

DEM

Decision No. 17448

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 FORT BRAGG ELECTRIC COMPANY,  
 a corporation, for authority to sell  
 the electric system and properties of  
 said corporation to Peoples <sup>California</sup> Hydro-  
 Electric Corporation, a corporation,  
 and of Peoples <sup>California</sup> Hydro-Electric Corpora-  
 tion, a corporation, for authority to  
 buy said system and properties and to  
 issue shares of its capital stock of  
 the par value of \$75,000. and its first  
 mortgage bonds of the face amount of  
 \$150,000.00.

ORIGINAL

Application No. 13034.

Goodfellow, Eels, Moore and Orrick,  
 by E. W. Dahlquist, for Peoples California  
 Hydro-Electric Corporation.

Chas. A. Strong, for Fort Bragg Electric Company.

BY THE COMMISSION:

O P I N I O N

Fort Bragg Electric Company asks permission to sell its  
 properties described in Exhibit "B" filed in this proceeding, to the  
 Peoples California Hydro-Electric Corporation. The Peoples <sup>California</sup> Hydro-  
 Electric Corporation asks permission to purchase said properties and  
 to issue in payment therefor \$75,000.00 of its common capital stock  
 and \$150,000.00 of its first mortgage 15-year five and one half percent  
 bonds.

The Fort Bragg Electric Company, according to the record  
 in this proceeding, renders retail electric service in and near the  
 City of Fort Bragg, Mendocino County, and sells electric energy whole-  
 sale to the Mendocino Electric Light and Power Company. It is esti-

mated that the City of Fort Bragg has a population of about 4,000.

The Union Lumber Company owns 96.9 percent of the outstanding stock of the Fort Bragg Electric Company. All the electrical energy distributed by the Fort Bragg Electric Company is generated at the lumber company's steam power plant and purchased from the lumber company. Energy is delivered to the Fort Bragg Electric Company at 2300 volts at the power house. A portion of the electric energy is distributed by the Fort Bragg Electric Company at that voltage in and near the corporate limits of Fort Bragg. While the remainder is stepped up to 6600 volts by three fifty K.V.A. transformers for transmission over a three phase line to the Mendocino Electric Light and Power Company at Jug Handle Creek about five miles south of Fort Bragg and to rural customers en route. As of April 1, 1926 the company had 874 service connections and 1061 meters in service.

Appraisals of the properties involved in this application have been submitted by Day and Zimmerman, consulting engineers, and by C.T.Mess, an assistant engineer for the Railroad Commission. As of April 1, 1926 Day and Zimmerman in applicant's Exhibit No. 2 estimate the reproduction cost new of the properties at \$135,269.00 and the reproduction cost new less depreciation at \$122,382.00. As of August 1, 1926 C.T.Mess estimates the reproduction cost new of the properties at \$125,958.00 and the reproduction cost new less depreciation at \$86,245.00. The difference in the estimates representing the reproduction cost new of the properties is accounted for primarily in the difference in the allowance for overhead expenses. Day and Zimmerman allow 20-1/2 percent and C.T.Mess 12 percent. for such purposes. The difference in the estimates representing the reproduction cost new less depreciation is primarily accounted for by different methods being used to calculate the accrued depreciation. Reference is here made to the decision, in Application No. 12991 for a statement of the method employed in estimating the reproduction cost new less depreciation of the properties.

From applicant's Exhibit "C" it appears that W.B.Foshay Co. have agreed to pay \$225,000.00 for the properties of the Fort Bragg Electric Company described in this application. It is of record that W. B. Foshay Co. will cause the title to the properties of the Fort Bragg Company, if that company is permitted to sell the same, to pass directly to the Peoples California Hydro-Electric Corporation. In consideration of causing said properties to be conveyed to the Peoples California Hydro-Electric Corporation the Peoples California Hydro-Electric Corporation asks permission to issue to W.B.Foshay Co. \$75,000. of common stock and \$150,000. of first mortgage 15-year five and one half percent bonds.

We have considered the evidence submitted in this proceeding and are of the opinion that the amount of stock and bonds which the Peoples California Hydro-Electric Corporation asks permission to issue is excessive. Neither the earnings of the company, nor any of the appraisals of the properties submitted justify the issue of \$225,000. of stock and bonds. In our opinion the Peoples California Hydro-Electric Corporation should be permitted to issue not more than \$35,000. of stock and \$65,000. of bonds in payment in full for the properties of the Fort Bragg Electric Company. If W.B.Foshay Co. or any one else, desire to pay \$225,000. cash for the properties they may do so, but this Commission will not recognize such payment as the value of the properties as a basis for the fixing of rates or the issue of stock, bonds, notes or any other form of indebtedness, including accounts payable or notes payable on or before one year after date. This decision contemplates that the purchasing company will pay \$100,000. for the properties and no more, and that the \$100,000. will be represented by the stock and bonds herein authorized. The order herein will require the purchasing company to stipulate that it will not at any time issue or record on its books any indebtedness to represent the difference between the stock and bonds herein authorized and the amount which W.B.Foshay Co. have agreed to pay for the properties.

O R D E R

Application having been made to the Railroad Commission for an order authorizing Fort Bragg Electric Company to sell and transfer its business and electric properties described in this application to the Peoples California Hydro-Electric Corporation, and the Peoples California Hydro-Electric Corporation having asked permission to acquire said properties and issue \$75,000. of stock and \$150,000. of its first mortgage bonds in payment for said properties, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the transfer of the properties should be authorized subject to the provisions of this order, and that the Peoples California Hydro-Electric Corporation should be permitted to issue not exceeding \$35,000.00 of stock and not exceeding \$65,000. of bonds in payment for said properties free and clear of all encumbrances; that the money, property or labor to be procured or paid for by the issue of said stock and bonds is reasonably required by applicant, Peoples California Hydro-Electric Corporation; that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income and that this application should be granted as herein provided and not otherwise, therefore,

IT IS HEREBY ORDERED as follows:-

1. Fort Bragg Electric Company may sell its properties generally described in the petition in this application and more particularly in applicant's Exhibit No. 1, to the Peoples California Hydro-Electric Corporation and said Peoples California Hydro-Electric Corporation is hereby permitted to acquire said properties and to issue in full payment therefor, provided it acquire the same free and clear of all encumbrances, not exceeding \$35,000. of common stock and not exceeding \$65,000. face amount of five and one half percent first mortgage 15-year gold bonds.

2. The authority herein granted will not become effective until Peoples California Hydro-Electric Corporation has filed with the Commission in satisfactory form a stipulation duly and legally executed by its proper officers authorized by its Board of Directors agreeing that it will never issue or record on its books any form of indebtedness to represent the difference between the \$100,000. of stock and bonds herein authorized to be issued and the \$225,000. which W.B.Foshay Co. have agreed to pay for the properties of Fort Bragg Electric Company, nor create any form of indebtedness payable to its stockholders or affiliated companies, except in such amounts as may represent funds necessary for the actual operation of its properties; nor will the authority herein granted to issue bonds become effective until the Commission has entered a supplemental order authorizing the Peoples California Hydro-Electric Corporation to execute a mortgage and/or deed of trust to secure the payment of the bonds herein authorized to be issued, and until Peoples California Hydro-Electric Corporation has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$65.

3. Under the authority herein granted no properties may be transferred and no stock and bonds issued after March 1, 1927.

DATED at San Francisco, California, this 13<sup>th</sup> day of October, 1926.

H.K. Brandegee  
C. Weaver  
Leon Whisell  
Thos. S. Powell

Commissioners.

Fee \$65.00  
 STATE OF CALIFORNIA  
 OCT 13 1926  
 Leon Whisell  
 Fee # 23378