

ORIGINAL

Decision No. 60535

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
GARNET W. McBRIDE, an individual,
doing business as Palo Verde Gas
Co., to sell, and of WILLIAM D.
SMITH, an individual, to purchase
operative rights, franchise, equip-
ment, and real property.

Application No. 42138

In the Matter of the Application of
PALO VERDE GAS CO., a Corporation,
to purchase, and of WILLIAM D. SMITH,
an Individual, to sell operative
rights, franchise, equipment and
real property.

Application No. 42311

O P I N I O N

In these proceedings the Commission is asked to authorize the transfer of a gas distributing system located in Imperial County, now owned by Garnet W. McBride, to a new corporation named Palo Verde Gas Co.

Application No. 42138 was filed on April 8, 1960 and Application No. 42311 on May 27, 1960. The staff of the Commission has made an examination and the two matters now are ready for decision and are consolidated for that purpose.

Garnet W. McBride is, and for several years has been, engaged in operating a public utility system for the distribution of gas in a portion of Imperial County in the vicinity of Blythe. He now reports that he no longer can maintain the operations because of his age and condition of his health and that he has made arrangements to sell his operative rights and real and personal property to William D. Smith for the sum of \$22,500.

William D. Smith proposes, in turn, to transfer the said operative rights and real and personal property to Palo Verde Gas Co., a corporation, in consideration for the issue by the corporation of \$14,000 of stock and the assumption of a short-term note originally in the amount of \$8,500 but since reduced to \$8,000.

The application shows that in arriving at the agreed price, the parties have included an allowance of \$2,000 for what is designated as utility plant acquisition and which is in excess of the net book values of the utility plant, materials, supplies and other assets to be transferred.

Upon reviewing these matters, it appears that William D. Smith, in fact, has been operating the system for the present owner, that he is experienced in utility operations and that there will be no interruption in service to the public as a result of the transfer. We are of the opinion, however, that the \$2,000 of utility plant acquisition does not constitute a proper basis for an order authorizing the issue of stock and we will make an appropriate adjustment in our order. Upon the basis of the information before us, we find and conclude that the proposed transfers will not be adverse to the public interest, that the money, property or labor to be procured or paid for by the issue of \$12,000 of stock is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. We will enter our order in accordance with the foregoing findings.

Since the sale of this system reflects new ownership, tariffs will be required to be refiled under the name of Palo Verde Gas Co., a corporation. Modifications to the present tariffs should be made at that time, such as: refiling a new title page, numbering

the schedules to read G-80 and G-81, simplifying the rules and filling a bill form. The Commission notes that the presently effective rates of Garnet W. McBride, doing business as Palo Verde Gas Co., are on a per-pound basis. Gas rates should be shown on the tariffs on a volumetric basis, and applicant Palo Verde Gas Co., a corporation, will be required to revise the tariffs accordingly.

The authority herein granted is for the transfer of properties and for the issue and assumption of obligations and is not to be construed as a finding of the value of said properties nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matters and being of the opinion that a public hearing is not necessary,

IT IS HEREBY ORDERED as follows:

1. Garnet W. McBride may transfer his public utility operative rights and real and personal property to William D. Smith, under the terms set forth in these applications, and William D. Smith, upon acquiring said operative rights, and real and personal property, may transfer them to Palo Verde Gas Co., a corporation. If applicants so desire, Garnet W. McBride may transfer said operative rights and real and personal property directly to Palo Verde Gas Co., a corporation.

2. Palo Verde Gas Co., a corporation, in payment for said rights and real and personal property, may issue not to exceed \$12,000 par value of its common capital stock and may assume the payment of outstanding liabilities as set forth in these applications.

3. The issue of the remaining \$2,000 of stock requested in Application No. 42311 is denied.

4. Palo Verde Gas Co., a corporation, shall record the acquisition of said rights and real and personal property on its books in accordance with Plant Instruction 4 of the uniform system of accounts prescribed for gas corporations and within 30 days thereafter shall file with the Commission a copy of the journal entry, or entries, used to record such acquisition.

5. The rates and rules of Garnet W. McBride, doing business as Palo Verde Gas Co., now on file with this Commission, shall be refiled within 90 days from the date of transfer under the name of Palo Verde Gas Co. with modifications and in accordance with General Order No. 96. No increases in the presently filed rates shall be made unless otherwise properly authorized by this Commission.

6. Palo Verde Gas Co., within 90 days after the date of completion of the property transfer, shall submit revised tariffs on a volumetric basis, with rates equivalent on a thermal basis with presently effective rates, for review by this Commission and to be filed in accordance with General Order No. 96, if acceptable to the Commission.

7. On or before the date of actual transfer, Garnet W. McBride, doing business as Palo Verde Gas Co., shall refund all deposits which customers are entitled to have refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of Palo Verde Gas Co.

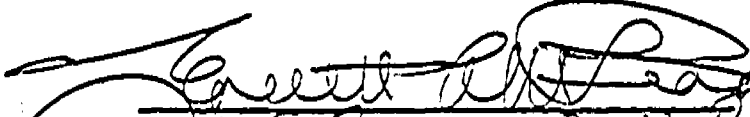
8. If the authority herein granted is exercised, the applicants shall, within 30 days thereafter, notify this Commission, in writing, of the date of such completion of the property transfers herein authorized and of compliance with the conditions hereof.


9. On or before the date of actual transfer of the physical properties herein authorized, Garnet W. McBride shall transfer and deliver to Palo Verde Gas Co., a corporation, and the latter shall receive and preserve all records, memoranda and papers pertaining to Garnet W. McBride, doing business as Palo Verde Gas Co., as more specifically described in the Commission's General Order No. 28.


10. Palo Verde Gas Co., a corporation, shall file with the Commission a report of the issue of the stock as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.


11. The authorization herein granted will become effective 20 days after the date hereof. Such authorization, if not exercised, will expire December 31, 1960.

Dated at San Francisco, California,
this 9th day of August, 1960.



President






Commissioners