

ORIGINAL

Decision No. 41069

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|---------------------------------------|---|-------------|
| In the matter of the application |) | |
| of COAST COUNTIES GAS AND ELECTRIC | : | |
| COMPANY and SOUTHERN CALIFORNIA |) | |
| GAS COMPANY for an order authorizing, | : | |
| among other things, the former to |) | Application |
| sell and convey to the latter the | : | No. 28939 |
| public utility properties herein |) | |
| mentioned under and in conformity | : | |
| with an agreement of sale and pur- |) | |
| chase dated December 1, 1947. | : | |
| ----- |) | |

O P I N I O N

In this application, as amended, the Public Utilities Commission is asked to make an order authorizing Coast Counties Gas and Electric Company to sell and convey its butane-air gas systems located in Imperial County, to Southern California Gas Company.

Coast Counties Gas and Electric Company, hereinafter referred to as Coast Counties, is a corporation engaged in the distribution of electricity in the Counties of Santa Cruz, San Benito, Monterey and Santa Clara and in the distribution of natural gas in portions of the same counties in which it distributes electricity, and also in the Counties of Contra Costa, Merced, Fresno, Kings and Kern. In addition, it sells butane-air gas in Imperial County. Southern California Gas Company, hereinafter referred to as Southern, is a corporation engaged in the distribution of natural gas in the southern, central and coastal portions of California.

The properties which Coast Counties now proposes to sell consist of its butane-air gas systems in Imperial County which serve three operating areas, namely, El Centro, Brawley and Calexico, the three areas not being interconnected. The company reports that it operates this so-called Imperial Valley Division pursuant to a municipal franchise from the City of El Centro designated Ordinance No. 319, expiring October 3, 1968, and a county franchise from the County of Imperial designated Ordinance No. 80, expiring April 19, 1966. It further reports that in the territory comprising the original townsites of El Centro, Brawley and Calexico, it operates under easements, unlimited as to time, reserved on the original townsite maps of said cities for the construction, operation and maintenance of gas plants and systems consisting of pipe lines and conduits for the distribution of gas. It alleges that there is no provision contained in any of the aforesaid franchises or easement reservations limiting or prohibiting the assignment of all its right, title or interest therein to Southern, nor is there any provision therein requiring the consent of the aforesaid municipalities or county in connection with said assignments.

The records of the Commission show that gas service in El Centro, Brawley and Calexico was first given by predecessors of Coast Counties. By Decision No. 15888, dated January 21, 1926, the Commission, among other things, granted to Inland Empire Gas Company a certificate of public convenience and necessity to construct, operate and maintain an artificial gas generating plant at El Centro and transmission and distribution lines to sell gas for domestic and commercial purposes in El Centro, Brawley and

Calexico. By Decision No. 23015, dated October 27, 1930, the Commission, among other things, authorized Inland Empire Gas Company to construct liquefied natural gas plants in Brawley and Calexico. By Decision No. 32833, dated February 21, 1940, the Commission authorized Coast Counties (which had acquired the properties formerly operated by Inland Empire Gas Company) to institute in the communities of El Centro, Brawley and Calexico the distribution of a 1,000 B.t.u. butane-air gas mixture. In December of 1942 and January of 1943, all plants were converted to "Gas-Air" production equipment making 1,000 B.t.u. per cubic foot gas.

The physical properties include, in each area, a butane-air production plant, liquid hydro-carbon and made gas storage facilities and distribution lines and services. In El Centro, there is production capacity of 58,600 cubic feet per hour, with an emergency standby of 40,000 cubic feet per hour, and liquid storage facilities for 57,000 gallons; in Brawley, there is production capacity of 40,000 cubic feet per hour and liquid storage facilities for 27,000 gallons; and in Calexico, there is production capacity of 30,000 cubic feet per hour and liquid storage facilities for 27,000 gallons. The distribution facilities include 266,901 feet of mains ranging in size from 3/4-inch to ten-inch.

In exhibits attached to the application Coast Counties reports the following operating statistics pertaining to the properties proposed to be transferred:

| | 12 months ending Sept. 30, 1947 | Year 1946 | Year 1945 |
|--|---------------------------------------|---------------------|---------------------|
| Revenues (including revenues from rents, servicing customers' installations and miscellaneous) | \$258,138.30 | \$238,617.73 | \$221,746.86 |
| Less: | | | |
| Operating expenses | 167,159.31 | 132,654.42 | 123,411.43 |
| Depreciation | 18,918.39 | 17,481.75 | 16,303.36 |
| Taxes other than fed- eral income | 21,215.15 | 17,565.20 | 15,923.58 |
| Federal income taxes | 15,890.00 | 22,891.00 | 21,500.00 |
| Total | <u>223,182.85</u> | <u>190,592.37</u> | <u>177,138.37</u> |
| Net operating revenues | 34,955.45 | 48,025.36 | 44,608.49 |
| Tank gas-net income | 286.72 | 828.24 | 1,722.66 |
| Total net income | <u>\$ 35,242.17</u> | <u>\$ 48,853.60</u> | <u>\$ 46,331.15</u> |
| Sales-M.C.F. | 153,967 | 139,901 | 127,835 |
| Number of consumers- | | | |
| High | 3,929 | 3,512 | 3,297 |
| Low | 3,363 | 2,855 | 2,732 |

The company reports its investment in fixed capital, exclusive of construction work in progress, in its Imperial Valley Division, as of September 30, 1947, at \$802,972.74, as follows:

| | | |
|--------------------------------|-----------------|---------------------|
| Intangible capital - | | |
| Organization | \$ 80,374.02 | |
| Franchises | 9,769.46 | |
| Miscellaneous | <u>223.04</u> | |
| Total intangible | | \$ 90,366.52 |
| Tangible capital - | | |
| Land | 9,812.84 | |
| Production structures | 13,492.38 | |
| Production equipment | 85,649.56 | |
| Storage equipment | 27,855.73 | |
| Miscellaneous production | 138.91 | |
| Distribution structures | 6,409.30 | |
| Station equipment | 5,498.04 | |
| Mains | 281,535.98 | |
| Services | 154,390.66 | |
| Meters and regulators | 87,849.47 | |
| Instal. on consumers' premises | 1,201.20 | |
| Miscellaneous distribution | 5,411.01 | |
| General office equipment | 13,449.87 | |
| General structures | 7,785.12 | |
| General stores equipment | 41.60 | |
| General transport. equipment | 9,904.34 | |
| Miscellaneous general | <u>2,180.21</u> | |
| Total tangible | | <u>712,606.22</u> |
| Total | | <u>\$802,972.74</u> |

Of the total reported investment, \$402,979.38 is assigned to El Centro, \$222,891.73 to Brawley and \$177,101.63 to Calexico.

The application shows that Coast Counties desires to retire from operations in Imperial County and to that end has entered into an agreement, dated December 1, 1947, (Exhibit "A") to sell to Southern its gas systems in El Centro, Brawley and Calexico including real and personal property, business and goodwill, leases, franchises, permits, licenses, easements, rights of way, contracts, certificates of public convenience and necessity, books, customers' records and accounts, accounts receivable and materials and supplies (excluding cash) appertaining to or connected with said systems, for a base price of \$773,606.11 as of September 30, 1947, subject to adjustments for additions and betterments and materials and supplies purchased and installed between September 30, 1947, and the date of closing and to other adjustments as set forth in the agreement. Exhibit "B" shows the method followed in arriving at the base price and the adjustments thereto as of September 30, 1947, as follows:

| | | |
|--------------------------------|---------------|---------------------|
| Fixed capital | | \$802,972.74 |
| Construction work in progress | | 29,346.57 |
| Total fixed capital | | <u>832,319.31</u> |
| Less-depreciation reserve | | 161,010.88 |
| Balance | | 671,308.43 |
| Materials and supplies | | 31,969.85 |
| Total | | <u>703,278.28</u> |
| Add 10% | | 70,327.83 |
| Base price-September 30, 1947 | | <u>773,606.11</u> |
| Accounts receivable | | 18,875.74 |
| Total | | <u>792,481.85</u> |
| Deduct - | | |
| Consumers' deposits | \$2,730.00 | |
| Contributions for construction | 1,551.46 | |
| Advances for construction | <u>151.80</u> | <u>4,433.26</u> |
| Balance - September 30, 1947 | | <u>\$788,048.59</u> |

Payment will be made in cash on the closing date.

The application shows that it is the intention of Southern to charge the same rates for service now being charged by Coast Counties, although Southern proposes to make its own rules and regulations governing the furnishing and supplying of service, effective in the territory involved. It is reported that the gas systems here under discussion can be readily operated and maintained by Southern and may ultimately be connected with its natural gas system. On this latter point it should be said, however, that there are no definite plans or commitments set out in the application looking toward such an interconnection or to the bringing of natural gas into these areas.

It appears that the present service to the public will not be affected adversely by the proposed transfer of properties and that the application accordingly should be granted, subject to the provisions of the order herein. In making this order the Commission is not making a finding of value of the properties nor indicating the amounts at which said properties shall be recorded by Southern on its books. Under the Uniform System of Accounts prescribed for gas corporations, Southern shall charge, temporarily, to Account 398, Cost of Plant and Equipment Purchased, the cost to it of acquiring said properties and thereafter shall submit to the Commission for approval, its proposed distribution to primary fixed capital and other accounts. Upon receipt of Southern's request for approval of its proposed distribution, and of its proposed journal entries to carry such distribution into effect, the Commission will, by supplemental

order or otherwise, authorize what it deems to be the appropriate accounting treatment. Such filing by the company shall be in the form of a supplemental application in this proceeding and shall be made within six months after it acquires the properties.

The certificates of public convenience and necessity herein authorized to be transferred are subject to the provision of law that the Commission shall have no power to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right.

O R D E R

The Public Utilities Commission having considered the above entitled application and being of the opinion that a public hearing is not necessary on this application, and that the application should be granted, as herein provided,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company, after the effective date hereof and on or before March 31, 1948, is authorized to sell and convey the gas systems referred to herein and to transfer and assign the franchises, easements, permits, licenses and certificates of public convenience and necessity insofar as they relate to the utility service in the territory

involved to Southern California Gas Company, and Southern California Gas Company is authorized to purchase and acquire the same, for the price and on the terms and conditions set forth in the agreement of December 1, 1947, filed in this proceeding as Exhibit "A", which agreement said companies may consummate in accordance with its terms.

2. Coast Counties Gas and Electric Company is relieved of its obligations of furnishing and supplying gas service in, and in the vicinity of El Centro, Brawley and Calexico upon the sale and transfer of said gas systems and upon the assumption of said obligations by Southern California Gas Company.

3. Coast Counties Gas and Electric Company is authorized to withdraw and cancel its tariff schedules and its rules and regulations insofar as they relate to the utility's service in the territory involved herein, and Southern California Gas Company shall refile said tariff schedules (excepting the rules and regulations) in its own name and make effective in said territory its filed rules and regulations governing the furnishing and supplying of gas service. The effective date of such cancellation and filing of tariff schedules and rules and regulations shall concurrently be the date the gas systems are conveyed to buyer by seller. The charges for gas delivered to consumers shall be identical with the charges now made by Coast Counties Gas and Electric Company.

4. Southern California Gas Company, within six (6) months after acquiring said gas systems, shall file with the Commission for approval, its request to distribute the purchase price to primary fixed capital and other accounts and its proposed journal entries to carry such distribution into effect.

5. Coast Counties Gas and Electric Company, within six (6) months after transfer of the properties referred to herein, shall file with the Commission a copy of each book entry used by it to record on its books such transfer of properties.

6. The authority herein granted shall not be construed to be a finding of value of the properties herein authorized to be transferred.

7. The authority herein granted will become effective December 31, 1947.

Dated at San Francisco, California, this 22nd day of December, 1947.

Harold K. Kula
Justin J. Spencer
Earl H. Finell
R. E. Anderson
Commissioners