

Decision No. 42532

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY and)
DESERT GAS COMPANY for an order)
authorizing (1) the execution and)
delivery of a Deed and Bill of Sale)
pursuant to Section 51(a) of the)
Public Utilities Act; and (2) the trans-) Application
fer of certain certificates of public) No. 30066
convenience and necessity from DESERT)
GAS COMPANY to SOUTHERN CALIFORNIA GAS)
COMPANY.)
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O P I N I O N

This is an application for an order of the Commission authorizing the transfer of the properties of Desert Gas Company to Southern California Gas Company and the expansion of the latter's existing certificate of public convenience and necessity, as hereinafter set forth.

Desert Gas Company, formerly Indio Gas Company, hereinafter referred to as Desert, is a corporation organized under the laws of the State of California. Its outstanding stock (\$300 par value) is owned by Southern California Gas Company, hereinafter referred to as Southern.⁽¹⁾ Its properties, including a gas distributing system located in and about the City of Indio, Riverside County, are being operated by Southern pursuant to the terms of a lease agreement dated June 15, 1948, executed under authority granted by the Commission by Decision No. 41998, dated August 31,

(1) Southern acquired Desert's outstanding stock for \$162,000 pursuant to authority granted by Decision No. 41687, dated June 8, 1948.

1948, in Application No. 29443. Southern supplies natural gas obtained from its lines in adjoining territory, to consumers on the Desert system under its own schedule of rates on file with the Commission.⁽²⁾ Southern is permitted, by said Decision No. 41998, in providing service to the Desert territory under the lease agreement, to deviate from its gas main extension rule (Rule and Regulation No. 20) for a period of three years from the effective date--August 31, 1948--of the decision.

The present application shows that steps have been initiated looking toward the winding up and dissolution of Desert. It is intended that all its assets will be distributed to Southern as its sole stockholder and all its debts, obligations and liabilities will be assumed by that corporation, including its obligation to render gas service. Attached to the application and marked Exhibit "A" is a proposed Deed and Bill of Sale, to be dated as of February 28, 1949, to be executed providing for the conveyance of such assets and the assumption of such debts, obligations and liabilities.

The assets to be transferred to Southern include, among other things, a franchise granted by the City Council of the City of Indio by Ordinance No. 22, adopted October 3, 1932; a franchise granted by the Board of Supervisors of the County of Riverside by Ordinance No. 333, adopted November 3, 1947; a certificate of public convenience and necessity granted by the Commission by Decision No. 25207, dated September 26, 1932, and Decision No.

(2)

Prior to the sale of the stock and the lease arrangements, Desert distributed butane gas in its service area.

25753, dated March 30, 1933, authorizing Desert to operate a gas plant and distribution system for the supply and sale of liquefied petroleum gas and to exercise the franchise rights conferred by said Ordinance No. 22; and a certificate of public convenience and necessity granted by the Commission by Decision No. 41019, dated December 17, 1947, authorizing Desert to exercise the franchise rights conferred by said Ordinance No. 333.

Southern heretofore has obtained a franchise granted by the County of Riverside by Ordinance No. 272, adopted August 11, 1941, permitting the maintenance of gas facilities upon the highways throughout said county. In addition, it has obtained from the Commission, by Decision No. 34844, dated December 9, 1941, a certificate to exercise the rights granted by said ordinance, subject to the terms and conditions of said decision, it being provided, among other things, that Southern should not exercise such franchise for the purpose of supplying gas within those parts or portions of Riverside County then being served with gas by any other public utility. At that time Desert, as an independently owned utility, was engaged in supplying gas in and about the City of Indio, and Blythe Gas Co., Ltd., also an independently owned utility, was engaged in supplying gas in and about the City of Blythe. Southern also holds a certificate granted by said Decision No. 41998, authorizing the conversion of Desert's distribution system to the service of natural gas. Applicants have requested the Commission either to authorize the transfer of Desert's certificates to Southern or to expand the certificate now held by Southern under authority granted by said Decision No. 34844, so as to permit the exercise of the franchise rights granted by Ordinance No. 272 to cover the unincorporated service area of Desert.

A review of this and the earlier proceedings shows that following the acquisition of the stock and operations of Desert by Southern the former customers of Desert have been furnished, and are now being furnished, natural gas, in place of butane gas, under a more favorable rate schedule. The transfer as now proposed will carry to completion the consolidation of the properties under one ownership. In applicants' opinion such consolidation will expedite the integration of the pipeline systems and will promote economies and efficiency in operations.

The program outlined in this application is in the public interest. The transfer of the properties will be authorized. The certificates of public convenience and necessity herein authorized to be transferred are subject to the provisions 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.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

Under the uniform system of accounts for gas corporations, effective January 1, 1949, Southern is required to file with the Commission, within six months from the date of acquisition of the properties, its proposed journal entries to distribute the cost of such properties to the appropriate primary and other accounts.

O R D E R

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

IT IS HEREBY ORDERED as follows:

1. Desert Gas Company and Southern California Gas Company, after the effective date hereof and on or before June 30, 1949, may execute and deliver a Deed and Bill of Sale in substantially the form attached to this application as Exhibit "A" and Desert Gas Company may transfer and assign to Southern California Gas Company the properties and assets set forth in said Deed and Bill of Sale, including, among other things, the certificates of public convenience and necessity referred to therein.
2. Southern California Gas Company, upon acquiring said properties and assets, shall assume all the debts, obligations and liabilities of Desert Gas Company.
3. The certificate of public convenience and necessity granted to Southern California Gas Company by Decision No. 34844, dated December 9, 1941, in Application No. 24484, is hereby amended so as to permit Southern California Gas Company to exercise the rights and privileges granted by the County of Riverside by Ordinance No. 272, adopted August 11, 1941, within the unincorporated service area now certificated to the Desert Gas Company.
4. Within thirty (30) days after the execution of said Deed and Bill of Sale, Southern California Gas Company shall file with the Commission a certified copy of the same as actually executed.

5. The authority herein granted will become effective on February 28, 1949.

Dated at San Francisco, California, this 23rd day of February, 1949.

R. Z. Indurain
Justin D. Casner
Wesley L. Russell
Harold A. Kala
Kenneth Potter
Commissioners