

ORIGINAL

Decision No. 42159

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.	:	
-----)	

FIRST SUPPLEMENTAL OPINION

By Decision No. 41069, dated December 22, 1947, the Commission, among other things, authorized Southern California Gas Company to purchase and acquire from Coast Counties Gas and Electric Company its butane-air gas systems in Imperial County which serve three operating areas, namely, El Centro, Brawley and Calexico. Paragraph "4" of the order in the decision reads as follows:

"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."

Such filings were made within the prescribed time.

The agreed purchase price for the gas systems was based on the book figures of Coast Counties Gas and Electric Company as of September 30, 1947, for fixed capital, construction work in progress, materials and supplies, less the book depreciation reserve, plus an addition of 10%. A proposed journal entry dated

as of June 30, 1948, filed by Southern California Gas Company, shows that the company, in acquiring the systems, paid the sum of \$838,429.98 which was arrived at in the following manner:

Cost of plant and equipment purchased	\$ 909,237.06
Current and other assets	<u>105,467.88</u>
Sub-total	1,014,704.94
Less: Depreciation reserve, liabilities and expenses	<u>176,274.96</u>
Balance	<u>\$ 838,429.98</u>

Southern California Gas Company proposes to distribute said \$909,237.06 to its primary fixed capital (plant) accounts as follows:

301 Organization	\$ 80,374.02	
302 Franchises	9,769.46	
303 Miscellaneous intangible capital	78,080.83	
311 Land devoted to production operations	8,907.09	
312 Production structures	13,492.38	
314 Gas production equipment	96,808.68	
315 Gas storage equipment	25,210.49	
316 Miscellaneous production equipment	48.90	
351 Land devoted to distribution operations	905.75	
352 Distribution structures	25,736.55	
353 Distribution station equipment	3,016.93	
355 Distribution mains	285,933.81	
357 Services	158,502.46	
358 Consumers' meters and regulators	96,107.47	
361 Miscellaneous distribution equipment	1,265.83	
383 General transportation equipment	14,703.26	
384 General construction equipment	4,525.52	
386 General laboratory equipment	516.00	
387 Miscellaneous general equipment	7,115.99	
399 Donations in aid of construction	<u>(1,784.36)</u>	<u>\$909,237.06</u>

It appears that the individual amounts represent costs recorded on the books of Coast Counties Gas and Electric Company, with certain adjustments and transfers between accounts, with, however, the addition of the sum of \$77,857.79 to Account 303, Miscellaneous Intangible Capital, which amount represents the 10%

premium agreed upon in the purchase contract and certain other adjustments.

The Commission, by Decision No. 42068, dated September 21, 1948, adopted and prescribed for gas utilities a new system of accounts effective January 1, 1949. Said new system of accounts, among other things, requires each gas utility to classify its investment in its properties on the basis of original cost, as that term is defined in the system of accounts.

The distribution of the sum of \$909,237.06 to accounts under the system now in effect, as now proposed, accordingly will be of a temporary nature. To close the present proceeding, the Commission will approve the entry as submitted. However, upon receipt and review of Southern California Gas Company's classification of its plant accounts in accordance with the new system of accounts, we will consider the amounts comprising said sum in the light of the definitions and instructions contained in said new system and determine the propriety of including said amounts, or any part thereof, in gas plant accounts.

SECOND SUPPLEMENTAL ORDER

The Commission having considered the request of Southern California Gas Company for approval of a certain journal entry, as indicated in the foregoing opinion, and being of the opinion that the request should be granted as provided herein,

IT IS HEREBY ORDERED that Southern California Gas Company may record on its books its proposed journal entry dated June 30, 1948, to distribute the cost of acquiring gas systems

from Coast Counties Gas and Electric Company under the authority granted by Decision No. 41069, dated December 22, 1947, provided that the Commission reserves the right to consider de novo said entry when Southern California Gas Company files its classification of its plant accounts in accordance with the uniform system of accounts for gas utilities adopted and prescribed by Decision No. 42068.

Dated at San Francisco, California, this 26th day of October, 1948.

R. J. Anderson
Justus J. Gallivan
Joseph F. Hye
Harold A. Kida
Thomas W. Potter
Commissioners