

LEM

Decision No. 19928.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MOUNTAIN POWER COMPANY,)
 a corporation, for authority to sell)
 the water system and properties oper-)
 ated by Mountain Power Company to Pub-)
 lic Utilities California Corporation)
 (a corporation), and for authority)
 of Public Utilities California Cor-)
 poration to buy said systems and)
 properties and to issue shares of its)
 capital stock of the par value of)
 \$85,000.00.)

ORIGINAL

Application No. 14684

Orrick, Palmer & Dahlquist, by Hillyer Brown
for Public Utilities California Corporation.

James W. Henderson, for Mountain Power Company.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to enter its order authorizing the Mountain Power Company to transfer its business and properties to the Public Utilities California Corporation and authorizing the Public Utilities California Corporation to acquire said business and properties and issue in payment therefor \$85,000.00 par value of its common capital stock.

The Mountain Power Company is a corporation organized and existing under and by virtue of the laws of the State of California. It has been for many years last past engaged in the business of distributing water to the inhabitants of Crescent City, California, and the vicinity thereof. It reports that it has 549 water consumers. Its operating revenues for 1926 are reported at \$12,754.45; for 1927 at \$13,637.23. No estimate of the earnings

for 1928 was submitted. For 1929 the operating revenues are estimated at \$14,000.00 and the expenses at \$7,400.00, leaving net operating revenues of \$6,600.00. It reports \$98,000.00 of common stock outstanding, on which there is still due from stockholders, according to the record, \$24,800.00. The investment in its fixed capital is reported at \$86,213.36 and its reserve for accrued depreciation at \$13,000.00.

There has been offered in evidence in this proceeding a report prepared by the Loveland Engineers, Inc. They submit the following estimated costs of the properties of Mountain Power Company;-

Reproduction cost new	\$105,732.
Reproduction cost new less depreciation	87,726.
Estimated original cost new	71,959.
Estimated original cost new less depreciation	60,724.

The above figures include the following allowances for intangible capital;-

I T E M	Reproduction Cost	Original Cost
Original preliminary expense.....	\$1,600.00	\$ 1,600.00
Franchises	1,500.00	1,500.00
Water rights	2,500.00	1,000.00
Cost of acquisition of lands and title searches.....	375.00	375.00
Going concern value.....	10,000.00	10,000.00
Total.....	\$15,975.00	\$13,475.00

The estimated or reproduction cost new, referred to above, also includes an item of \$6,624.00 said to represent the cost of paving over water mains. The estimated original cost does not include any comparable item. The testimony shows that the Mountain Power Company, through its principal stockholder, has agreed to sell its properties to W. B. Foshay Company for \$65,000.00. W. B. Foshay Company has assigned this agreement to the Public Utilities California Corporation. The testimony further shows that W. B. Foshay Company or its representatives have incurred an expense of \$4,716.37 in connection with the acquisition of the Mountain Power Company properties.

If this be added to the purchase price we find that the actual out-of-pocket cost of acquiring the Mountain Power Company properties will be \$69,716.37.

We have considered the testimony submitted in this proceeding and believe that the transfer of the Mountain Power Company properties to the Public Utilities California Corporation should be authorized, but that the Mountain Power Company should be permitted to issue not more than \$55,000.00 of its common capital stock in payment for the properties. This amount was determined by considering the estimated original cost of the properties, the sinking fund accumulation against such properties, and the earnings of the properties. It is our opinion that the Public Utilities California Corporation, if it acquires the Mountain Power Company properties, should not charge to its fixed capital accounts more than \$65,235.00.

ORDER

Mountain Power Company having asked permission to sell its properties and business to the Public Utilities California Corporation and Public Utilities California Corporation having asked permission to acquire such properties and issue in payment therefor \$55,000.00 of its common capital stock, 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 and that the Public Utilities California Corporation should be permitted to issue in payment for such properties not exceeding \$55,000.00 of its common capital stock; that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required for the purposes specified herein and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income, and that this application insofar as it involves the issue of \$30,000.00 of stock, should be dismissed without

prejudice, therefore-

IT IS HEREBY ORDERED as follows;-

1. Mountain Power Company may sell to Public Utilities California Corporation its business and properties, more particularly described in Exhibit "C" filed in this proceeding.

2. Public Utilities California Corporation may acquire the aforesaid properties and business and issue in payment therefor, not exceeding \$55,000.00 of its common capital stock.

3. This application insofar as it involves the issue of \$30,000.00 of common stock be, and the same is hereby, dismissed without prejudice.

4. Public Utilities California Corporation, if it acquires the aforesaid properties, may not charge to its fixed capital accounts more than \$65,235.00. If it pays for the properties more than \$55,000 represented by a like amount of common stock, it must charge the difference between said \$55,000.00 and the price paid, to a suspense, or its corporate surplus, account.

5. Public Utilities California Corporation shall file with the Railroad Commission a report such as is required by the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

6. Within thirty (30) days after the acquisition of the properties herein referred to, Public Utilities California Corporation shall file with the Railroad Commission a certified copy of the deed under which it acquires and holds title to said properties and shall also file with the Commission a statement showing the date on which it acquired the properties and the date on which it took possession of the same.

DATED at San Francisco, California, this 26th day of June, 1928.

Leon White
Chairman
Commissioners
Frank B. Smith
W. J. Lee
Commissioners