

ORIGINAL

Decision No. 4708

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SANTA MARIA GAS COMPANY for authority to purchase and acquire all of the property of SANTA MARIA GAS AND POWER COMPANY, certain of the properties of MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, to increase certain rates now charged for natural gas by MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, and for permission to issue certain securities.

Application Number 5550.

Chickering and Gregory, by Evan Williams for Santa Maria Gas Company and Santa Maria Gas and Power Company.

Murray Bourne, for Midland Counties Public Service Corporation.

BRUNDIGE, Commissioner.

OPINION.

The Railroad Commission is asked to make an order authorizing:

- (a) Midland Counties Public Service Corporation to sell, and Santa Maria Gas Company to purchase, those certain properties referred to in an agreement attached to the petition in Application Number 5200;
(b) Santa Maria Gas Company to purchase and Santa Maria Gas and Power Company to sell all of its properties;
(c) Santa Maria Gas Company to assume the indebtedness and obligations of Santa Maria Gas and Power Company, to issue \$300,000. of capital stock; not exceeding \$408,000. of 6% 20-year bonds and \$82,000. face value of 3-year 6% notes.

(d) The Santa Maria Gas Company to put into effect the rates of Santa Maria Gas ^{and} Power Company, such rates to be applicable both to the consumers of Santa Maria Gas and Power Company and Midland Counties Public Service Corporation.

In Decision Number 7231 dated March 8, 1920 the Railroad Commission authorized Midland Counties Public Service Corporation to sell certain properties to Santa Maria Gas and Power Company and also authorized Santa Maria Gas and Power Company to charge for gas sold in accordance with its regularly filed schedule of rates, all such consumers as it shall acquire from Midland Counties Public Service Corporation. The record indicates that applicants have not availed themselves of the authority granted in Decision Number 7231.

It is now proposed to transfer the gas properties of Midland Counties Public Service Corporation described in the agreement marked "Exhibit A" and attached to the petition in Application Number 5200 to Santa Maria Gas Company in accordance with the terms of such agreement. The properties will be acquired by Santa Maria Gas Company free and clear of any liens or encumbrances at a cost of \$388,000. or its equivalent. The purchasing company agrees to pay \$120,750. of the purchase price in cash or in 6% 20-year bonds which, accepted at 95, plus accrued interest, will net \$120,750; \$195,000. in 6% 20-year bonds and \$82,000. in a 3-year 6% note secured by the deposit of \$86,000. of 6% 20-year bonds. The agreement calls for a maximum bond issue of \$408,000. and also provides for the gradual payment of the \$82,000. note through the sale of gas to the steam electric generating plant at Betteravia. As payments are made on this note, a proper proportion of the bonds deposited as collateral should be returned to applicant's treasury.

Decision Number 7231 contains a reference to the appraised value of the properties which Midland Counties Public Service Corporation asks permission to sell to Santa Maria Gas Company.

Santa Maria Gas and Power Company asks permission to sell all its properties to the Santa Maria Gas Company in exchange for \$300,000. of stock and the assumption of all indebtedness, except \$129,000. of outstanding bonds. It was agreed at the hearing that Santa Maria Gas Company would assume the payment of all outstanding bonds, as well as the current indebtedness.

Santa Maria Gas and Power Company reports assets and liabilities as of December 31, 1919, as follows:-

ASSET ACCOUNTS

Fixed Capital:	\$519,364.34
Installed prior to Jan. 1, 1913 . . . \$172,021.36	
Installed since Dec. 31, 1912 . . . 347,342.98	
Special Deposits	512.73
Accounts Receivable	4,545.06
Materials and Supplies	7,239.85
Sinking Funds	74.25
Prepaid Expense	1,244.77
TOTAL ASSET ACCOUNTS	<u>\$532,981.00</u>

LIABILITY ACCOUNTS

Capital Stock	\$100,000.00
Funded Debt	129,000.00
Notes Payable	20,000.00
Accounts Payable	7,322.03
Interest Accrued	2,435.00
Taxes Accrued	3,740.53
Reserve for Accrued Depreciation . . .	85,282.59
Capital Surplus	75,289.97
Corporate Surplus Unappropriated . . .	109,910.88
TOTAL LIABILITY ACCOUNTS	<u>\$532,981.00</u>

In Decision Number 7035 dated January 17, 1920, in which the Commission authorized applicant to charge certain rates, it appears that Santa Maria Gas and Power Company claims an investment of \$466,435. in its operative properties. It is to acquire the properties of Santa Maria Gas and Power Company that Santa Maria Gas Company would issue \$300,000. of its stock and assume that company's indebtedness.

Santa Maria Gas Company has filed with the Commission a copy of its proposed mortgage, Exhibit E, which it intends to execute to secure the payment of \$700,000. 20-year 6% bonds.

In Decision Number 7231 dated March 8, 1920, the Commission, as said above, authorized Santa Maria Gas and Power Company to charge for gas sold in accordance with its regularly filed schedule of rates, all such consumers as it shall acquire from Midland Counties Public Service Corporation, from and after the first regular meter reading date after the transfer of the properties. Inasmuch as it is now proposed to transfer the properties to Santa Maria Gas Company, it appears desirable to cover in this decision the matter of the increase in rates now being charged to consumers connected with the Midland Counties Public Service Corporation's system. The order herein will be in this respect similar to that in Decision Number 7231.

This application, as explained by counsel for applicant at the hearing, in no way involves the abandonment of any lines, nor should the granting of the application be interpreted as committing the Commission in any manner whatsoever to the policy of permitting the abandonment of lines or discontinuance of service. It is expected that the purchasing company, until further ordered by the Commission, will operate the properties subject to the same terms, limitations and conditions as now apply to the Midland Counties Public Service Corporation and Santa Maria Gas and Power Company. It is further understood that the stipulation which the Santa Maria Gas and Power Company filed in Application Number 5200 relating to the purchase of properties by the City of San Luis Obispo will be binding upon the purchasing company.

I herewith submit the following form of order:

O R D E R

The Railroad Commission, having been asked to make an order authorizing the transfer of gas plants and properties, the increase in rates and the issue of \$300,000. of stock, \$408,000. of bonds and \$82,000. of notes, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock and bonds is reasonably required for the purpose or purposes specified in this order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;-

IT IS HEREBY ORDERED that Midland Counties Public Service Corporation be, and it is hereby, authorized to sell to Santa Maria Gas Company and said Santa Maria Gas Company to purchase for the sum of \$388,000. or its equivalent, the properties described in "Exhibit A" attached to the petition in Application Number 5200.;

IT IS HEREBY FURTHER ORDERED that Santa Maria Gas and Power Company be, and it is hereby authorized, to sell all of its properties to Santa Maria Gas Company and said Santa Maria Gas Company to purchase said properties for the consideration hereinafter mentioned.

IT IS HEREBY FURTHER ORDERED that Santa Maria Gas Company be, and it is hereby authorized, to issue \$300,000. of its common stock, not exceeding \$408,000. of its 6% 20-year bonds and \$82,000. of its 6% 3-year notes.

IT IS HEREBY FURTHER ORDERED that Santa Maria Gas Company be, and it is hereby, authorized to execute a mortgage substantially ^{same} in the form as the mortgage filed in this proceeding and marked "Exhibit E", provided that the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public

Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

The authority herein granted is subject to further conditions as follows:-

1. Santa Maria Gas Company shall assume the payment of all indebtedness of Santa Maria Gas and Power Company, and as additional consideration for the acquisition of all properties, may issue to that company, \$300,000. of its common capital stock.

2. The bonds and notes herein authorized to be issued, may be issued, sold and delivered for the purposes indicated in, and pursuant to the terms and conditions of, the agreement marked "Exhibit A" and attached to the petition in Application Number 5200. As payments are made on the \$82,000. face value of notes, a proper proportion of the bonds deposited as collateral shall be returned to the treasury of Santa Maria Gas Company, and these bonds, together with any bonds which the company finds it unnecessary to issue on account of making cash payments for the properties referred to in said "Exhibit A", may hereafter be issued only as authorized by the Railroad Commission.

3. The consideration at which the transfer of properties is herein authorized shall not be urged before this Commission or any other public body having jurisdiction, as fixing the value of the properties for rate making or for any purpose other than the transfer herein authorized.

4. The authority herein granted shall not be interpreted as giving Santa Maria Gas Company permission to abandon any service, said authority being granted with the understanding that Santa Maria Gas Company will acquire and operate the properties subject to the same terms, limitations and conditions as now apply to Santa Maria Gas and Power Company and Midland Counties Public Service Corporation.

5. Within 60 days after the transfer of the properties herein authorized, Santa Maria Gas Company shall file with the Railroad Commission for approval, a copy of all book entries relative to the transfer and purchase of the properties.

6. Within 60 days after the transfer of the properties herein authorized, Santa Maria Gas Company shall file with the Railroad Commission a verified copy of any and all instruments of conveyance whereby it receives title to properties referred to in this order.

7. Within 60 days after the receipt of payment for its properties, Midland Counties Public Service Corporation shall file with the Railroad Commission for approval, a statement showing the purposes for which it intends to expend the moneys obtained from the sale of the properties herein authorized.

8. Santa Maria Gas Company shall keep such record of the issue and sale of the stock, bonds and notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

9. The authority herein granted to issue bonds and notes will not become effective until Santa Maria Gas Company has paid the fee prescribed in the Public Utilities Act.

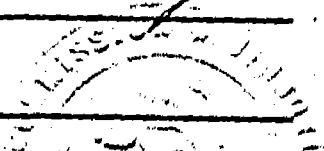
10. The authority herein granted to issue stock and bonds will apply only to such stock and bonds as may be issued on or before December 15, 1920, it being understood that the transfer of the properties authorized herein will be a condition precedent to the issue of stock, bonds and notes.

IT IS HEREBY FURTHER ORDERED that Santa Maria Gas Company be, and it is hereby, authorized to charge for gas sold in accordance with the filed schedule of rates of Santa Maria Gas and Power Company, all such consumers as it shall acquire from Midland Counties Public Service Corporation, from and after the first regular meter reading date after the transfer of the properties herein

authorized, provided that Santa Maria Gas Company will file within 10 days after the transfer of the properties herein authorized such modifications in the schedule of rates of Santa Maria Gas and Power Company as shall be necessary to conform with the authority herein granted.

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 June, 1920.


 RECEIVED
 JUN 10 1920
 H. W. Matthews
 EX.

Edwin O. Edgerton
H. J. Loveland
H. W. Prundige
Dwight Martin
 Commissioners.

Prnds.	#	408 000
less cash.		86.
		<u>322.000</u>
note.		82.000
due.		<u>404,000</u>