

Decision No. 19644

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY)
 for authority to acquire the pro-)
 perties and franchises of Ontario)
 Power Company, and of Ontario Power)
 Company to sell its properties and)
 franchises to Southern California)
 Edison Company.)

Application No. 14534.

Gail C. Larkin, for applicants.

BY THE COMMISSION:

O P I N I O N

Ontario Power Company asks permission to sell all of its properties and franchises to Southern California Edison Company, which company in turn asks permission to purchase said properties. A detailed description of the property to be sold by Ontario Power Company is set forth in the proposed deed attached to the petition and marked Exhibit "D".

It is of record that by virtue of Decision No. 19044, dated November 14, 1927, and Decision No. 19261, dated January 18, 1928, the Southern California Edison Company now owns more than two

thirds of the issued and outstanding stock of the Ontario Power Company. It has acquired, according to the record, all of the outstanding common stock of the Ontario Power Company (\$500,000.00) and all but \$70,800.00 par value of that company's outstanding \$475,000.00 of seven percent preferred stock. It has offered to issue its seven percent preferred stock in exchange for the seven percent preferred stock of the Ontario Power Company.

The Southern California Edison Company now desires to purchase from Ontario Power Company all its business, properties and franchises as a whole in consideration of the assumption by the Southern California Edison Company of all of the debts and liabilities of the Ontario Power Company amounting to \$677,904.01 on January 31, 1928, and the payment on or before July 1, 1955, of the sum of \$1,100,000.00 with interest thereon at the rate of four percent per annum payable quarterly. In the event that the Southern California Edison Company acquires all of the outstanding stock of the Ontario Power Company, the payment of the \$1,100,000.00 will revert to the treasury of the Southern California Edison Company upon the liquidation of the Ontario Power Company.

The bonded debt of the Ontario Power Company, the payment of which will be assumed by the Southern California Edison Company, consists of \$231,000.00 of five percent first mortgage bonds due January 2, 1932, the payment of which is secured by a deed of trust or mortgage executed on January 2, 1902, by the Ontario Power Company to the Union Trust Company of San Francisco, California, as trustee, and \$250,000.00 of six percent and \$150,000.00 of five and a half percent general and refunding mortgage bonds due July 1, 1955, and issued under a mortgage or deed of trust executed July 1, 1925, to the California Trust

Company as trustee.

As of January 31, 1928, the Ontario Power Company reports assets and liabilities as follows:-

<u>ASSETS</u>	
Intangible Capital:	
Organization	\$7,230.51
Tangible Fixed Capital:	
Water rights	263,000.00
Production Capital.	323,162.43
Hydraulic Power Plant Land.....	\$3,334.80
Hydraulic Power Plant Structures.....	41,340.70
Dams, Waterways, etc.	178,293.16
Hydraulic Power Plant Equipment.....	100,193.77
Distribution Capital.	1,111,892.50
Distribution Land.....	\$ 2,904.59
Distribution Structures.....	26,282.03
Distribution Equipment.....	55,639.83
Overhead & Underground Conduits.....	684,594.11
Transformers.....	246,802.00
Meters.....	95,669.94
General Capital	265,469.06
General Office Land.....	\$ 6,082.75
General Office Structures.....	41,571.04
Office Furniture & Fixtures.....	18,436.94
General Equipment.....	16,226.25
Transportation Equipment.....	26,463.70
Cash & Deposits.....	46,581.38
Accounts & Notes Receivable.....	55,124.58
Materials & Supplies.....	29,308.74
Special Sinking Funds.....	7,921.29
Deferred Debits.....	17,752.39
Total Assets	<u>\$1,970,754.50</u>

<u>LIABILITIES</u>	
Capital Stock - Common	\$500,000.00
Capital Stock - Preferred.	475,000.00
Bonds.	631,000.00
Accounts Payable	7,225.00
Consumers' Deposits.	3,421.73
Taxes Accrued.	33,359.83
Interest Accrued	2,897.45
Deferred Credits	937.89
Depreciation Reserve	260,695.54
Extraordinary Repair Reserve	3,149.09
Unappropriated Surplus Jan.1,1928.	47,677.34
Profit	5,390.63
Total Liabilities.	<u>\$1,970,754.50</u>

Southern California Edison Company paid \$625,000.00 for the \$500,000.00 of common stock of Ontario Power Company and is ready and willing to exchange its seven percent preferred stock for the \$475,000.00 of outstanding Ontario Power Company seven percent preferred stock. It has also agreed to assume the indebtedness of Ontario Power Company which, as of January 31, 1928, is reported at \$677,904.01. The total consideration thus paid or which will eventually be paid for the Ontario Power Company properties is \$1,777,904.01. This purchase price is \$70,149.31 in excess of the cost of the physical properties, organization expense and current assets of the Ontario Power Company. We believe that the \$70,149.31 should be charged to Account 508 - Miscellaneous debits to profit and loss. It does not follow from this conclusion that we will permit the Southern California Edison Company to capitalize through the issue of stock, bonds or notes all of the \$625,000.00 paid for the common stock of the Ontario Power Company. That company has a depreciation reserve of \$260,695.54 which has been invested in its properties. The amount in the reserve should be considered in connection with any request to capitalize the \$625,000.00, a matter which is not now before the Commission.

O R D E R

Application having been made to the Railroad Commission by the Ontario Power Company to sell its properties, described in Exhibit "D" attached to the petition in this proceeding, to the Southern California Edison Company, which company asks permission to purchase and acquire said properties, a public hearing having been held before Examiner Fankhauser and the Commission being of the

opinion that the transfer of the properties is in the public interest provided such transfer is made in accordance with the terms and provisions of this order, therefore,

IT IS HEREBY ORDERED that the Ontario Power Company be, and it hereby is, authorized to sell and convey on or before July 31, 1928, to the Southern California Edison Company and Southern California Edison Company be, and it hereby is, authorized to purchase and acquire the properties of Ontario Power Company, described in Exhibit "D" attached to the petition in this proceeding, said Southern California Edison Company may pay for said properties of Ontario Power Company not exceeding \$1,100,000.00 on or before July 1, 1955, with interest at the rate of four (4%) percent per annum, payable quarterly and shall assume the payment of all the indebtedness of Ontario Power Company including the outstanding bonds issued under the mortgage or deed of trust dated January 2, 1902, from Ontario Power Company to the Union Trust Company of San Francisco, as trustee, and the bonds issued under the mortgage or deed of trust, dated July 1, 1925, from Ontario Power Company to California Trust Company, as trustee.

IT IS HEREBY FURTHER ORDERED that the Southern California Edison Company shall charge to Account 508 - Miscellaneous debits to profit and loss - \$70,149.31 of the price which it has agreed to pay for the properties of Ontario Power Company.

IT IS HEREBY FURTHER ORDERED that the Southern California Edison Company shall, within sixty (60) days after acquiring the ownership and possession of the properties of Ontario Power Company, file with the Commission a certified copy of the deed or other instrument of conveyance by which it acquires title to said properties and also a copy of each and every bookkeeping

entry entered on its books to record the aforesaid transaction and the distribution of the purchase price to primary accounts.

IT IS HEREBY FURTHER ORDERED that the Ontario Power Company shall file with the Commission a report, on the regular annual report forms prescribed by this Commission, covering the period from January 1, 1928, down to the date on which it ceases its public utility operations, said report to be filed sixty (60) days after the transfer of the aforesaid properties.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to transfer properties shall become effective upon the written acceptance of such authority by the Southern California Edison Company and the payment of the fee prescribed by Section fifty-seven of the Public Utilities Act.

DATED at San Francisco, California, this 20th day of April, 1928.



Leon White
Ed Seavey
Ernest J. [unclear]
Thos. J. [unclear]
M. J. [unclear]
Commissioners.