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Decision No. 6182.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

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In the Matter of the Application of
 ECONOMIC GAS COMPANY
 to sell, and of
 SOUTHERN CALIFORNIA GAS COMPANY
 to buy, certain property in the City
 and County of Los Angeles, State of
 California; of the SOUTHERN CALIFORNIA
 GAS COMPANY for a certificate of pub-
 lic convenience and necessity to ex-
 ercise a certain franchise granted by
 the Board of Supervisors of the said
 County of Los Angeles; and for the ap-
 proval by this Commission of a certain
 contract entered into between ECONOMIC
 GAS COMPANY and SOUTHERN CALIFORNIA GAS
 COMPANY as of date February 1st, 1919.

Application No. 4391.

Chickering & Gregory, by Allen Chickering for Economic
 Gas Company;
 O'Melveney, Millikin & Tuller, by Sayre Macneil for
 Southern California Gas Company;
 Porter & Sutton, by D.C. Porter for Mrs. Caroline A.
 Dobbins;
 Albert Lee Stephens, for the City of Los Angeles.

EDGERTON and BRUNDIGE, Commissioners.

O P I N I O N.

ECONOMIC GAS COMPANY asks authority to sell its pro-
 perties, described in Exhibit "1", to SOUTHERN CALIFORNIA GAS
 COMPANY. The latter company joins in the application and re-
 quests permission not only to purchase the properties of ECONOMIC
 GAS COMPANY, but also to operate under Ordinance No. 515 (New Series) of
 the County of Los Angeles, a copy of which is attached to the

petition and marked Exhibit "2".

Economic Gas Company reports that it has been unable and is now unable to obtain sufficient natural gas to supply the requirements of its consumers. For some time past, the company has been obliged to supply the deficiency by the manufacture of artificial gas, with the result that the company has been operating at a loss. Officers of the company believe that it is to its interest to sell its properties and retire from business.

It is alleged that the sale of the property of Economic Gas Company will be to the benefit of the public as well as the Southern California Gas Company. The Southern California Gas Company's gas supply largely exceeds that of Economic Gas Company. The purchasing company will be able to sell gas of a more constant quality. The record herein shows that the gas sold by Economic Gas Company during the past few months has been, due to the lack of sufficient natural gas and the necessity of manufacturing artificial gas to supply the deficiency, varying in heat units from 600 B.T.U. to about 850 B.T.U. per cu. ft. Some of the consumers of the company were getting natural gas for 24 hours, some of them natural gas at night and mixed gas during the remainder of the day, while others were being served with straight artificial gas. The variation in the quality of the gas served by Economic Gas Company has resulted in unsatisfactory service.

The testimony shows that nearly the entire distributing system of the Economic Gas Company is located in a part of the City of Los Angeles which is not now being served by Southern California Gas Company. Only in two or three places, and only for short distances, do the distributing lines of the two companies parallel each other. There is practically no competition between the Southern California Gas Company and the Economic Gas Company. As a result, the question of duplicate properties does not arise in this proceeding to any material extent. All of the properties, except the generating plant, will be kept in use by the purchasing company

The generating plant will be used only in case of an extreme emergency.

Through the transfer of the properties, Southern California Gas Company will obtain access to a portion of the city in which it is not now operating. Its financial condition will enable it to install extensions necessary and desirable to serve the public in the district now being served by the Economic Gas Company. A.B. Macbeth, general manager of Southern California Gas Company, testified that all of the present consumers of Economic Gas Company, except those who are now getting natural gas from the Sherman Oil Fields, will get a gas of a higher heat unit. Those consumers, who have been receiving natural gas from the Sherman Oil Fields, will continue to be served by gas obtained from those fields.

Southern California Gas Company intends to acquire the properties of Economic Gas Company pursuant to the terms and conditions of an agreement dated February 1, 1919. Copy of the agreement is attached to the petition herein and marked Exhibit "1". So far as the description of the properties is concerned, the agreement has been amended by the form of conveyance filed with the Railroad Commission on March 8, 1919. The consideration to be paid for the properties is \$800,000. The purchasing company will, however, assume the payment of indebtedness and receive credit for so doing to the extent of \$58,510, reducing the actual payment to be made by Southern California Gas Company at this time to \$741,490. Under the agreement of sale, Economic Gas Company will be permitted to retain all of its accounts and bills receivable and its cash on hand and in bank as of February 1, 1919. It will also be permitted to receive all moneys for gas sold prior to January 31, 1919. The properties are to be transferred to Southern California Gas Company free and clear of all encumbrances.

The agreement of sale recognizes the pending litigation between the Economic Gas Company and Mrs. Caroline A. Dobbins, et al. The sale is made subject to this litigation. Economic Gas Company agrees to indemnify Southern California Gas Company in case the property is lost through the litigation. The sale being made subject to the litigation, Mr. D.C. Porter, representing Mrs. Caroline A. Dobbins, withdrew his objection to the transfer of the properties.

Southern California Gas Company now operates in Los Angeles County under Ordinance Number 463 (New Series) adopted March 29, 1917. Through the purchase of the properties of Economic Gas Company, it will become the owner of the rights and privileges granted by Ordinance Number 515 (New Series) of Los Angeles County. It, therefore, asks the Commission to declare that public convenience and necessity require and will require it to operate under Ordinance Number 515 (New Series). This ordinance covers, according to the testimony of A.E. Peat, treasurer of Southern California Gas Company, substantially the same territory as Ordinance Number 463 (New Series). It is primarily because of the installation of a pipe line under Ordinance Number 515 (New Series) by Economic Gas Company, that Southern California Gas Company asks permission to operate under said ordinance.

We herewith submit the following form of Order.

O R D E R.

ECONOMIC GAS COMPANY having applied to the Railroad Commission for permission to sell its properties referred to herein to Southern California Gas Company, and the latter company having joined in the application and having asked permission to operate under Ordinance Number 515 (New Series) of Los Angeles County, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted, subject to the conditions of this Order;

IT IS HEREBY ORDERED that ECONOMIC GAS COMPANY ~~CONVEYANCE~~ be, and it is hereby, granted authority to sell to SOUTHERN CALIFORNIA GAS COMPANY for the sum of \$800,000 the properties described in the proposed instrument of conveyance filed with the Railroad Commission on March 8, 1919, said sale to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "1", provided:

- (A).-- That the consideration at which the public utility properties are herein authorized to be transferred will not be urged as a measure of value of said properties before this Commission, or any other public body, for rate-fixing or any purpose other than the transfer herein authorized.
- (B).-- That Southern California Gas Company file with the Railroad Commission for approval book entries relative to the transfer of the purchase of the properties.
- (C).-- That within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance be filed with the Railroad Commission by Southern California Gas Company.
- (D).-- That the authority herein granted to transfer properties shall apply only to such transfer as may be made on or before October 1, 1919.

The Railroad Commission of the State of California hereby declares that public convenience and necessity require and will require the exercise by Southern California Gas Company of the rights and privileges conferred by Ordinance No. 515/ (New Series)

of the County of Los Angeles adopted May 13, 1918, provided that Southern California Gas Company shall first have filed with the Railroad Commission a stipulation duly authorized by its Board of Directors declaring the Southern California Gas Company, 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 amount actually paid to the County of Los Angeles as the consideration for the grant of such franchise, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed, in form satisfactory to 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 12th day of March, 1919.

Edwin O. Edgerton
H. S. Loveland
Frazer R. Holman
H. W. Brundage
Erving Martin
Commissioners.