

Decision No. 22987

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 FOWLER GAS COMPANY,)
 a corporation, and PACIFIC GAS AND)
 ELECTRIC COMPANY, a corporation, for)
 an order of the Railroad Commission)
 of the State of California, author-)
 izing the former to sell, assign,)
 transfer and convey all of its)
 properties to the latter pursuant to)
 a certain agreement entered into by)
 applicants under date of August 14,)
 1930.)

ORIGINAL

Application No. 16858

C. P. Cutten and R. W. DuVal, by R. W. DuVal
 for Applicants.

BY THE COMMISSION:

OPINION

Fowler Gas Company has applied to the Railroad Commission for authority to sell, assign, transfer and convey to Pacific Gas and Electric Company all of the properties which it has agreed to sell, assign, transfer and convey pursuant to the provisions of an agreement between the two companies dated August 14, 1930, and to cease furnishing and supplying gas service in the territory in which it is or may be furnishing such service.

The application shows that Fowler Gas Company is a corporation engaged as a public utility in the business of generating, manufacturing, distributing and selling artificial gas for light, heat and other purposes in Fowler, Fresno County. The corporation has an authorized capital stock of \$50,000.00, divided into 50,000 shares of the par value of \$1.00 each, all common, of which 8,000 shares of the par value of \$3,000.00 are outstanding. It appears that the Pacific Gas and Electric Company acquired the outstanding stock for \$12,500.00 pursuant to authority granted by the Commission

by Decision No. 22557, dated June 21, 1930, in Application No. 16609.

It is now the desire of both corporations to cause the transfer of the physical properties of Fowler Gas Company to Pacific Gas and Electric Company. To that end an agreement, dated August 14, 1930, has been made by the two corporations providing for the transfer by Fowler Gas Company of all its assets and properties of every kind and character, whether tangible or intangible, real or personal to Pacific Gas and Electric Company and as consideration the payment by the latter of the sum of \$12,500.00 and the assumption of all obligations of the seller.

At the hearing held in this matter, applicants filed as Exhibit No. 2 an appraisal of the Fowler Gas Company properties as of May 1, 1930, showing the estimated historical cost new at \$27,038.00, the historical cost less depreciation at \$18,292.00, the reproduction cost at \$45,087.00 and the reproduction cost less depreciation at \$30,219.00. As Exhibit No. 1 applicants filed a statement showing the relation as of April 30, 1930, of the value of the plant and property, and other assets, to be transferred, to the cost to Pacific Gas and Electric Company of the acquisition, as follows:

<u>VALUE OF ASSETS AS OF APRIL 30, 1930</u>	Historical Cost	Reproduction Cost
Plant and Property.....	\$27,038.00	\$45,087.00
Deduct - Accrued Depreciation.....	8,746.00	14,868.00
	<u>18,292.00</u>	<u>30,219.00</u>
<u>CURRENT ASSETS</u>		
Materials and Supplies.....	1,094.22	1,094.22
Accounts Receivable.....	837.27	837.27
Cash in Bank.....	3,798.15	3,798.15
TOTAL VALUE OF ASSETS.....	<u>\$24,021.64</u>	<u>\$35,948.64</u>
<u>COST TO PACIFIC GAS AND ELECTRIC COMPANY TO ACQUIRE ASSETS</u>		
Purchase price to Pacific Gas and Electric Com- pany of Fowler Gas Company Common Capital Stock outstanding-8,000 shares of a par value of \$1.00 per share.....	\$12,500.00	\$12,500.00
Liabilities of Fowler Gas Company to be assumed by Pacific Gas and Electric Company		
Accounts Payable.....	188.93	188.93
Accrued Taxes Payable.....	136.69	136.69
TOTAL COST OF ACQUISITION.....	<u>\$12,825.62</u>	<u>\$12,825.62</u>
VALUE OF ASSETS IN EXCESS OF COST OF ACQUISITION.....	\$11,196.02	\$23,123.02

The testimony herein indicates that there has been little if any change in the various accounts since April 30, 1930, the date of the tabulation.

It appears that the cost to Pacific Gas and Electric Company of the gas properties at Fowler is less than the cost of such properties. We believe that Pacific Gas and Electric Company in recording the purchase of the properties on its books of account should charge to fixed capital accounts not more than \$27,038.00, the estimated historical cost, plus additions and betterments since the date of the valuation, and to current and other asset accounts the amounts now appearing in such accounts on the books of Fowler Gas Company. The excess of such charges over the amount paid, the liabilities assumed and the estimated accrued depreciation may be credited to profit and loss.

Upon acquiring the properties, it is the intention of Pacific Gas and Electric Company to lease them to San Joaquin Light and Power Corporation, along with its other gas properties in Fresno County, as permitted by the Commission by its Decision No. 22870, dated September 13, 1930, in Application No. 16856.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of the properties of Fowler Gas Company to Pacific Gas and Electric Company, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted, as herein provided,

IT IS HEREBY ORDERED that:

(1) Fowler Gas Company may, on or before December 31,

1930, sell, assign, transfer and convey to Pacific Gas and Electric Company all of the properties it has agreed to sell under the agreement dated August 14, 1930, a copy of which is filed in this proceeding as Exhibit "A".

(2) Fowler Gas Company upon selling, assigning, transferring and conveying to Pacific Gas and Electric Company the properties mentioned in this application, may cease furnishing and supplying gas service in the territory in which it is or may be furnishing and/or supplying gas service by means of said properties.

(3) Pacific Gas and Electric Company may perform the obligations, covenants and promises contained in said agreement dated August 14, 1930.

(4) Pacific Gas and Electric Company shall file with the Commission a certified copy of the deed or other instrument of conveyance under which it acquires and holds title to the aforesaid properties of Fowler Gas Company, said deed or other instrument to be filed within ninety days after its execution, and also, at the same time, a statement indicating the exact date it acquired such properties.

(5) Pacific Gas and Electric Company may charge to its fixed capital accounts in recording the purchase of the properties referred to herein, not in excess of \$27,038.00 plus the cost of additions and betterments since May 1, 1930, such charge to be offset in part by a credit of \$8,746.00 to its reserve for depreciation account, with adjustments for transactions between May 1, 1930 and the date of transfer of the properties. Said Pacific Gas and Electric Company shall file with the Commission within ninety days after acquiring the properties of Fowler Gas Company a copy of all book entries by which it records the purchase of said properties, including

the distribution to primary accounts.

(6) The consideration paid for the aforesaid properties by Pacific Gas and Electric Company shall not be urged as fixing the value of such properties for any purpose other than the transfer herein authorized.

(7) The authority herein granted will become effective ten days after the date hereof.

DATED at San Francisco, California, this 21st day of October, 1930.

C. L. Haney
Edward S. ...
Leon ...
Frank ...
W. A. ...
Commissioners.