

Decision No. 22375

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 Tur-)
lock Gas Company, a corporation, to)
sell all of the properties of Tur-)
lock Gas Company; and of Southern)
California Gas Company for a certi-)
ficate of public convenience and)
necessity to exercise certain fran-)
chises.)

ORIGINAL

Application No. 16120

L. T. Rice, for applicants.

WHITSELL, COMMISSIONER:

O P I N I O N

In the above entitled matter the Railroad Commission is requested to make its order;

1. Authorizing the purchase by Southern California Gas Company, and the sale by Turlock Gas Company, of all of the properties of Turlock Gas Company and the execution and delivery of the necessary deeds, conveyances, assignments and instruments of transfer to effect the said sale pursuant to Section 51a of the Public Utilities Act of the State of California.
2. 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 Turlock Gas Company.
3. For such other and further order and relief in the premises as to this Commission may seem just and meet.

The Turlock Gas Company is engaged in the manufacture, distribution and sale of artificial gas in and around the City of Turlock. The properties consist of a gas manufacturing plant and distribution system. The petition sets forth that on December 31, 1928 there was

in service 20 miles of various size mains, 1170 services, and that on September 30, 1929 there were 925 consumers.

In making the application the companies filed a balance sheet of Turlock Gas Company, dated October 31, 1929, showing its assets and liabilities as carried on the company's books on that date, as follows:-

ASSETS:

Fixed capital	\$145,118.32	
Current assets	19,112.75	
Total assets		<u>\$164,231.07</u>

LIABILITIES:

Capital stock	\$ 50,000.00	
Current liabilities	2,702.08	
Consumers' deposits and advances for construction	849.86	
Reserves	54,818.48	
Surplus	55,860.65	
Total liabilities.....		<u>\$164,231.07</u>

In Exhibit No. 1 the company's reserve for accrued depreciation is calculated on a six percent sinking fund basis and is therein reported at \$27,413.05 instead of \$54,693.44, as shown in the company's balance sheet.

Applicants allege that the historical cost of the properties which are the subject matter of this application, as of October 31, 1929, was \$145,118.32. Included among the properties to be transferred to the Southern California Gas Company is a fifty year franchise granted by Ordinance No. 97 adopted by the Board of Trustees of the City of Turlock on April 2, 1912, permitting the supplying of gas to the inhabitants of the City of Turlock from and after its passage. The record shows that it is the purchaser's intention, upon acquiring the Turlock properties, to continue the operations under and in accordance with the terms of the franchise. It is the exercise of these

franchise rights for which the applicant, Southern California Gas Company, is seeking a certificate of public convenience and necessity.

The Southern California Gas Company proposes to pay to the Turlock Gas Company the sum of \$109,000.00 in cash and to assume the indebtedness, current liabilities and reserve amounting to \$31,090.03 as of October 31, 1929.

At the hearing held January 16, 1930 no one appeared to protest the granting of this application.

In reviewing the record in this matter it appears that public convenience and necessity will be served through the transfer of the properties as herein proposed, the operation thereof by the Southern California Gas Company and that public convenience and necessity will require the issuance of certificate sought by the applicant, Southern California Gas Company.

It occurs to me, however, that Southern California Gas Company, in recording the transaction on its books of accounts, should charge to its fixed capital accounts not more than \$145,118.32 as of October 31, 1929 and should credit to its reserve for accrued depreciation the estimated accrued depreciation of \$27,413.05 of the same date.

I recommend the following form of order:-

ORDER

Application having been made to the Railroad Commission of the State of California for an order authorizing the transfer of properties of the Turlock Gas Company to Southern California Gas Company, a public hearing having been held, the matter being submitted and now ready for decision,

IT IS HEREBY ORDERED that Turlock Gas Company be, and it is hereby, authorized to sell and transfer on or before May 31, 1930 to Southern California Gas Company all of its properties, provided said Southern California Gas Company will assume all liabilities of said Turlock Gas Company.

IT IS HEREBY FURTHER ORDERED that Southern California Gas Company be, and it hereby is, authorized to purchase and operate the aforesaid properties and to assume the payment of the outstanding liabilities of Turlock Gas Company on the date it acquires the aforesaid properties and exercise the rights and privileges granted by the franchise to be acquired from the Turlock Gas Company and referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges conferred under that certain franchise granted by the City of Turlock by Ordinance No. 97 for the manufacture, distribution and sale of gas, which franchise is herein authorized to be transferred to Southern California Gas Company.

IT IS HEREBY FURTHER ORDERED that Turlock Gas Company be, and it hereby is, authorized, upon transfer of its properties to Southern California Gas Company, to cease furnishing and supplying gas service in the territory in which it now is operating.

The authority herein granted is subject to the following conditions and not otherwise;-

1. Southern California Gas Company, upon acquisition of the properties referred to herein, may charge to its fixed capital accounts not exceeding \$145,118.32 plus the cost of additions and betterments between October 31, 1929 and the actual date of transfer of the properties. If said Southern California Gas Company pays for the

properties of said Turlock Gas Company more than it is herein authorized to charge to fixed capital accounts, plus the cost to said Turlock Gas Company of the other assets of said Turlock Gas Company, less the liabilities including the reserves assumed, such excess payment must be charged to Account 508, "Miscellaneous debits to profit and loss."

2. The authority herein granted is not to be construed as an approval of the purchase price referred to in applicant's petition, nor is such authority to be hereafter urged before this Commission or other public body or court as a measure of the value of said properties for any purpose other than this transfer.

3. 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 or instruments of conveyance under which it acquires and holds titles thereto, a statement indicating the exact date upon which it acquired possession of the properties and copies of the bookkeeping entries by which it records the purchase price and the distribution thereof to fixed capital and other accounts.

4. That Southern California Gas Company shall file with this Commission a stipulation duly executed on authority of its Board of Directors agreeing that it, its successors or assigns will never claim before the Railroad Commission, or any court or any other public body, a value for said rights and privileges granted by said Ordinance No. 97 of the City of Turlock in excess of the cost thereof, which cost shall be set forth in said stipulation.

5. The authority herein granted shall become effective from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission

of the State of California.

DATED at San Francisco, California, this 28th day of April,
1930.

C. L. Seaver

Leon O. Wiley

Thos. D. Leland

M. J. Lee

Commissioners