

granted by the franchise which it proposes to acquire from Birch Oil Company.

Birch Oil Company is engaged primarily in producing and selling Crude oil from its wells in Orange County. In connection with its production of crude oil the company for the past three years has been selling and distributing natural gas in and about the town of Brea, Orange County. At the present time the company has between 150 and 200 consumers which it serves at a flat rate of \$2.50 per month.

As the company's natural gas business is incidental to its other business, it desires to dispose of its gas distributing system to Southern Counties Gas Company of California.

To this end it has entered into a contract with Southern Counties Gas Company for the sale of its gas distributing system for the sum of \$10,590.56, which sum it alleges approximates the original cost of the system. Included in the property to be transferred is a franchise granted to Birch Oil Company by the County of Orange on February 5, 1913 under Ordinance No. 93. This franchise covers certain described public highways in Orange County and is for a term of 25 years. The company is required to pay the county annually 2 per cent of its gross annual receipts after 5 years. Birch Oil Company states that the cost of this franchise was the sum of \$100.00.

At the hearing it developed that Birch Oil Company has never obtained a certificate of public convenience and necessity from the Commission and that it has failed to file annual reports with the Commission as required by law. It appears that the company was operating under the impression that it did not fall within the terms of the Public Utilities Act.

The agreement of sale which applicants have entered into provides that Birch Oil Company will deliver natural gas to Southern Counties Gas Company at 10 cents per thousand cubic feet until such time as the latter company is able to secure an

adequate supply from La Brea Oil Company.

Birch Oil Company further grants Southern Counties Gas Company an option for the purchase of such excess natural gas as Birch Oil Company shall not require for its own use.

Witness for Southern Counties Gas Company stated that eventually it intends to supply this territory from its new line to Pomona.

Witness further stated that if this application is granted it is the intention to meter all consumers and with the approval of the Commission to apply the rates now operative in the La Habra district.

These rates are as follows:-

First	2,000 cubic feet	\$1.20 per 1000
Next	3,000 cubic feet	1.10
Next	10,000 cubic feet	.80
Next	15,000 cubic feet	.60
Next	20,000 cubic feet	.40
Over	50,000 cubic feet	.30

Minimum \$1.00 per month per meter.

It appears that the acquisition of this distributing system and franchise by Southern Counties Gas Company of California will be of benefit to the consumers in this territory, and I am of the opinion that this application may be granted according to the terms of the following Order:

O R D E R

BIRCH OIL COMPANY having applied to this Commission for authority to sell its franchise and gas distributing system in Orange County to Southern Counties Gas Company of California, and the latter company having applied to this Commission for authority to purchase said franchise and distributing system, and for a certificate that public convenience and necessity require the exercise by it of the rights and privileges to be acquired

by the purchase of the franchise of Birch Oil Company;

And a public hearing having been held;

IT IS HEREBY ORDERED that Birch Oil Company be and it is hereby authorized to sell its franchise and natural gas distributing system at Brea, Orange County, to Southern Counties Gas Company of California for the sum of \$10,590.56 in accordance with the terms of a contract attached to Application No. 2561 and marked Exhibit "A".

The authority herein granted is granted upon the following conditions and not otherwise:-

- 1.-The properties herein authorized to be transferred shall be transferred free from encumbrance.
- 2.-The price at which the properties of Birch Oil Company are transferred to Southern Counties Gas Company of California shall not be binding upon this Commission or any other public body as representing the value of said properties for rate making or other purposes.
- 3.-The authority herein granted shall apply only to such transfer of property as shall take place on or before December 31, 1916.

The Railroad Commission of California hereby declares that public convenience and necessity require the exercise by Southern Counties Gas Company of California of the rights and privileges conferred by ordinance number 93 of the County of Orange, adopted February 5, 1913, provided that Southern Counties Gas Company of California shall first have filed with the Railroad Commission a stipulation duly authorized by its board of directors, declaring that Southern Counties Gas Company of California, its

successors and assigns, will never claim before the Railroad Commission or any court or other public body, a value for said rights and privileges in excess of the actual cost to Birch Oil Company of acquiring said rights and privileges, which cost is represented by Birch Oil Company to have been \$100.00, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation, in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

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 9th -
day of October, 1916.

Howard
Mygerton
Edwin O. Edgerton

Commissioners.