

**ORIGINAL**

Decision No. 48023

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of GAS )  
SUPPLY COMPANY OF CALIFORNIA, a corporation, )  
(a) for authority to issue at par not to )  
exceed \$22,500,000 par value of its common )  
shares for the acquisition of property, )  
(b) for an order declaring that the Com- )  
mission will issue certificates of conven- )  
ience and necessity to exercise rights and )  
privileges under various franchises, )  
(c) for a certificate that public conven- )  
ience and necessity require the maintenance )  
and operation of the property to be acquired, )  
and (d) for an order of this Commission )  
establishing the appropriate accounting )  
entries for property proposed to be dedi- )  
cated to public use. )

Application No. 33905

Appearances for Applicant: Oscar C. Sattinger and  
Pillsbury, Madison & Sutro by John A. Sutro.

Interested Parties: California Farm Bureau Federation  
by J. J. Deuel, City of Pasadena by Clarence A. Winder,  
California Manufacturers Association by Homer Ross,  
City of Los Angeles by T. M. Chubb, R. W. Russell and  
Roger Arnebergh, City of Burbank by Archie E. Walters  
and Sam Gorlich, San Diego Gas & Electric Company by  
H. G. Dillon, City of Long Beach by Harry E. Jordan,  
11th Naval District by Lt. Com. J. M. Beauchamp and  
H. Minister.

Protestant: Exchange Orange Products Company and  
Challenge Cream and Butter Company by W. D. MacKay.

Other Appearances: Everett C. McKeage, E. F. McNaughton,  
and Theodore Stein of the Commission staff.

O P I N I O N

Gas Supply Company of California, a newly organized  
California corporation, by the above-entitled application filed  
November 28, 1952, requests: (a) authority to issue at par not  
to exceed \$22,500,000 par value of its common shares having a par  
value of \$25 per share and to assume the liabilities of Pacific  
Lighting Gas Supply Company, a nonpublic utility Nevada corporation,  
for all the properties and assets of said Pacific Lighting Gas

Supply Company, (b) an order declaring that the Commission will issue certificates of public convenience and necessity to exercise rights and privileges under franchises granted by the counties of Kern, Los Angeles, Orange and Ventura and the municipalities of Brea, Burbank, Glendale, San Fernando, Seal Beach and Signal Hill, (c) a certificate that public convenience and necessity require the maintenance and operation of the properties to be acquired from Pacific Lighting Gas Supply Company and (d) a finding that the properties to be acquired from Pacific Lighting Gas Supply Company will be dedicated for the first time to public use and an order authorizing applicant to charge and credit its accounts in the manner and in the amounts set forth in the application.

#### Public Hearing

After due notice, a public hearing on this application was held before Commissioner Harold P. Huls and Examiner M. W. Edwards in Los Angeles on December 16, 1952. At this hearing evidence was offered on behalf of the applicant by its executive vice president. Several parties cross-examined applicant's witness. Several of the interested parties made statements for the record.

A customer's representative, while initially appearing as an interested party, protested the taking over by the new company of a transmission line running between Glendale and Kettleman Hills assertedly because of an expected future decrease in the quantity of gas available from the San Joaquin Valley. Applicant's position in this regard was that it is not paying cash for the line but is issuing securities for the transfer of assets. The new and old companies will have essentially the same properties with the advantage that the new company is subject to regulation and control by the Commission.

No other opposition was divulged at the hearing. The representative for the California Farm Bureau Federation made a statement in favor of the proposal and recommended that the application be granted.

#### Proposed Operations

Applicant was organized on October 14, 1952, for the purposes, among others, of engaging as a public utility in producing, purchasing, compressing, treating, storing, handling and exchanging and selling, under special contracts, natural gas to Southern California Gas Company and Southern Counties Gas Company of California for resale. Applicant owns no property at the present time and since it was organized has not engaged in any business. It now seeks permission to issue at par not to exceed \$22,500,000 of its common shares, having par value of \$25 per share, to Pacific Lighting Gas Supply Company, a nonpublic utility Nevada corporation, for the purpose of acquiring all the properties and assets and assuming all the liabilities of said Pacific Lighting Gas Supply Company. The exact amount of common shares to be issued will be equal to \$21,613,400 par value adjusted as of the date of transfer for debits and credits made by Pacific Lighting Gas Supply Company on its books in the ordinary and regular course of business. Upon acquiring the properties of said corporation, applicant proposes to dedicate for the first time said properties to public use. Applicant, as a public utility gas corporation, proposes to sell, under filed contract tariffs, natural gas to Southern California Gas Company and Southern Counties Gas Company of California, two major public utility gas distribution companies in Southern California, for resale by them. The gas which applicant proposes to sell to said corporations will be required by them to serve their customers in the future.

Franchises

Among the properties to be acquired are nine county franchises and six municipal franchises as follows:

Kern County	Ordinance No. 298
Los Angeles County	Ordinance No. 583
Los Angeles County	Ordinance No. 1279
Los Angeles County	Ordinance No. 1360
Los Angeles County	Ordinance No. 2035
Los Angeles County	Ordinance No. 2420
Ventura County	Ordinance No. 403
Orange County	Ordinance No. 165
Orange County (as lessee)	Ordinance No. 180
City of Brea	Ordinance No. 133
City of Burbank	Ordinance No. 481
City of Glendale	Ordinance No. 1483
City of San Fernando	Ordinance No. 260
City of Seal Beach	Ordinance No. 132
City of Signal Hill	Ordinance No. 347

Applicant requests an order declaring that the Commission will issue certificates of public convenience and necessity to exercise the rights and privileges under said franchises when the same are acquired by applicant. Applicant proposes to file a supplemental application following acquisition of said franchises in accordance with the provisions of Section 1003 of the Public Utilities Code of the State of California. In order to perform the public utility service in which applicant proposes to engage, it must maintain, operate and place in the streets, alleys, avenues, thoroughfares, public highways and public grounds within the territories covered by said franchises, pipes, valves and other facilities for the transmission of gas. The cost incurred by applicant for each of said franchises is the same as the actual cost to the grantee when the franchise was first granted by said county or municipality.

Applicant avers that it will never claim before this Commission or any court or public body a value for any of said franchises greater than the actual cost of such franchise.

Operation and Dedication of Properties

Applicant also seeks a certificate that public convenience and necessity will require the maintenance and operation of the properties to be acquired from Pacific Lighting Gas Supply Company for the purpose of selling, under special contracts, natural gas for resale only to Southern California Gas Company and Southern Counties Gas Company of California within the area where said properties and extensions thereof are or may be located and territories contiguous thereto and within the areas where Southern California Gas Company and Southern Counties Gas Company of California now have or may have pipe lines, and territories contiguous thereto.

None of the properties which applicant will acquire from Pacific Lighting Gas Supply Company have heretofore been dedicated to public use. Applicant proposes, upon acquiring said properties, to dedicate them for the first time to public use and asks for an order authorizing it to charge and credit its accounts pursuant to the Commission's uniform system of accounts for gas corporations in the manner and in the amounts set forth in a pro forma balance sheet as of October 31, 1952, attached to the application, and marked "Exhibit VIII," and adjusted as of the date of transfer to reflect entries in the books of Pacific Lighting Gas Supply Company made in the ordinary and regular course of business. Applicant intends as part of its supplemental application referred to above, to submit its actual balance sheet as of the time of transfer.

Conclusion

After reviewing the statements and evidence of record, it is the Commission's opinion that it is in the public interest to authorize the transfer of the assets and liabilities of the Pacific Gas Lighting Supply Company to the applicant as proposed in this application. It is concluded, therefore, that an order should be issued granting the requests of applicant.

The certificate of public convenience and necessity issued herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

✓ A public hearing having been held and the Public Utilities Commission having considered the above-entitled matter <sup>deletion</sup> and being <sup>deletion</sup> of the opinion <sub>A</sub> that the money, property or labor to be procured or paid for through the sale and issue of said common shares is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating <sup>deletion</sup> expenses or to income, -

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require the exercise by applicant of the rights and privileges granted in the following franchises:

- |                    |                    |
|--------------------|--------------------|
| Kern County        | Ordinance No. 296  |
| Los Angeles County | Ordinance No. 583  |
| Los Angeles County | Ordinance No. 1279 |
| Los Angeles County | Ordinance No. 1360 |

Los Angeles County	Ordinance No. 2035
Los Angeles County	Ordinance No. 2420
Ventura County	Ordinance No. 403
Orange County	Ordinance No. 165
Orange County (as lessee)	Ordinance No. 180
City of Brea	Ordinance No. 133
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City of Glendale	Ordinance No. 1483
City of San Fernando	Ordinance No. 260
City of Seal Beach	Ordinance No. 132
City of Signal Hill	Ordinance No. 347,

and

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require the maintenance and operation by applicant of the properties to be acquired from Pacific Lighting Gas Supply Company for the purpose hereinabove set forth; and

IT IS HEREBY FOUND AS A FACT that none of the properties which applicant will acquire from Pacific Lighting Gas Supply Company has heretofore been dedicated to public use and that applicant will dedicate for the first time said properties to public use;

THEREFORE, IT IS HEREBY ORDERED as follows:

1. Gas Supply Company of California is authorized to issue at par and deliver on or before June 30, 1953, not to exceed twenty-two million five hundred thousand dollars (\$22,500,000) par value of its common shares having a par value of \$25 per share, to Pacific Lighting Gas Supply Company, and to assume all the liabilities of said corporation in payment for all the properties and assets of the corporation.
2. Upon the filing of a supplemental application herein showing that applicant has acquired the franchises hereinabove enumerated, the Commission will issue for each such franchise a certificate that public convenience and necessity require the exercise by applicant of the rights and privileges under such franchise.

- 3. A certificate of public convenience and necessity is hereby granted to Gas Supply Company of California to maintain and operate the properties to be acquired by it from Pacific Lighting Gas Supply Company for the purpose of selling, under filed contract tariffs, natural gas for resale only to Southern California Gas Company and Southern Counties Gas Company of California. This certificate shall be operative within the area where said properties and extensions thereof are or may be located and territories contiguous thereto, and within the areas where Southern California Gas Company and Southern Counties Gas Company of California now have or may have pipe lines and territories contiguous thereto.
- 4. Upon acquiring the assets and assuming the liabilities hereinabove mentioned, applicant is authorized to charge and credit its accounts pursuant to the Commission's Uniform System of Accounts for Gas Corporations in the manner and in the amounts set forth in "Exhibit A" attached hereto and by reference made a part hereof, adjusted as of the date of transfer to reflect entries on the books of Pacific Lighting Gas Supply Company made in the ordinary and regular course of business.
- 5. Gas Supply Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, in so far as is applicable, is made a part of this order.

This order is effective upon the date hereof.

Dated at San Francisco, California, this 22nd day of December, 1952.

*R. J. [Signature]*  
President.

*Justin J. Casauer*

*Harold Huls*

*Kenneth Potter*

*John L. [Signature]*  
Commissioners.



## EXHIBIT A

PRO FORMA BALANCE SHEETGAS SUPPLY COMPANY OF CALIFORNIA

OCTOBER 31, 1952

<u>Account Number</u>	<u>ASSETS AND OTHER DEBITS</u>		
	I. Gas Plant		
100	Gas Plant		\$29,704,681
	II. Investment and Fund Accounts		
110	Plant Not Operating		506,375
	III. Current and Accrued Assets		
120	Cash	\$ 216,514	
121	Special Deposits	825	
122	Working Funds	580	
124	Notes Receivable	155	
125	Accounts Receivable	179,836	
126	Receivables from Associated Companies	1,986,858	
131	Materials and Supplies	558,405	
132	Prepayments	45,815	
133	Gas Stored Underground	<u>1,996,134</u>	4,985,122
	IV. Deferred Debits		
145	Machine Shop Work in Progress	\$ 517	
146	Other Deferred Debits	<u>1,654</u>	<u>2,171</u>
	Total Assets and Other Debits		<u>\$35,198,349</u>
	<u>LIABILITIES AND OTHER CREDITS</u>		
	VII. Capital Stock		
200	Common Capital Stock, 864,536 Shares of \$25		\$21,613,400
	IX. Current and Accrued Liabilities		
222	Accounts Payable	\$1,536,541	
228	Taxes Accrued	<u>2,006,259</u>	3,542,800
	XI. Reserves		
250-1	Reserve for Depreciation of Gas Plant	\$8,270,748	
253	Reserve for Depreciation of Plant Not Operating	506,375	
255	Insurance Reserve	826,613	
256	Injuries and Damages Reserve	167,956	
258	Reserve for Contingencies	<u>270,457</u>	<u>10,042,149</u>
	Total Liabilities and Other Credits		<u>\$35,198,349</u>

NOTE: To be adjusted as of the date of transfer to applicant to reflect entries on the books of Pacific Lighting Gas Supply Company made in the ordinary and regular course of business.