

Decision No. 37550

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

IN THE MATTER OF THE APPLICATION
 OF COAST COUNTIES GAS AND ELECTRIC
 COMPANY AND CALIFORNIA-PACIFIC
 UTILITIES COMPANY FOR AN ORDER OF
 THE RAILROAD COMMISSION OF THE
 STATE OF CALIFORNIA AUTHORIZING THE
 FORMER TO SELL AND CONVEY TO THE
 LATTER THE PUBLIC UTILITY PROPERTIES
 HEREIN MENTIONED UNDER AND IN CONFORM-
 ITY WITH AN AGREEMENT OF SALE AND
 PURCHASE DATED NOVEMBER , 1944.

Application No. 26437

Henry G. Hayes, for Coast Counties Gas and Electric Company.
 Orrick, Dahlquist, Neff, Brown & Herrington, by
 T. W. Dahlquist, for California-Pacific
 Utilities Company.

ROWELL, COMMISSIONER:

O P I N I O N

Coast Counties Gas and Electric Company, hereinafter
 sometimes referred to as Seller, and California-Pacific Utilities
 Company, hereinafter sometimes referred to as Purchaser, ask the
 Railroad Commission to make its decision and order; (1) authoriz-
 ing Seller to sell and convey to Purchaser and authorizing Pur-

chaser to acquire the Yreka and the Dunsmuir Butane-Air gas systems mentioned and described in the Agreement of Sale filed in this application as Exhibit "A," and authorizing applicants to consummate said agreement; (2) authorizing Seller, upon the sale of said properties, to cease furnishing and supplying gas service as a public utility in the territory in which it now is or may be furnishing public utility service by means of the property sold, and (3) authorizing Purchaser, upon acquiring said properties, to withdraw and cancel the tariff schedules of the Seller insofar as they relate to the utility service and territory involved, and refile said tariff schedules and Seller's gas rules and regulations.

The butane-air gas properties, which the Seller has agreed to sell and convey to the Purchaser, were placed in operation about March, 1931. As of September 30, 1944, the Yreka⁽¹⁾ gas system had 8.7 miles of mains, 456 services, and 285 active consumers. The comparable figures for the Dunsmuir⁽¹⁾ system were 9.2 miles of mains, 473 services, and 289 active consumers. The Yreka production plant has a capacity of 15,000 cubic feet of gas per hour and the Dunsmuir production plant a capacity of 10,000 cubic feet of gas per hour. The gas mains in the two localities consist of the following:

<u>Size</u>	<u>Yreka</u>	<u>Dunsmuir</u>
1½"	1,778 feet	845 feet
2"	38,342 "	37,373 "
3"	3,513 "	5,399 "
4"	2,389 "	5,085 "

(1) Certificate of public convenience and necessity granted by Decision No. 23165, dated December 12, 1930, in Application No. 16116, to Natural Gas Corporation of California, later merged into Coast Counties Gas and Electric Company.

For the twelve months ending September 30, 1944, the operating revenues of the Dunsmuir system are, in Exhibit No. 7, reported at \$23,763.47 and of the Yreka system at \$31,041.02, the total being \$54,804.49. The total operating expenses exclusive of depreciation and Federal income taxes amounted to \$33,195.56, leaving \$21,608.93 for depreciation, Federal income taxes and return.

In Exhibit 1, the Seller reports the un depreciated cost of its Yreka gas properties at \$124,661.85 and of its Dunsmuir gas properties at \$148,637.23, the total being \$273,299.08. The parties have agreed upon a sale and purchase price of \$50,000 plus or minus the adjustments mentioned in the Agreement of Sale (Exhibit "A"). The \$273,299.08 includes \$29,655.26 for organization expense and \$33,349.88 of development costs. The Commission⁽²⁾ heretofore held that development costs should not be charged to fixed capital accounts. The organization expense, which Purchaser may record, should be confined to the actual and direct expense incurred in establishing the two properties. Purchaser was not at the time of the hearing prepared to submit its proposed book entries to record the purchase of the properties as called for by the Commission's system of accounts.⁽³⁾

⁽²⁾ Decision No. 30383, dated December 6, 1937, in Application No. 21549, Vol. 41 CRC page 6.

⁽³⁾ 398. Cost of Plant and Equipment Purchased.

"Unless otherwise ordered or directed by the Commission, there shall be included in this account the cost to the corporation of any plant purchased as a whole. Where the contract of purchase includes not only plant and equipment, but also securities and other assets, the appraised value of such securities and other assets shall be deducted from the total cash cost and the remainder of the cash cost shall be charged to this account. Where the consideration given for the property purchased is other than cash, such consideration shall be valued on a current cash basis. If the consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

It agreed to submit its proposed book entries and comply with the requirements of the Commission. Within four months after acquiring the properties, Purchaser should submit to the Commission for approval a statement showing all of its proposed accounting entries to record the purchase of the properties on its books and its estimate of the accrued depreciation in the properties. The Commission will by Supplemental Order or otherwise authorize what it deems to be appropriate accounting entries.

Purchaser is presently operating butane-air gas systems in several cities and communities in Oregon and in Needles, California. The testimony shows that it is Purchaser's intention to continue in effect Seller's rates, rules and regulations applicable to gas service in Yreka and in Dunsmuir. In view of the fact that Purchaser is now operating butane-air gas properties in California, its rules and regulations should govern the furnishing and supplying of gas at Yreka and at Dunsmuir and not those of Seller.

I recommend the following form of Order.

O R D E R

A public hearing having been held on this application, the matter having been submitted and the Commission being of the opinion that the granting of this application as provided in this

(3) (Cont'd.)

"This account shall be used only as a clearing account in which temporarily to carry the cost of plant and equipment purchased for a lump sum until such time as a plan for making distribution to the primary account appropriate to the property is approved by the commission.

* * * * *

"Note B. The corporation shall be prepared to furnish the commission upon demand a full report of the contract of acquisition of each plant or portion thereof purchased and a statement showing in detail the consideration given therefor. It shall, so far as practicable, procure in connection with the acquisition of any such plant and equipment all existing records, memoranda and accounts in possession or control of the grantor relating to the construction and improvements of such plant and equipment, and shall preserve such records, memoranda and accounts. Where the records, memoranda and accounts are so intimately involved with other records, memoranda and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies thereof shall, in so far as practicable, be procured."

Order is in the public interest, therefore,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company may sell and convey, on or before February 1, 1945, to California-Pacific Utilities Company and the latter may purchase the properties and business described in the Agreement of Sale filed in this application as Exhibit "A," said sale, conveyance and purchase to be made in accordance with the terms and conditions of said Agreement. Said Coast Counties Gas and Electric Company and said California-Pacific Utilities Company may consummate said Agreement according to its terms.

2. Upon the sale of said properties, Coast Counties Gas and Electric Company is relieved from the obligation of furnishing and supplying gas service as a public utility in Yreka and vicinity and in Dunsmuir and vicinity.

3. California-Pacific Utilities Company, upon acquiring said properties and business of Coast Counties Gas and Electric Company, may withdraw and cancel the tariff schedules of the latter insofar as they relate to the utility service in Yreka and vicinity and in Dunsmuir and vicinity, and refile said tariff schedules in its name and make effective in Yreka and vicinity and in Dunsmuir and vicinity its filed rules and regulations governing the furnishing and supplying of gas service.

4. California-Pacific Utilities Company shall within four months after the date hereof file with the Railroad Commission for approval a statement showing, by accounts, the actual

cost (estimated if not known) of said tangible properties to Seller and its predecessor and the accrued depreciation in said properties. California-Pacific Utilities Company shall also file with the Commission for approval the book entries recording the purchase of said properties.

5. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

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

The foregoing Opinion and Order are hereby approved as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of December, 1944.

Richard Lachse

Francis D. Havens
Francis Beare

Irving H. Russell
Commissioners.