

LEM

Decision No. 19939.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SMITH RIVER POWER COMPANY, )  
a corporation, for authority to sell )  
the water and electric systems and )  
properties operated by it, and for )  
authority of Public Utilities Cali- )  
fornia Corporation to buy said sys- )  
tems and properties and to issue )  
shares of its capital stock of the )  
par value of twenty-three thousand )  
two hundred (\$23,200.00) dollars. )

ORIGINAL

Application No. 14697

In the Matter of the Application of )  
W. H. McINDOE and JAMES H. OWEN to )  
transfer to Smith River Power Com- )  
pany, a corporation, all of their )  
right, title and interest in and to )  
the water and electric systems oper- )  
ated by said corporation. )

Application No. 14718

C. Romander, for Smith River Power Company

Orrick, Palmer and Dahlquist, by Hillier Brown,  
for Public Utilities California Corporation  
and  
for W. H. McIndoe and James H. Owen.

BY THE COMMISSION:

O P I N I O N

In Application No. 14718, W. H. McIndoe and James H. Owen ask permission to transfer to the Smith River Power Company, a corporation, all of their right, title and interest to the water and electric properties operated by said company.

In Application No. 14697 Smith River Power Company asks permission to transfer its business and properties to Public Utilities California Corporation, who asks authority to purchase such properties and issue in payment therefor \$23,200.00 of common stock.

It is of record that the legal title to the Anthony Water System supplying domestic water in and about the Town of Smith River, Del Norte County, was originally owned by Mary Anthony and W. H. McIndoe. Pursuant to an application filed with the Commission it, by Decision No. 10498 dated May 24, 1922, authorized Mary Anthony to transfer her interest in the water system to James H. Owen. Thereafter James H. Owen transferred his interest to W. B. Ribenack without first having obtained permission from the Commission to make such transfer. By Decision No. 12452 dated August 6, 1923 the Commission authorized W. B. Ribenack to transfer his interest in the properties to the Smith River Power Company, an unincorporated association. Thereafter the association extended the water system and also constructed an electric generating system and began to distribute electric energy. By Decision No. 18818 dated September 19, 1927, the Commission authorized the Smith River Power Company, an association, to sell its properties to the Smith River Power Company, a corporation. In order to perfect the title of Smith River Power Company, a corporation, which now operates all of the properties, applicants asked that the Railroad Commission authorize W. H. McIndoe and James H. Owen to convey such interest as they may have in the properties of the Smith River Power Company, a corporation, to said Smith River Power Company. This transfer will be effected by the execution of a quit claim deed. No consideration other than what has heretofore been paid will be paid for the properties by the Smith River Power Company, a corporation.

In Application No. 14697 Smith River Power Company, a corporation, asks permission to transfer its properties to the Public Utilities California Corporation. The vendor is engaged in distributing water and electricity to the inhabitants of Smith River and vicinity. The

testimony shows that it has 74 water and 81 electric consumers.

There was filed in these proceedings as Exhibit "B" an estimate of the cost of reproducing the properties of Smith River Power Company, and an estimate of the original cost of the properties, prepared by the Loveland Engineers, Incorporated. A summary of the estimate follows:-

I T E M	Reproduction Cost		Estimated Original Cost	
	New	Depreciated	New	Sinking Fund Accumulation
Intangibles .....	\$ 3,000.	\$ 3,000.	\$ 3,000.	\$ -
Electric properties	19,104.	18,627.	19,104.	477.
Water properties	6,248.	4,709.	5,806.	1,160.
Total.....	\$ 28,352.	\$ 26,336.	\$ 27,910.	\$ 1,637.

The allowance for intangible capital includes \$500.00 for organization, \$250.00 for acquiring franchises, \$2,250.00 for going concern value.

The Commission has heretofore gone on record that it will not permit the issue of securities against an allowance for going concern value. Likewise that the security issue should be based upon the estimated historical cost of the properties, consideration being given to the depreciation of such properties and the earnings realized from the operation of the properties. Deducting the \$2,250.00 from the \$27,910.00 leaves a balance of \$25,660.00. The sinking fund accumulation, as reported by the Loveland Engineers, is \$1,637.00 which, deducted from the \$25,660.00, leaves a balance of \$24,023.00. The Public Utilities California Corporation asks permission to issue \$23,200.00 of stock in payment for the properties. Such issue, we feel, is warranted and the order herein will authorize the same.

O R D E R

Applicants having requested permission to transfer the properties to which reference has been made, and Public Utilities California Corporation having asked permission to issue \$23,200.00 of stock, a public hearing having been held before Examiner Fankhauser, and the

Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required by applicant, Public Utilities California Corporation, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted, as herein provided, therefore--

IT IS HEREBY ORDERED as follows;--

1. W. H. McIndoe and James H. Owen may transfer to the Smith River Power Company, a corporation, all of their right, title and interest in and to the water and electric systems operated by such corporation.

2. Smith River Power Company may sell and transfer to the Public Utilities California Corporation, all of its water and electric properties and business, and Public Utilities California Corporation may purchase such properties and business and may issue in payment therefor \$23,200.00 of its common capital stock, provided that the properties are acquired free and clear of all liens and encumbrances.

3. Public Utilities California Corporation may charge to its fixed capital accounts on account of the purchase of the properties of Smith River Power Company, the sum of not exceeding \$24,023.00.

4. Public Utilities California Corporation shall file with the Railroad Commission within 30 days after the execution of the deeds under which it acquires title to the aforementioned properties, a certified copy of such deed or deeds, and shall also file with the Commission a statement showing the date on which it acquires the properties and the date on which it took possession and began to operate the same.

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

6. Under the authority herein granted no stock may be issued and no properties transferred after September 1, 1928.

DATED at San Francisco, California, this 26<sup>th</sup> day of June, 1928.

Leon Whitely  
C. Seaman  
Ernest A. ...  
Thos. S. ...  
M. J. ...  
Commissioners.