

ORIGINALDecision No. 74318

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 PACIFIC LIGHTING SERVICE AND SUPPLY
 COMPANY, SOUTHERN CALIFORNIA GAS
 COMPANY and SOUTHERN COUNTIES GAS
 COMPANY OF CALIFORNIA, corporations,
 for an order of the Commission under
 Section 851 of the Public Utilities
 Code authorizing SOUTHERN CALIFORNIA
 GAS COMPANY and SOUTHERN COUNTIES
 GAS COMPANY OF CALIFORNIA to sell
 certain facilities to PACIFIC LIGHTING
 SERVICE AND SUPPLY COMPANY.

Application No. 50237
 (Filed May 10, 1968)

- H. L. Goth, for Southern California Gas Company,
 Southern Counties Gas Company of California,
 and Pacific Lighting Service and Supply Company,
 applicants.
- R. W. Russell, and Manuel Kroman, Sr., for City of
 Los Angeles; Rollin E. Woodbury, W. E. Marx, and
H. W. Sturges, Jr., for Southern California Edison
 Company, interested parties.
- Richard D. Gravelle, Counsel, Raymond E. Heytens, and
Robert C. Moeck, for the Commission staff.

O P I N I O N

This request of Pacific Lighting Service and Supply Company (buyer), and Southern California Gas Company and Southern Counties Gas Company of California (sellers), for authority to transfer the 30-inch Newberry-to-Quigley gas transmission pipeline system and associated facilities was heard before Commissioner Symons and Examiner Coffey in Los Angeles and submitted for decision on June 12, 1968. In addition to public notice, notice of this proceeding was sent to each appearance in the last rate proceeding of each of the applicants. No objection to the proposed transfer has been received.

Applicants are the affiliated companies of Pacific Lighting Corporation's public utility system. In carrying out the integrated utility functions, buyer has been assigned increasing responsibility for the management of gas supply acquisition and transmission activities. The proposed transfer is part of a long-term objective to concentrate the gas supply functions in buyer.

In 1955, buyer assumed the responsibility for the negotiations for the purchase of California gas for the system. In 1958, buyer was assigned the responsibility for all gas supply negotiations both within California and for out-of-state gas supplies for the system.

On November 1, 1963, buyer became the purchaser of all California gas acquired by the system. Implementing this assignment, buyer was authorized by this Commission to purchase certain facilities from Southern California and Southern Counties in Applications Nos. 45967 and 45968, Decision No. 67046, dated April 7, 1964.

This application proposes the transfer of additional transmission facilities from sellers to buyer as a further step toward the long-term objective. At the present time buyer owns the 34-inch pipeline which extends from Needles to Newberry, through which the approximately 640 M²cf/d of gas purchased from Transwestern Pipeline Company is transmitted. The transfer of the 30-inch Newberry-to-Quigley pipeline system as proposed in this application will give buyer a complete pipeline system to transport gas from the point of receipt at the California-Arizona border to the "city-gate" of the Los Angeles market area. Such a complete system will enable buyer to more fully perform its assigned gas supply functions within the Pacific Lighting system.

Sellers will continue to own a 30-inch pipeline system extending from Needles to Newberry which handles gas purchased by them from El Paso Natural Gas Company, and also will continue to own a 36-inch pipeline system extending from Newberry to Placentia.

Applicants have entered into an agreement dated April 29, 1968, Exhibit No. 2, providing for the sale of the transmission facilities, described in Exhibit No. 2, which are jointly owned by sellers.

The base purchase price for the facilities to be sold is the sum of approximately \$8,836,000, representing the depreciated book cost of the facilities on December 31, 1967, less related Contributions in Aid of Construction as of that date.

Buyer has also agreed to pay to sellers the book cost of any additional facilities, adjusted for any retirements and accrued depreciation, installed by sellers between December 31, 1967 and the closing date. The closing date is stated in the agreement to be the last Monday of the month in which the order of the Commission authorizing such sale shall have become effective or such other date as the parties may mutually agree upon.

As the result of this transfer of ownership there will be no immediate effect on the customers of the Pacific Lighting group of companies. However, in the longer term, such transfer should result in lower costs of service. These lower costs will result because of an increase in the debt ratio of buyer along with lower costs of financing in connection with the ability of buyer to issue a larger amount of debt at one time.

As a result of this transfer it was estimated by applicants that the rate of return of buyer will be reduced by approximately 0.6 percent while the rates of return of the two distribution companies are estimated to increase by about 0.1 percent.

Upon authorization of this transfer, buyer will file an application with this Commission to change its tariff so that the charges for gas service made by buyer to sellers will be on a cost of service basis. Such filing will be made about November 15, 1968 with the anticipation that such cost of service tariff may become effective as of January 1, 1969 with Commission authorization.

Applicants allege that the public interest will not be adversely affected by this transfer of facilities.

We find that the proposed sale and transfer will not be adverse to the public interest.

We conclude that the application should be granted.

O R D E R

IT IS ORDERED that within one year after the effective date of this order, Southern California Gas Company and Southern Counties Gas Company of California are authorized to sell to their affiliate Pacific Lighting Service and Supply Company the facilities referred to herein, substantially in accordance with the terms described in the agreement dated April 29, 1968 attached to the application herein and designated Exhibit No. 2.

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

Dated at San Francisco, California, this 25th
day of JUNE, 1968.

President

Commissioner

Commissioner


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WILLIAM M. BENNETT, Dissenting Opinion

I dissent to the instant order not on the merits thereof but as to the procedure whereby today's opinion has issued. No notice was given to the Commission nor to me that this matter was to be presented for decision at conference. It was placed before the Commission with no prior notice and approved over my objection. This is not the decisional process contemplated by law. (Webster v. Texas (1944) 166 SW 2d 75; Alabama P.S. Comm. v. Redwing (1966) 199 So. 2d 653; Braniff Airways Inc. v. CAB (1967) 379 F2d 453.)

The majority does no favors to public utilities by such a disregard of the requirements of notice, opportunity to study and to prepare and due process. If an order such as this were challenged by appeal -- and this one will not be -- I have little doubt that the Commission's action would be annulled.


WILLIAM M. BENNETT
Commissioner

Dated: San Francisco, California
June 25, 1968