

3. Authorizing applicants to institute and put into effect as of the first meter reading date subsequent to the order herein, all of the rules, regulations and schedules of rates of Great Western Power Company of California applicable to similar territory of said Great Western Power Company of California.

The application shows that Fair Oaks Electric Company owns and operates certain electric distribution properties situate in and about the unincorporated town of Fair Oaks, Sacramento County, and that it is engaged in serving by means of such properties approximately 285 consumers. Energy is purchased from Great Western Power Company of California which has a 22,000 volt line passing through the town.

As of December 31, 1927 the company reports its assets and liabilities as follows:-

A S S E T S

Fixed capital in service		\$28,736.49
Current assets:		
Cash	\$3,159.61	
Notes receivable	1,500.00	
Accounts receivable	<u>2,032.85</u>	6,692.45
Deferred debits		<u>390.00</u>
Total.....		<u>\$35,818.95</u>

L I A B I L I T I E S

Capital stock(Common)		\$10,300.00
Bonds		9,500.00
Current liabilities:		
Accounts payable	\$4,106.27	
Consumers' deposits	22.50	
Taxes accrued	<u>2,245.42</u>	6,374.19
Consumers' advances for construction		932.94
Depreciation reserve		3,986.04
Corporate surplus		<u>4,725.78</u>
Total.....		<u>\$35,818.95</u>

It appears that on February 29, 1928, Great Western Power Company of California entered into an agreement with R. A. Rose for the purchase of all the outstanding stock of Fair Oaks Electric Company for a total payment of \$37,500.00 plus an amount in cash equal to the good accounts and notes receivable as of March 1, 1928, less an amount in cash equal to the bills and accounts payable, including refunds due or to become due to consumers for advances in aid of construction as of said date. Upon obtaining the stock Great Western Power Company of California plans to cause a conveyance of the properties to it, to pay the outstanding \$9,500.00 of bonds and to dissolve the Fair Oaks Electric Company.

Testimony was offered at the hearing in this matter on the value of the properties of Fair Oaks Electric Company, a representative of the purchaser estimating the reproduction cost new as of January 1, 1928 at \$44,906.00, the accrued depreciation at \$12,000., the estimated reproduction cost new less depreciation at \$32,906.00 and the historical cost at \$28,736.00. It will be observed that the amount Great Western Power Company of California proposes to pay in acquiring the properties and in paying the outstanding bonds is in excess of any of the valuation figures. In this connection attention might be called to the fact that heretofore the Commission has held that where one utility in purchasing the properties of another, pays more than the actual or estimated historical cost, the difference between such historical cost and the purchase price should be charged to surplus and not to capital accounts. We believe, in the present case, that in recording the purchase of these properties on its books, Great Western Power Company of California should charge to fixed capital accounts only an amount equal to the historical cost and should charge the balance of the purchase price to Account 508-Miscellaneous debits to profit and loss. It should be noted, however, that as of December 31, 1927, Fair Oaks Electric Company reported a credit balance in its reserve for de-

preciation of \$3,986.04, which should be taken into consideration if at any future time the purchaser comes before the Commission for an order authorizing the issue of stock, bonds, notes or other evidences of indebtedness to finance the cost of these properties. This, however, is not now before the Commission.

It is proposed to place in effect on the system of Fair Oaks Electric Company the rules, regulations and schedules of rates of Great Western Power Company of California, which rates are said to be uniformly lower than those now in effect.

O R D E R

Application having been made to the Railroad Commission, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the acquisition by Great Western Power Company of California of the stock and properties of Fair Oaks Electric Company is in the public interest, and that the application should be granted, as herein provided,

IT IS HEREBY ORDERED that Great Western Power Company of California be, and it hereby is, authorized to purchase on or before September 30, 1928, and thereafter hold all the outstanding \$10,300.00 of stock of Fair Oaks Electric Company, subject to the terms and conditions of the agreement of February 29, 1928.

IT IS HEREBY FURTHER ORDERED that Fair Oaks Electric Company be, and it hereby is, authorized to transfer to Great Western Power Company of California, on or before September 30, 1928, all of its properties and assets.

IT IS HEREBY FURTHER ORDERED that Fair Oaks Electric Company and/or Great Western Power Company of California be, and they hereby are, authorized to institute, and put into effect, as of the first meter reading date subsequent to the granting of this application, the rules, regulations and schedule of rates of Great Western Power Company of California.

IT IS HEREBY FURTHER ORDERED that Great Western Power Company of California, in recording on its books of accounts the purchase of the properties of Fair Oaks Electric Company, shall charge to fixed capital accounts, as those accounts are defined in the uniform system of accounts for electric corporations prescribed by this Commission and effective on January 1, 1923, not more than \$28,736.00 plus the cost of additions and betterments from December 31, 1927 to the date of transfer of the properties; and that it shall charge the remainder of the purchase price to Account 508-Miscellaneous debits to profit and loss.

IT IS HEREBY FURTHER ORDERED that Fair Oaks Electric Company be, and it hereby is, authorized, upon the conveyance of its properties to Great Western Power Company of California, to cease furnishing and supplying electric energy in the territory in which it now operates.

IT IS HEREBY FURTHER ORDERED that Great Western Power Company of California, within thirty days after acquiring ownership of the properties herein authorized transferred, shall file with the Commission a certified copy of the deed or other instrument of conveyance and a copy of each and every book-keeping entry entered on its books to record the aforesaid transaction, such entries to show the distribution of the \$28,736.00 to primary accounts.

IT IS HEREBY FURTHER ORDERED that Fair Oaks Electric Company shall file with the Commission a financial report, on the regular annual report forms prescribed by the Commission, covering the period from January 1, 1928 to the date of transfer of its properties, said report to be filed within sixty days after the transfer of such properties.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the filing by Great Western Power Company of California, with the Commission, of a written statement accepting the authority herein granted.

DATED at San Francisco, California, this 2nd day of

May, 1928

Chas. J. ...

Edward ...

Paul ...

W. A. ...
Commissioners