

Decision No. 22392.

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 MADERA)
GAS COMPANY, a corporation, to sell)
all of the properties of Madera Gas)
Company; and of Southern California)
Gas Company for a certificate of)
public convenience and necessity to)
exercise certain franchises.)

ORIGINAL

Application No. 16119

L. T. Rice, for applicants.

WEITSELL, 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 Madera Gas Company, of all of the properties of Madera 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 Madera Gas Company.
3. For such other and further order and relief in the premises as to this Commission may seem just and meet.

The Madera Gas Company is engaged in the manufacture, distribution and sale of artificial gas in and around the City of Madera. The properties consist of a gas manufacturing plant and distribution system. The petition sets forth that on December 31, 1928 there was in service fifteen and one half miles of various size

mains, 808 services, and that on September 30, 1929 there were 681 consumers.

In Exhibit No. 1 the assets and liabilities of Madera Gas Company as of October 31, 1929 are reported as follows:-

ASSETS:

Fixed capital	\$124,751.13
Current assets	12,987.84
Prepaid insurance	502.21
Bond discount and expense	<u>1,805.29</u>

Total assets.....\$140,046.47

LIABILITIES:

Capital stock	\$ 29,030.00
Funded debt	38,000.00
Current liabilities	7,056.93
Reserves	42,985.94
Surplus	<u>22,973.60</u>

Total liabilities.....\$140,046.47

In Exhibit No. 1 applicants have computed the company's reserve for accrued depreciation on a six percent sinking fund basis. Because of this computation the reserve was reduced from \$42,951.36 to \$36,953.09.

Applicants allege that the historical cost of the fixed capital of Madera Gas Company as of October 31, 1929 was \$124,751.13. Included among these properties to be transferred to the Southern California Gas Company is a fifty year franchise granted by Ordinance No. 146, adopted by the Board of Trustees of the City of Madera on October 21, 1912, permitting the supplying of gas to the inhabitants of the City of Madera thirty days from and after its passage. The record shows that it is the purchaser's intention, upon acquiring the Madera properties, to continue the operations under and in accordance with the terms of this 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 Madera Gas Company the sum of \$83,000.00 in cash and to assume the bonded indebtedness, current liabilities and reserve amounting to \$82,044.60 as of October 31, 1929, making a total of \$165,044.60. The purchase price is \$25,984.12 in excess of cost of the assets of Madera Gas Company, as reported in this proceeding.

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, and the operation thereof by the Southern California Gas Company; and further, that public convenience and necessity will require the issuance of the 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 \$124,751.13 as of October 31, 1929 and should credit to its reserve for accrued depreciation the estimated accrued depreciation of \$36,953.09 as of October 31, 1929.

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 Madera 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 Madera 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 Madera Gas Company.

IT IS HEREBY FURTHER ORDERED that Southern California Gas Company be, and it is hereby, authorized to purchase and operate the aforesaid properties, to assume the payment of the outstanding liabilities of Madera Gas Company on the date of the transfer, and exercise the rights and privileges granted by the franchise to be acquired from the Madera 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 granted by Ordinance No. 146 of the City of Madera 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 Madera Gas Company be, and it is hereby, authorized, upon transfer of its properties to Southern California Gas Company, to cease furnishing and supplying gas service in the territory in which it is now 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 \$124,751.13 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 Madera Gas Company more than it is herein

authorized to charge to fixed capital accounts, plus the cost to said Madera Gas Company of the other assets of said Madera Gas Company, less the liabilities including the reserves, of said Madera Gas Company, 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 title 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. 146 of the City of Madera 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 1st day of May, 1930.

O. C. Leary

Leon Whiteley

Thos. G. Latta

W. J. Linn

Commissioners.