

LBM
Decision No. 29438

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LOS ANGELES GAS AND ELECTRIC CORPORA-)
TION, THE CITY OF LOS ANGELES, and)
the DEPARTMENT OF WATER AND POWER OF)
THE CITY OF LOS ANGELES, for an order)
authorizing the Los Angeles Gas and)
Electric Corporation to sell, assign)
and convey certain of its electrical)
properties and franchises to The City)
of Los Angeles, through the Department)
of Water and Power of the City of Los)
Angeles.)

Application No. 20933

LeRoy M. Edwards, for Los Angeles Gas and
Electric Corporation.
W. J. Carr and Mark A. Hall, for City of
Los Angeles and for Department of
Water and Power of the City of Los
Angeles.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Los Angeles Gas and Electric Corpora-
tion, hereafter sometimes called the Applicant or the Los Angeles
Corporation; the City of Los Angeles, hereafter sometimes called the
City; and the Department of Water and Power of the City of Los Angeles,
hereafter sometimes called the Department; join in requesting the
Commission to enter its order authorizing Applicant to-

(a) Sell and assign to the City through the Department, the
electric properties which Applicant has contracted to sell and assign
to the City, and the City, through the Department to buy the same,
in accordance with the terms and provisions of the "Recorded Agree-
ment" and "Proposed Charter Amendment" filed in this proceeding as
Exhibit "C";

(b) Execute and deliver to the City a deed substantially in
the form filed in this proceeding as Exhibit "D".

(c) Suspend all further service of electric energy to consumers served by its electric system from and after the time of transfer of possession to the City of the electrical properties described in said Exhibit "D".

(d) Do and perform such other acts and things as may be necessary to carry into full effect the intent and purpose of the parties, as set forth in said "Recorded Agreement" and "Proposed Charter Amendment."

Applicant is engaged as a public utility in the business of generating, distributing and selling electricity and distributing and selling natural gas to the City and its inhabitants, and to various other communities and their inhabitants, within the County of Los Angeles, State of California.

Applicant and the City through the Department are in active competition in all departments of the electric business. It is of record that Applicant supplies about one third and the Department about two thirds of the electric energy distributed in the City, exclusive of the San Fernando Valley and Harbor sections. In slightly more than half of the territory served by it with electricity, Applicant is in competition with the Department. Applicant also supplies electric energy in limited areas outside the City, which areas are also served by Southern California Edison Company, Ltd.

The City and the Department have questioned the right of Applicant to sell electricity for purposes other than for "illuminating light". On or about August 2, 1932 the Superior Court of the State of California, in and for the County of Los Angeles, rendered its judgment in Action No. 230-998-A, wherein the court held that the constitutional franchise did not authorize Applicant to use any of the public streets in the City for furnishing, supplying and distributing electric energy "for any purpose except supplying 'illuminating light'". Applicant,

the City and the Department have appealed from certain parts of said judgment and decree to the Supreme Court of the State of California. These appeals are now pending.

The right of the Applicant, the right of Southern California Gas Company and the right of Southern Counties Gas Company of California to sell gas for purposes other than light, have also been challenged by the City. Litigation involving said rights is now pending. It appears from Exhibit "C" that the settlement of the controversies, claims and suits is

" authorized on the basis of (a) the making of a certain payment by the three corporations to the City, (b) the entry of agreed judgments in said suits, (c) the making of provision for the sale by the Los Angeles Corporation and for the right of purchase by the City, through the Department, of the electric system of said corporation, (d) the granting to each of the three corporations of a gas franchise, (e) the granting to the Los Angeles Corporation of a temporary electric permit and license, and (f) if the City shall fail to consummate the purchase of said electric system within the time provided therefor, the granting to the Los Angeles Corporation of an electric franchise, all as in this article more fully set forth".

The settlement of the several suits, claims and controversies, the terms and conditions of the purchase of the electric properties of Applicant by the City, the provisions of the franchises to be granted to the three companies and the issue of bonds by the City to pay for the properties, are covered in detail in the proposed charter amendment (Exhibit "C"). This amendment was ratified by the voters of the City at a special election held on December 8, 1938 by a vote of more than two to one.

The properties which Applicant has agreed to sell to the City are described in detail in Exhibit "C". In general, they consist of the electric generating, transmitting and distributing facilities and utilities of the Applicant in the Counties of Los Angeles and Orange, in the State of California (except certain buildings and other properties which are devoted to the joint use of said Applicant's

electric system and its gas system) including lands, buildings, structures, substations, improvements, easements, rights of way, franchises, machinery, equipment, apparatus, appliances, motor vehicles, furniture, maps, records, and other property pertaining to said electric facilities and utilities, together with Applicant's allocation of Boulder Canyon power, and all contracts with consumers of electricity, and certain other contracts pertaining to applicant's electric business, and together with replacements, additions, betterments and extensions of or to said system down to the consummation of such purchase.

The City has agreed to pay for the properties \$46,340,000. plus a reasonable sum for materials and supplies. In order to obtain advance possession of the properties it will pay Applicant \$90,000. In addition, the City will grant to Applicant, to Southern California Gas Company and to Southern Counties Gas Company of California, gas franchises. It is not deemed necessary to discuss the terms of such franchises at this time. The three companies will jointly pay the City \$505,421.25 and will severally pay the City the annual payments specified in the franchises.

It is contemplated that Applicant's electric properties will be transferred to the City as of midnight of January 31, 1937.

For the year ending November 30, 1936 Applicant reports operating revenues as follows:-

Gas sales	\$15,419,182.85
Electric sales	8,727,205.27
Miscellaneous	272,241.14
Total.....	<u>\$24,418,629.26</u>

Applicant has outstanding \$20,000,000. of common stock, \$19,518,300. of 6% preferred stock and \$40,000,000. of 4% bonds. It is Applicant's intention to redeem all of its bonds on April 1, 1937. To do so, Applicant must pay the face value of the bonds, the accrued

interest and a premium of 5% of the face value of the bonds. It will deposit, prior to January 31 with the Trustees under its trust indenture securing the payment of the bonds, a sum sufficient to redeem the bonds. Upon the deposit of funds with the trustees, the trustees can release Applicant's properties from the lien of the trust indenture.

As of November 30, 1936 Applicant reports assets and liabilities as follows:-

ASSETS

Plant, properties and franchises		\$114,935,193.87	
Investments in securities		40,078.31	
Current assets:			
Due from affiliated companies	\$ 562,653.64		
Cash	1,008,965.44		
Deposit for redemption of bonds	191,740.00		
Accounts and notes receivable (less reserve)	4,292,898.41		
Materials and supplies	<u>791,448.60</u>		6,847,706.09
Deferred charges:			
Unamortized bond discount and expense	\$2,872,295.18		
Unamortized stock discount	1,376,402.69		
Miscellaneous	<u>273,687.68</u>		<u>4,522,385.55</u>
Total			<u><u>\$126,345,363.82</u></u>

LIABILITIES

Capital stock:			
Preferred stock issued	\$19,518,300.00		
Common stock issued	<u>20,000,000.00</u>		\$ 39,518,300.00
Funded debt			40,000,000.00
Current liabilities:			
Due to affiliated companies	\$ 422,826.09		
Accounts payable	327,702.97		
Taxes accrued	2,865,715.56		
Bond interest accrued	266,666.67		
Dividends payable	97,591.50		
Bonds called for redemption	191,740.00		
Miscellaneous	<u>296,012.34</u>		4,468,255.13
Consumers' deposits and advances for construction			479,033.40
Reserves:			
Depreciation	\$37,781,706.96		
Casualty and insurance	841,377.08		
Contingency	<u>651,385.57</u>		39,274,469.61
Surplus:			
Capital (donations in aid of construction)	\$ 1,064,254.63		
Earned	<u>1,541,051.05</u>		<u>2,605,305.68</u>
Total			<u><u>\$ 126,345,363.82</u></u>

The original cost of Applicant's electric properties included in the foregoing balance sheet under plant, properties and franchises is reported at \$47,419,192.00. Because of the sale of its electric properties Applicant proposes to transfer about \$14,500,000. from its depreciation reserve to surplus. Certain charges will be made by Applicant to its surplus because of the redemption of its bonds and the sale of its electric properties. We do not think it necessary to delay a decision in this matter while a determination is made of the amount that may be transferred from depreciation reserve to surplus. If we hereafter find that through such transfer Applicant has unduly reduced its depreciation reserve, we will require it to transfer some amount from its surplus to its depreciation reserve.

The testimony shows that the transfer of the electric properties of Applicant to the City and their operation by the Department is in the public interest. Franchise litigation between the City on the one hand and Applicant, Southern California Gas Company and Southern Counties Gas Company of California on the other hand, will be settled. The three companies will be granted gas franchises. The electric properties of Applicant and the electric properties operated by the Department will be inter-connected, unified and consolidated.

ORDER

A public hearing having been held in this matter before Examiner McCaffery and the Commission having considered Los Angeles Gas and Electric Corporation's requests and being of the opinion that such requests should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. Los Angeles Gas and Electric Corporation may sell and assign to the City of Los Angeles through the Department of Water and Power,

the electric properties which said Los Angeles Gas and Electric Corporation has contracted to sell and assign to the said City of Los Angeles, and said City of Los Angeles through said Department of Water and Power, may buy the same, in accordance with the terms and provisions of the "Recorded Agreement" and the "Proposed Charter Amendment" filed in this proceeding as Exhibit "C".

2. Los Angeles Gas and Electric Corporation may execute and deliver to the City of Los Angeles a deed substantially in the same form as the deed filed in this proceeding as Exhibit "D".

3. Upon the transfer of its electric properties to the City of Los Angeles, Los Angeles Gas and Electric Corporation may suspend all further service of electric energy to the consumers served by its electric system, described in said Exhibit "D".

4. Los Angeles Gas and Electric Corporation may perform such other acts and things as may be necessary to carry into full effect the intent and purpose of the parties to said "Recorded Agreement" and "Proposed Charter Amendment", provided that the authority herein granted does not confer upon said Los Angeles Gas and Electric Corporation or upon Southern California Gas Company or upon Southern Counties Gas Company of California, a certificate of public convenience and necessity to exercise the rights and privileges which the City will grant to said companies under the "Proposed Charter Amendment", and provided further that the Commission reserves the right to require Los Angeles Gas and Electric Corporation to adjust any accounting entry or entries which it may make upon its records because of the sale of its electric properties to the City of Los Angeles.

5. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 6th day of January, 1937.

Walter W. W.
Leon Whitley
Frank R. Dolan

Commissioners.