

Decision No. 44279

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA and SUBURBAN UTILITIES for an order authorizing (1) the sale of Butane Plants at Buellton and Solvang, and the execution and delivery of a Deed and Bill of Sale therefor pursuant to Section 51(a) of the Public Utilities Act; and (2) the issuance of a certificate of public convenience and necessity under Section 50(c) of the Public Utilities Act to SUBURBAN UTILITIES covering the operation of gas systems in Buellton and Solvang.

Application No. 30903

In the Matter of the Application of SUBURBAN UTILITIES, a California corporation, for a permit to issue capital stock.

Application No. 30904

O. C. Sattenger for applicant;
Oregon Smith for Suburban Utilities;
J. J. Deuel for California Farm
Bureau Federation.

O P I N I O N

In the above applications, which were consolidated for hearing, Southern Counties Gas Company of California (hereinafter referred to as Counties Company) and Suburban Utilities request an order authorizing Counties Company to sell its butane plants and systems at Buellton and Solvang to Suburban Utilities and to execute and deliver a deed and bill of sale pursuant to Section 51(a) of the Public Utilities Act, and the issuance of a certificate of public convenience and necessity under Section 50(c) of the Public Utilities Act to Suburban Utilities covering the operation of the gas systems in Buellton and Solvang.

A public hearing in this proceeding was held in Los Angeles on March 31, 1950 before Commissioner Huls and Examiner Crenshaw, at which time no one appeared to protest the granting of either of the applications.

At present, Counties Company is operating two butane plants, one at Solvang and one at Buellton, serving liquefied petroleum gas to approximately 71 customers. The revenue recorded for the operation of these plants for the year ending December 31, 1949 was \$7,270, and the total estimated expenses, including taxes and depreciation, amounted to \$7,411, resulting in a net loss of \$141. The total direct fixed capital as set forth in Counties Company's Exhibit No. 1 amounts to \$14,761. Adding pro rata of general direct capital, materials and supplies, and working cash capital gives a total rate base of \$17,561. The accrued depreciation amounts to \$6,344, leaving a depreciated cost of the properties of \$8,417.

A witness for Counties Company testified that these two plants were somewhat isolated from its general system and it appeared that at no time within the relatively near future would its natural gas lines be extended within a reasonable distance from which these communities could be supplied with natural gas. Since these plants were being operated at a loss, which to some extent is attributed to the long distances involved in the servicing of these communities from the Counties Company's operating division headquarters, it was deemed advisable to dispose of them to Suburban Utilities, a subsidiary of Suburban Gas Service, Inc., which is now supplying at wholesale the liquefied petroleum gas being used by Counties Company.

Suburban Utilities is a California corporation organized on or about November 18, 1949, with an authorized capital stock of 5,000 shares of a par value of \$1 each. It proposes to issue and sell five shares for the total sum of \$3,500 and to use the proceeds to pay for the properties it is acquiring from Counties Company. The record shows that said five shares will be issued to Suburban Gas Service, Inc., a California corporation, engaged in selling liquefied petroleum gas at private sale or under contracts with private purchasers and not as a public utility. It appears that said Suburban Gas Service, Inc. is operating a liquefied petroleum gas business in Buellton and Solvang and that its representatives will be available to devote a portion of their time to the affairs of Suburban Utilities. Therefore, Suburban Utilities maintains that it can operate the utility service in Buellton and Solvang much more economically and render more efficient service as its representatives are residents of these communities.

According to the record the franchises under which Counties Company is rendering gas service in the communities of Buellton and Solvang cover the entire County of Santa Barbara. Since Counties Company is rendering gas service in other parts of Santa Barbara County, these franchises cannot be transferred to Suburban Utilities; therefore, it will be necessary for Suburban Utilities to obtain a franchise from the County of Santa Barbara covering the service area for which it contemplates rendering gas service in and about the communities of Buellton and Solvang. However, the certificates for operation of each of the plants in Buellton and Solvang may be transferred to Suburban Utilities as these certificates were granted by separate decisions of this Commission. Decision No. 23566, in Application No. 17246, was

rendered by this Commission on April 6, 1931, granting a certificate for the operation of the plant at Buellton, and Decision No. 23124, in Application No. 16891, was rendered by the Commission on November 28, 1930, granting a certificate for the operation of the Solvang plant. (Accordingly, we shall authorize the transfer of these two certificates of public convenience and necessity to Suburban Utilities.) *added*

Assuming the certificates for operation of the plants at Buellton and Solvang are acquired by Suburban Utilities from Counties Company, it will still be necessary for Suburban Utilities to procure a franchise from the County of Santa Barbara and to obtain a certificate for operation of the franchise from this Commission before it can operate the properties.

It was stated at the hearing that Counties Company and Suburban Utilities would agree on the division of territory and submit a letter to the Commission after the hearing outlining the boundaries of the allocation of territory agreed upon. According to the information submitted, it was agreed that the territory which was to be allocated to Suburban Utilities would be within a 2½ mile radius of a circle, the center point of which is located approximately half way between Buellton and Solvang. We understand that Suburban Utilities will apply to the County of Santa Barbara for a franchise covering substantially the same territory.

Suburban Utilities stated that it was its intention to apply the same rates, rules and regulations as those now in effect for Counties Company.

According to the evidence submitted at the hearing, there were no customer advances in aid of construction; however, since there may be some advances before the transfer of properties is completed, and some deposits by customers for the purpose of

establishing credit, or other obligations may be involved, the order will provide for the disposition of such advances and deposits in case the sale is consummated.

As a witness for Counties Company testified, it is to sell its properties at Buellton and Solvang to Suburban Utilities for a net sum of \$3,500 and since it is possible there may be some changes in the property before the transfer is made, the order should provide for an adjustment for the cost of additions and betterments that may be installed during this interval.

The sale of the properties at Buellton and Solvang by Counties Company to Suburban Utilities we find not to be adverse to the public interest and should be permitted by this Commission. Therefore, the issue of shares of stock under the conditions set forth in these applications will be authorized.

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

O R D E R

The above-entitled applications to sell public utility property and to issue stock having been filed with this Commission, a public hearing having been held, the matter having been submitted and now being ready for decision, and it appearing to the Commission that the proposed transfer will not be adverse to the public interest; therefore,

IT IS HEREBY ORDERED that Southern Counties Gas Company of California, on or after the effective date hereof, and on or before October 31, 1950, may sell and transfer the herein described

public utility property and the two certificates of public convenience and necessity heretofore granted by this Commission by Decision No. 23566 and Decision No. 23124^{converted} to Suburban Utilities pursuant to the agreement of sale and purchase embodied in said application, plus additions and betterments to date of transfer, subject to the following conditions:

1. The rates, rules and regulations of Southern Counties Gas Company of California, now legally on file with this Commission, for butane service in Buellton and Solvang, shall be filed within thirty (30) days from the date of transfer under the name of Suburban Utilities in accordance with procedure prescribed by General Order No. 96. No increase in the present lawfully filed rates, rules and regulations shall be made unless properly authorized by this Commission.
2. On or before the date of actual transfer, Southern Counties Gas Company of California shall refund all deposits which customers are entitled to have refunded; and any unrefunded deposits shall be transferred to and become the obligation for refund of Suburban Utilities.
3. If the authority herein granted is exercised, Southern Counties Gas Company of California, within thirty (30) days thereafter, shall notify this Commission in writing, of the date of such completion of the property transfer herein authorized and of its compliance with the conditions hereof.
4. Southern Counties Gas Company of California shall not transfer the properties referred to herein until Suburban Utilities has obtained a franchise from the Board of Supervisors of the County of Santa Barbara and has been granted authority by this Commission to exercise the rights and privileges granted by said franchise.

IT IS HEREBY FURTHER ORDERED as follows:

1. That Suburban Utilities, after the effective date hereof and on or before October 31, 1950, may issue and sell five (5) shares of its capital stock for the sum of \$3,500 and use

the proceeds to provide the purchase price of the properties to be acquired from Southern Counties Gas Company of California, it being the opinion of the Commission that the money, property or labor to be procured or paid for through the issue of said shares of stock is reasonably required for the purpose specified herein and that such expenditure is not, in whole or in part, reasonably chargeable to operating expenses or to income.

2. That Suburban Utilities shall file with the Commission a report as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 7th day of June, 1950.

R. Z. Anderson
Arthur J. Coe
Robert L. Lowell
Harold P. Hull
James H. Pottler
Commissioners.