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Decision No. 81272

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application
of CALIFORNIA-PACIFIC UTILITIES COMPANY
and SISKIYOU VANGAS for an order
authorizing California-Pacific Utilities
Company to sell the assets and related
operating rights of its public utility
gas business in Dunsmuir and Yreka to
Siskiyou Vangas.

Application No. 53817
(Filed February 1, 1973)

O P I N I O N

California-Pacific Utilities Company (seller) and Siskiyou Vangas (buyer), both California corporations, seek authorization for seller to transfer its public utility gas business and assets and related operating rights in Dunsmuir and Yreka, both in Siskiyou County, to buyer, and for buyer (1) to acquire said property and operating authority, (2) to issue up to 25,000 shares of common stock with a par value of \$10 per share, (3) to obtain open account advances from Vangas, Inc., (4) to assume the public utility obligations of seller, and (5) to have customer deposits held by seller transferred to it and assume seller's obligation for the refund of the deposits.

Seller owns and operates public utility electric, gas, water, and telephone systems in California and Nevada; electric, gas, and telephone systems in Oregon; and electric systems in Utah and Arizona. Buyer was incorporated December 7, 1972 to acquire the public utility assets and operating authority in issue from seller. Buyer is a wholly owned subsidiary of Vangas, Inc., which distributes liquified petroleum gas to more than 30 wholly owned subsidiaries. Vangas, Inc. is itself a subsidiary of Suburban Propane Gas Corporation.

Seller currently furnishes propane-air gas to approximately 1,050 customers in Dunsuir and Yreka. It also sells liquified petroleum gas to approximately 1,180 customers on a non-utility basis in areas surrounding the cities. The public utility gas distribution system consists of approximately 132,000 feet of 3/4-inch to six-inch mains, seven storage tanks, and related vaporizers, valves, regulators, and meters. Seller's non-utility assets in the two areas consist primarily of customer storage equipment and transportation equipment used in connection therewith.

The formal agreement of sale was executed by seller and Vangas, Inc., buyer's parent company, on December 5, 1972. The agreement provides that seller agrees to sell the utility and non-utility business and property to Vangas, Inc.; that the consideration to be paid by Vangas, Inc. is \$526,601, subject to certain adjustments; and that it is conditioned upon the obtaining of approval from the Commission for the sale and transfer of the public utility business and certificate. A general deed and bill of sale will be executed by seller and will transfer to buyer (Siskiyou Vangas) the public utility gas distribution system and related equipment and facilities. Buyer will acquire the capital necessary to purchase the public utility operation by selling capital stock at par value to Vangas, Inc. in an amount up to \$250,000 and by obtaining open-account advances from its parent company to pay the balance. Working capital will also be obtained through open-account advances. The advances would not be evidenced by any note or other form of security and would bear interest at a fluctuating rate based upon the cost of borrowings by the parent company. According to a pro forma balance sheet for buyer attached to the application, the value of the current assets and fixed assets to be obtained by buyer are \$43,398 and \$268,179, respectively, and the total thereof is \$311,577. The amount of the customer deposits sought to be transferred from seller to buyer is \$2,667. The application asserts that for seller to refund the deposits and for buyer to recollect them would be unreasonably expensive.

According to the application, the public utility gas system in issue is seller's smallest and least convenient division for it to operate; buyer's parent company, Vangas, Inc., has existing non-utility propane operations in Siskiyou County, and it will be in a position to operate and manage the public utility and non-utility business sought to be acquired on a more convenient and economical basis; Vangas, Inc. has for many years been the source of the propane used for this business; and buyer will adopt seller's existing rates for public utility service with no change.

The Commission finds that:

1. Buyer through financing to be obtained from its parent company, Vangas, Inc., has the ability to acquire the right, title, and interest in the public utility in issue without interruption of service.
2. The proposed sales and transfers will not be adverse to the public interest.
3. The proposed stock issue and open-account advances to buyer from Vangas, Inc. are for proper purposes.
4. The money, property, or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or income.
5. A public hearing is not necessary.

The Commission concludes that the application should be granted.

In issuing our order herein, we place buyer and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividends paid as measuring the return buyer should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of buyer's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company, a California corporation, may, on or before November 1, 1973, sell and transfer the herein described public utility gas system and properties, including its operating rights in connection therewith, to Vangas, Inc., substantially in accordance with the terms and conditions contained in the Agreement of Sale relating to said public utility system and properties, which agreement is included in Exhibit E to the application, and concurrently therewith, Vangas, Inc. may sell and transfer to Siskiyou Vangas, a California corporation and wholly owned subsidiary of Vangas, Inc., all assets and properties, real and personal, including operating rights, of said public utility gas system as evidenced by the General Deed and Bill of Sale from California-Pacific Utilities Company to Siskiyou Vangas included in Exhibit F to the application.
2. Upon consummation of the transfers referred to in Ordering Paragraph 1, California-Pacific Utility Company shall be relieved of all public utility obligations in connection with the operations of the public utility business to be transferred.
3. Siskiyou Vangas may acquire the assets and related operating rights and assume the liabilities, including the obligation for the refund of customer deposits, of California-Pacific Utilities Company, as set forth in the application.
4. Siskiyou Vangas, for the purposes set forth in the application, may issue not exceeding 25,000 shares of common stock, \$10 par value.
5. Siskiyou Vangas, for the purposes set forth in the application, may obtain from Vangas, Inc. open-account advances not evidenced by any note or other form of security and bearing interest at rates based upon the cost of borrowings by Vangas, Inc.

6. Within five days after the consummation of the transfers herein authorized, Siskiyou Vangas shall file with the Commission, by advice letter, a Notice of Adoption of the presently filed tariff schedules of California-Pacific Utilities Company for the public utility gas operations herein, in accordance with Section III.C. of General Order No. 96-A.

7. Within sixty days after the consummation of the transfers herein authorized, the tariff schedules of California-Pacific Utilities Company for the public utility gas operations herein, now on file with the Commission, shall be refiled under the name of Siskiyou Vangas, in accordance with the requirements of General Order No. 96-A. No increases in the presently filed rates and rules shall be made unless otherwise authorized by the Commission.

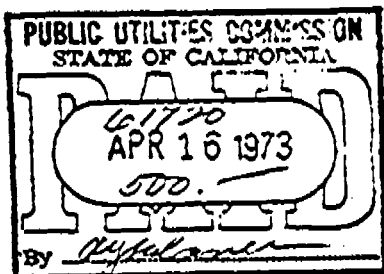
8. Within thirty days after consummation of the transfers herein authorized, Siskiyou Vangas shall notify the Commission in writing of that fact.

9. Siskiyou Vangas shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

10. Within sixty days after the consummation of the transfers herein authorized, Siskiyou Vangas shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

This order shall become effective when Siskiyou Vangas has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$500.

Dated at San Francisco, California, this 10th day of APRIL, 1973.



Vernon L. Stungis
President
William J. Agnew
[Signature]
[Signature]
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.