

Decision No. 23673.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY,)
a corporation, and PACIFIC GAS AND)
ELECTRIC COMPANY, a corporation, for)
an order of the Railroad Commission)
authorizing the former to sell, assign,)
transfer and convey to the latter, the)
properties referred to in a certain)
agreement entered into by applicants)
under date of March 12, 1931.)

ORIGINAL

Application No. 17307

C. P. Cutten, for Pacific Gas and Electric Company;
E. H. Wetlaufer, for Southern California Gas Company;
J. J. Coghlan, City Attorney, for the City of Madera.

BY THE COMMISSION:

OPINION

In this proceeding the Commission is asked to enter its order authorizing Southern California Gas Company and Pacific Gas and Electric Company to consummate the agreement of March 12, 1931, filed in this proceeding as "Exhibit A"; and authorizing Southern California Gas Company to sell, assign, transfer and convey to Pacific Gas and Electric Company the properties described in said agreement, and upon the sale and transfer of said properties to cease to furnish and/or supply gas service by means of said properties; and authorizing Pacific Gas and Electric Company to assume those certain obligations, to which reference is made in said agreement.

A hearing was had on this application before Examiner Fankhauser at Madera on May 6th. At such hearing no one appeared to protest the granting of the application.

Under the terms of the aforesaid agreement the Southern California Gas Company has agreed to sell, assign, transfer and convey to Pacific Gas and Electric Company, free and clear of all liens and encumbrances, except those to which reference will be made hereafter, all of the properties, tangible and intangible, real and personal, which Southern California Gas Company now owns and uses, and on December 31, 1930, did own and use, in the Counties of Stanislaus, Madera and Merced, in the State of California, in connection with its business of manufacturing and/or distributing gas for public purposes in said counties; including, without limiting or restricting the foregoing general description, any and all franchises of whatsoever origin relating to the transmission, distribution and/or sale of gas; gas manufacturing plant and distribution system in and about the City of Turlock, in Stanislaus County; gas manufacturing and distribution system in and about the City of Madera, Madera County; real property, pipes, pipe lines, easements, buildings, structures, tanks, services, meters, machinery, tools, extra parts, trucks, service cars, automobiles and equipment, of whatsoever kind or character, used by the Southern California Gas Company in connection with its said gas business in any and all of said counties; contracts, records, files, books, ledgers, furniture, fixtures, credits, accounts receivable, choses in action, and other assets of any and all character, relating to and used in connection with Southern California Gas Company gas business in said counties, both now and as of December 31, 1930; all as described and set forth in a statement thereof (designated Southern California Gas Company statement of investment cost, book cost, of capital, and net income, for Turlock-Madera Division as of December 31, 1930) and submitted to the Pacific Gas and Electric Company by Southern California Gas Company on February 10, 1931, an inventory list of ac-

counts receivable and materials and supplies referred to in said statement, submitted to the Pacific Gas and Electric Company by Southern California Gas Company on March 5, 1931, and March 9, 1931. (Exhibit "B" filed in this proceeding).

Upon receipt of a deed or written instrument conveying to it unencumbered title to the aforesaid properties, Pacific Gas and Electric Company will pay Southern California Gas Company the sum of \$230,845.89, together with interest on such sum at the rate of six percent per annum from December 31, 1930 to date of receipt of such deed. In addition thereto, the Pacific Gas and Electric Company will pay to the Southern California Gas Company the actual cost to the latter of all additions and betterments, if any, made by it to the foregoing gas distribution systems during the period from December 31, 1930, up to the date of the delivery of the deed.

Pacific Gas and Electric Company will assume all obligations of the Southern California Gas Company in respect to all consumers' deposits and consumers' advances connected with the operation of the aforesaid properties. Pacific Gas and Electric Company also assumes and agrees to pay in accordance with their terms, those certain bonds heretofore issued by the Madera Gas Company, which bonds amount to \$36,500.00. If, however, the Southern California Gas Company shall, on or before April 1, 1931 redeem and pay said bonds in full, the Pacific Gas and Electric Company will reimburse the Southern California Gas Company in the principal amount of the bonds plus any additional sum that Southern California Gas Company shall properly pay out in calling and paying the same. The agreement further provides that, upon the delivery of the deed to the Pacific Gas and Electric Company transferring the aforesaid properties, adjustment shall be made, account of accounts receivable and materials and supplies on hand. All earnings derived from the operation of the properties subsequent to December 31,

1930 shall belong to the Pacific Gas and Electric Company. Such earnings shall be determined in accordance with the income statement on page six of the statement of December 31, 1930 excluding, however, any deduction for depreciation, taxes, or system general expense, provided that the Pacific Gas and Electric Company shall pay all taxes chargeable to revenues derived from the properties subsequent to December 31, 1930.

In general, the properties which are the subject of this application are those which were formerly owned by the Turlock Gas Company and by the Madera Gas Company, plus the additions and betterments which have been made to such properties by the Southern California Gas Company subsequent to the date it acquired the same.

The Commission by Decision No. 22375 dated April 28, 1930, as amended, authorized the Turlock Gas Company, subject to the provisions of said decision, to sell its properties to the Southern California Gas Company. By Decision No. 22392 dated May 1, 1930, as amended, the Commission authorized the Madera Gas Company to sell its properties subject to the provisions of the decision, to the Southern California Gas Company. The price which the Pacific Gas and Electric Company has agreed to pay for the properties is in general the price which the Southern California Gas Company has paid for the properties, plus the cost of the additions and betterments. In Decisions numbers 22375, and 22392, the Commission determined the amount which the Southern California Gas Company was permitted to charge to fixed capital accounts. Using such amounts as a basis and adding thereto the cost of additions and betterments, one arrives at a total fixed capital as of December 31, 1930, of \$307,078.37, against which there is an accrued depreciation of \$76,071.95. Deducting the accrued depreciation, leaves a net cost of \$231,006.42, or an amount slightly in excess of that which the Pac-

ific Gas and Electric Company agreed to pay for the properties.

It appears that the transfer of the properties, referred to in this application, is in the public interest in that the Pacific Gas and Electric Company and the San Joaquin Light and Power Corporation, which it controls through stock ownership, operate electric properties both at Turlock and at Madera. It is believed that these companies can operate the gas properties at Turlock and Madera on a more economical basis than can Southern California Gas Company, which has no interest in such communities other than said gas properties.

ORDER

The Commission having been asked to enter its order, as indicated in the foregoing opinion, having considered the request of applicants and being of the opinion that this application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Gas Company may sell, assign, convey and transfer on and after the effective date hereof, and prior to August 1, 1931, to the Pacific Gas and Electric Company, all the properties which the former has agreed to sell, assign, convey and transfer to the latter under the provisions of the agreement dated March 12, 1931, and filed in this proceeding as Exhibit "A".
2. Upon selling, assigning, transferring and conveying to the Pacific Gas and Electric Company the aforesaid properties, the Southern California Gas Company may cease to furnish and supply gas service in the territory in which said Southern California Gas Company is now and may be furnishing and supplying gas service by means of said properties.

3. Pacific Gas and Electric Company may, on and after the effective date hereof, and prior to August 1, 1931, assume and agree to pay those certain obligations of Southern California Gas Company specified in paragraph four of the agreement of March 12, 1931, filed in this proceeding as Exhibit "A".
4. Southern California Gas Company and Pacific Gas and Electric Company may on and after the effective date hereof, and prior to August 1, 1931, perform all necessary acts in order to consummate said agreement of March 12, 1931, filed in this proceeding as Exhibit "A".
5. Within thirty days after acquiring the aforesaid properties, Pacific Gas and Electric Company shall file with the Commission a copy of the deed or other instrument under which it acquires and holds title to said properties, and shall advise the Commission of the date upon which it acquired said properties and the date on which it took possession of the same.
6. The consideration which the Pacific Gas and Electric Company has agreed to pay for the aforesaid properties shall not be considered as determining the cost and/or value of said properties for any purpose other than the transfer herein authorized.
7. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 11th day of May, 1931.

C. J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners