that present and future public convenience and necessity require and will require the exercise by Southern California Gas Company, its successors or assigns, of the rights and privileges granted by the Board of Supervisors of the County of Riverside by Ordinance No. 174, and by the City Council of the City of San Jacinto

by Ordinance No. 157, and by the City Council of the City of Hemet by Ordinance No. 148A, provided that Southern California Gas Company file with the Commission, for approval, a stipulation declaring that neither it, its successors nor assigns, will ever claim a value for said rights and privileges in excess of the amounts actually paid as the consideration for the granting thereof, which amounts shall be stated in said stipulation.

IT IS HEREBY ORDERED that Producers Gas and Fuel Company and Southwestern Gas and Fuel Company be, and they hereby are, authorized to sell and transfer, on or before December 31, 1929, to Southern California Gas Company, all of their properties, <sup>subject to</sup> outstanding liabilities, and to execute and deliver the necessary deeds, conveyances, assignments and instruments to effect such transfers.

IT IS HEREBY FURTHER ORDERED that Southern California Gas Company be, and it hereby is, authorized to purchase and acquire and operate the aforesaid properties, assume the liabilities of said Producers Gas and Fuel Company and Southwestern Gas and Fuel Company and to exercise the rights and privileges granted by the franchises, referred to in the foregoing opinion, to be acquired from said Producers Gas and Fuel Company and Southwestern Gas and Fuel Company.

IT IS HEREBY FURTHER ORDERED that Producers Gas and Fuel Company and Southwestern Gas and Fuel Company be, and they hereby are, authorized, upon transfer of their properties as herein authorized, to cease furnishing and supplying gas in the territory in which they now operate.

The authority herein granted is subject to the following conditions:

(1) Southern California Gas Company, upon acquisition of the properties referred to herein may charge to its fixed capital

accounts and current asset accounts an amount not exceeding the cost of said properties as shown by the books of said Producers Gas and Fuel Company and Southwestern Gas and Fuel Company. If Southern California Gas Company pays for such properties more than said amount less the liabilities, including appropriate reserves for accrued depreciation which it will assume, it must charge such excess to Account No. 508 - "Miscellaneous Debits to Profit and Loss."

(2) Within sixty days after the acquisition of the aforesaid properties, as herein authorized, Southern California Gas Company shall file with the Commission copies of the deeds and other instruments of conveyance under which it acquires and holds title thereto; a statement indicating the exact dates upon which it acquired possession of the properties; and copies of its bookkeeping entries by which it records the purchase price and the distribution thereof to fixed capital and other accounts.

(3) Producers Gas and Fuel Company and Southwestern Gas and Fuel Company within sixty days after the transfer of their properties to Southern California Gas Company shall file with the Commission financial reports covering their operations from January 1, 1929 down to the date of such transfers, such reports to be prepared on the regular annual report forms prescribed and furnished by the Railroad Commission.

(4) The authority herein granted is not to be construed as a finding of a value of the aforesaid properties for any purpose except the transfers herein authorized.

(5) The authority herein granted will become effective ten days from the date hereof.

DATED at San Francisco, California, this 14<sup>th</sup> day of September, 1929.

Thos D. Lott  
Almy  
Edward  
Leon Whisell  
W. A. C.