

ORIGINAL

Decision No. 7775.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

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In the Matter of the Application of
WEST SIDE GAS COMPANY, a California
corporation, JOSEPH McDONALD, and
WEST SIDE NATURAL GAS COMPANY, also
a California corporation, for an order
authorizing West Side Gas Company to
sell all of its property to West Side
Natural Gas Company, and authorizing
Joseph McDonald to sell all property
owned and operated by him as a seller
of gas and auxiliary supplies in the
County of Kern, State of California, to
said West Side Natural Gas Company, and
authorizing West Side Natural Gas Company
to purchase such properties and issue
shares of its capital stock in payment
therefor.

Application No. 5611.

Lilienthal, McKinstry, Raymond, Haber and Firebaugh,
by Joseph Haber, for applicants.

LOVELAND, Commissioner.

O P I N I O N.

In this application JOSEPH McDONALD and WEST SIDE GAS COMPANY ask permission to sell the properties described in applicants' Exhibit "D" and Exhibit "E" respectively, to WEST SIDE NATURAL GAS COMPANY, which joins in the application, and asks permission to issue \$150,000.00 of common capital stock in payment for the properties.

The record shows that Joseph McDonald is engaged in the business of selling natural gas and auxiliary supplies in Fellows, and South Taft, and that West Side Gas Company is engaged in selling natural gas in Taft and Maricopa. Both obtain their gas supply from the Midway Gas Company.

The operating revenues and expenses of the two gas system for 1919, are reported as follows:

I t e m	West Side Gas Company	Joseph McDonald	T o t a l
Operating Revenues	\$ 52,201.68	\$ 23,101.42	\$ 75,303.10
Operating Expenses	37,577.39	15,038.67	52,616.06
Net Operating Revenues:	14,624.29	8,062.75	22,687.04

Joseph McDonald believes that the operating and expenses for 1920 will be about the same as for 1919. The properties are not subject to any indebtedness, except current liabilities of a nominal amount.

In Exhibit "B", prepared by James T. Ryan, consulting engineer, applicants report the estimated cost of the properties at \$153,290. This amount is made up of the following items:

I t e m	West Side Gas Company Properties	Joseph McDonald Properties	T o t a l
Real Estate	\$ 12,000	\$ 1,000	\$ 13,000
Buildings	4,727	6,250	10,977
Transmission Pipes	4,082	-	4,082
Distribution Mains	36,335	23,470	59,805
Services	16,905	10,722	27,627
Regulators	989	198	1,187
Meters	14,098	7,921	22,019
Meter Shop Equipment	575	-	575
Service Equipment	1,344	-	1,344
Garage Equipment	159	-	159
Supplies	6,465	-	6,465
Furniture and Fixtures	2,475	-	2,475
Arc Lamps	3,575	-	3,575
Total,	103,729	49,561	153,290

In arriving at the above figures, James T. Ryan testified that he used the unit prices found in a former appraisal made by F.E. Hoar, who at the time of making his appraisal was ~~xxxxxxx~~ Gas and Electrical engineer of the Railroad Commission, and the average unit prices for material and labor subsequent to the date of the appraisal made by F.E. Hoar.

The record shows that West Side Gas Company has \$150,000. of stock outstanding, all of which -except shares necessary to qualify

directors, is owned by Joseph McDonald. He thus owns or controls through stock ownership, the properties which, with the Commission's approval, will be transferred to West Side Natural Gas Company. These properties will be transferred to the new company in exchange for \$149,700.00 of stock. Joseph McDonald intends to retain the stock received in payment for the properties. There will thus be no change in the management or the operation of the properties. The consolidation of the properties should result in a simplified accounting and will result in a more conservative capitalization.

I herewith submit the following form of Order:

O R D E R.

JOSEPH McDONALD and WEST SIDE GAS COMPANY having applied to the Railroad Commission for permission to sell certain gas properties to WEST SIDE NATURAL GAS COMPANY, and WEST SIDE NATURAL GAS COMPANY having asked permission to purchase the properties and issue \$150,000.00 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured by WEST SIDE NATURAL GAS COMPANY through the issue of its stock is reasonably required by it and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that JOSEPH McDONALD be, and he is hereby, authorized to sell to WEST SIDE NATURAL GAS COMPANY the properties described in applicants' Exhibit "D".

IT IS HEREBY FURTHER ORDERED, that WEST SIDE GAS COMPANY be, and it is hereby, authorized to sell to WEST SIDE NATURAL GAS COMPANY the properties described in applicants' Exhibit "E".

IT IS HEREBY FURTHER ORDERED, that WEST SIDE NATURAL GAS COMPANY be, and it is hereby, authorized to purchase said properties

described in Exhibit "D" and Exhibit "E", and issue in full payment for such properties \$149,700.00 of its common capital stock, as set forth in this applicant.

IT IS HEREBY FURTHER ORDERED, that WEST SIDE NATURAL GAS COMPANY be, and it is hereby, authorized to issue at par \$300.00 (3 shares) of its common capital stock for the purpose of qualifying its directors, and use the proceeds for working capital.

The authority herein granted is subject to the following conditions:

- 1.--The par value of the stock hereby authorized to be issued by West Side Natural Gas Company in payment for the properties to be acquired by it from West Side Gas Company and Joseph McDonald shall never be urged before this Commission, or any other public body, as fixing the value of said properties for the purpose of establishing rates, or any purpose other than the transfer herein authorized.
- 2.--West Side Natural Gas Company shall submit to this Commission for approval its opening book entries by which it intends to record the purchase of the properties of Joseph McDonald and West Side Gas Company, authorized in this order.
- 3.--West Side Natural Gas Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month verified reports, 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.

