

ORIGINAL

Decision No. 41687

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA GAS COMPANY for	:	
an order authorizing it to purchase)	
all of the outstanding capital stock	:	Application
of the INDIO GAS COMPANY pursuant to)	No. 29321
Section 51(b) of the Public Utilities	:	
Act.)	
-----	:	

L. T. Rice, for Southern California Gas Company.

O P I N I O N

In this application, Southern California Gas Company asks permission to acquire from Charles W. Soderstrom, Jr. all of the outstanding capital stock of Indio Gas Company, as contemplated by the contract entered into on May 4, 1948. A copy of the contract is on file in this application as Exhibit "C".

Indio Gas Company is a corporation organized under the laws of California. It is engaged as a public utility in the business of distributing and selling butane gas in the City of Indio and its environs. It also engages in some non-utility business. The company has issued three shares of stock, all of which are owned by Charles W. Soderstrom, Jr.

The balance sheet of Indio Gas Company as of March 31, 1948, shows assets and liabilities as follows:

Assets

Fixed capital in service	\$ 50,534.34
Fixed capital under construction	582.97
Miscellaneous investments	42,408.36
Cash	<u>(6,532.08)</u>
Accounts receivable	15,025.80
Materials and supplies	21,548.90
Miscellaneous current and accrued assets	15,519.53
Prepayments	1,178.45
Miscellaneous deferred debits	<u>157.50</u>
Total assets and other debits	<u>\$140,423.77</u>

Liabilities

Capital stock	\$ 300.00
Long-term debt	7,412.71
Accounts payable	24,059.28
Consumers' deposits	3,692.00
Taxes accrued	3,550.15
Interest accrued	18.54
Consumers' advances for construction	50.55
Miscellaneous deferred credits	2,109.47
Reserve for retirements	51,649.21
Profit and loss balance	<u>47,581.86</u>
Total liabilities and other credits	<u>\$140,423.77</u>

For the three months ending March 31, 1948, Indio Gas Company reports operating revenues of \$44,187.98 and a net income of \$7,352.76.

The service area of Indio Gas Company is defined by previous decisions of the Commission.⁽¹⁾ Generally speaking, the area covers about four square miles and includes the City of Indio. Southern California Gas Company distributes natural gas in the surrounding territory. If Southern California Gas Company is authorized to acquire the stock of Indio Gas Company, it is the

(1) Decision No. 25207, dated September 26, 1932, in Application No. 18375.
Decision No. 25753, dated March 20, 1933, in Application No. 18375.
Decision No. 41019, dated December 17, 1947, in Application No. 28816.

intention of the former to direct the latter to convert the butane gas distribution system in Indio Gas Company's service area to the service of natural gas. This conversion will be effected in from one to three months. Further, Applicant will direct Indio Gas Company to charge the same rates for natural gas service which it now charges in the territory surrounding the City of Indio. Such rates are substantially lower than Indio Gas Company's rates for gas of equivalent heating value. To illustrate, the charges for 1,000 cubic feet per month of gas would be reduced from \$2.75 to \$1.73, while the charges for 4,000 cubic feet of gas per month would be reduced from \$8.75 to \$5.53. Further, it is the intention of Southern California Gas Company to cause Indio Gas Company to modernize its distribution system and extend it to render natural gas service in the area adjacent to the City of Indio. The properties of Indio Gas Company would be leased to Southern California Gas Company.

Southern California Gas Company has agreed to pay for the stock of Indio Gas Company \$162,000. The testimony shows that several collateral transactions which are not mentioned in the stock purchase contract emanate from such contract. Southern California Gas Company will purchase from the Indio Gas Company certain usable materials and supplies at a cost not to exceed \$11,773. Mr. Charles W. Soderstrom, Jr. will give his personal note for \$37,000 to the Indio Gas Company in exchange for all assets of the company other than meters, gas distribution system and related properties and franchises. He will assume all liabilities arising from transactions which took place prior to the date of the transfer of the stock. On the fifth day following the day on which the Commission's order becomes effective to

purchase the stock, Southern California Gas Company will pay to Mr. Soderstrom \$162,000 for the stock and he in turn will pay to Indio Gas Company the \$37,000 note. Southern California Gas Company further agrees to pay Charles W. Soderstrom, Jr. as a consultant \$6,000 a year for a period of ten years.

The only issue presented to the Commission by this application is the purchase of the Indio Gas Company stock by Southern California Gas Company. The testimony shows that the price which Southern California Gas Company has agreed to pay for such stock was the result of arms-length negotiations. Its studies and investigations have convinced it that the Indio Gas Company service area has good possibilities for expansion of its gas business and that it is justified to pay the price indicated for the stock. The transfer of the stock should result in a benefit to the public service.

In this application, the Commission is not asked to authorize the transfer or lease of any of the physical properties, franchises or permits of Indio Gas Company. The action taken herein shall not be construed to be a finding of the value of the properties of Indio Gas Company, or of the stock of that company.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application before Examiner Fankhauser, and it being of the opinion that this application should be granted, therefore,

IT IS HEREBY ORDERED that Southern California Gas Company be, and it is hereby, authorized to purchase from Charles W. Soderstrom, Jr. and hold all of the outstanding capital stock of Indio Gas Company, such purchase to be made pursuant to the terms of the contract on file in this application as Exhibit "C".

IT IS HEREBY FURTHER ORDERED that this order is effective upon the date hereof.

Dated at San Francisco, California, this 8th day of June, 1948.

R. Z. Indurain
Justice J. Cooney
Grant Powell
Harold P. Hule
Kenneth Totten
Commissioners