

Decision No. 21829

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SURPRISE VALLEY ELECTRIC LIGHT & POWER COMPANY, a corporation, for authority to sell its electric light and power system to CALIFORNIA PUBLIC SERVICE COMPANY, a corporation (formerly Peoples California Hydro Electric Corporation), and of said California Public Service Company to acquire and operate said system.

ORIGINAL

Application No. 15968.

B. B. Robinson, for Surprise Valley Electric Light & Power Company.

Orrick, Palmer & Dahlquist, by Justin M. Jacobs, for California Public Service Company.

BY THE COMMISSION:

O P I N I O N

Applicants herein seek authority of this Commission to transfer the public utility system operated by Surprise Valley Electric Light & Power Company to California Public Service Company for a cash consideration of \$15,400.00. At the hearing applicant, Surprise Valley Electric Light & Power Company, amended its application to request permission to discontinue all public utility business.

A public hearing herein was conducted by Examiner Williams at Alturas, at which time the matter was duly submitted, and now is ready for decision.

Surprise Valley Electric Light & Power Company operates electric distributing an/system in and about Cedarville, Modoc County, California, 17 miles east of the county seat, Alturas. The company serves approximately 133 consumers in Cedarville and thereabouts. The electric energy for this service is purchased from applicant, California Public Service Company, at Alturas, and is conveyed over a 6600 volt, single-phase line constructed over the hills by the most direct route to Cedarville. It was the testimony of Mr. B. B. Robinson, principal stockholder of the company, that the stockholders and directors had undertaken the sale to California Public Service Company because of the need of expansion, particularly for agrarian purposes, a need for the reconstruction of a transmission line and various other improvements, which required capital beyond the ability or desire of the stockholders to provide. He testified that these matters had been thoroughly discussed, and that the only way to provide efficient electric power and light for the Surprise Valley public was through some public utility capable of making all the improvements necessary. For this reason the cash sale to the company, California Public Service Company, had been arranged for the purpose of delivering to it all the property, franchises and rights of Surprise Valley company except the cash balance in the bank and some other minor assets. Mr. Robinson testified that the cash and other assets are to be converted into a fund and distributed as a dividend to the stockholders, and that thereafter the purchase price is to be distributed among the stockholders, share and share alike, on a basis of \$50.00 per share, which was the price at which the stock was sold. He further testified that as soon as the dividend has been declared and distributed the corporation will go into liquidation on the basis stated. The total number of shares out-

standing is 308, and the purchase price is the equivalent of \$50.00 per share. The purchasing company, California Public Service Company, is buying none of the stock of the corporation and owns none, according to the testimony of Mr. M. V. Watson, representing it.

Mr. Watson also testified that if the purchase by his company is authorized, the present transmission line--weather conditions permitting--will be immediately reconstructed and relocated along highways, to make it more accessible for maintenance purposes, and changed to a standard three-phase transmission line. It is also the purpose of the company to make required extensions in the Surprise Valley within the area shown on its map (Exhibit No. 3), in accordance with its rules and regulations. The purchaser is to unite this service with its service in Alturas and vicinity, and for the purpose of supplying additional demand, will provide an additional Diesel engine power production plant. Mr. Watson estimated that the additional expenditures would approximate \$15,000.00.

No one appeared in opposition to the transfer, and it was the testimony of Mr. Robinson that it was greatly desired in the interest of developing better service for this active and productive region.

In support of the application, valuations were introduced by California Public Service Company showing a historical reproduction cost of \$32,000.00. This applicant did not attempt to prove this value, and submitted it merely as the best judgment of Mr. Watson as to the items in the inventory and without supporting cost data.

Mr. W. M. McKay, assistant engineer of the valuation division of the Commission, estimated the historical reproduction cost, depreciated on the 5 per cent sinking fund method, at

\$12,746.00. Applicant stipulated that it would accept Mr. McKay's appraisal, and further, that the difference between this amount and \$15,400.00 cash purchase price would not be charged to capital, but would be charged to surplus. Mr. McKay estimated the historical reproduction cost new, undepreciated, at \$19,680.00.

A consideration of the record herein shows that the transfer of this utility to the possession of the California Public Service Company will confer additional and needed benefits upon the consumers in Cedarville and Surprise Valley districts, and that the authority for the transfer should be granted. An order accordingly will be entered.

O R D E R

SURPRISE VALLEY ELECTRIC LIGHT & POWER COMPANY, a corporation, having made application to the Railroad Commission for authority to sell its electric system and all property and land used and useful in its business, to California Public Service Company, more particularly described in the application herein, and said CALIFORNIA PUBLIC SERVICE COMPANY having joined in the application therefor; a public hearing having been held, the matter having been duly submitted, and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that SURPRISE VALLEY ELECTRIC LIGHT & POWER COMPANY, a corporation, be, and it is hereby authorized to sell and transfer to CALIFORNIA PUBLIC SERVICE COMPANY, a corporation, for the consideration of \$15,400.00 cash, its electric public utility system in Modoc County, California, more particularly described in the application herein, which is hereby referred to and made a part of this order, subject to the following terms and conditions:

1. The authority hereby granted shall apply only to such transfer as shall have been made on or before January 1, 1930, and a certified copy of the final instrument of conveyance shall be filed with this Commission by the Surprise Valley Electric Light & Power Company within thirty (30) days from the date of this order.
2. The consideration to be paid for the transfer of this property shall not be urged before this Commission or any other public body as a finding of value of said property for rate fixing or any purpose other than the transfer herein authorized.
3. Within ten (10) days from the date on which the Surprise Valley Electric Light & Power Company actually relinquishes control and possession of the property herein authorized to be transferred, it shall file with this Commission a certified statement indicating the date upon which such control and possession were relinquished.
4. The Surprise Valley Electric Light & Power Company shall file with this Commission within sixty (60) days from the date of this order a statement setting forth the financial operations of its public utility properties herein authorized to be transferred for the period, January 1, 1929, to and including the date control and possession of the property is relinquished, such statement to be prepared on the regular annual report forms prescribed by this Commission.
5. Within ten (10) days from the date of transfer herein authorized, California Public Service Company shall file, effective for the territory here involved, the schedule of rates now applying on the system of Surprise Valley Electric Light & Power Company.
6. Upon the acquisition of said properties of Surprise Valley Electric Light & Power Company, applicant, California Public Service Company, may charge to its fixed capital accounts not exceeding \$19,680.00, and shall credit to its reserve for depreciation the difference between the \$19,680.00 and \$12,746.00. If it pays for said properties more than \$12,746.00, it must charge such excess to its corporate surplus account.

IT IS FURTHER ORDERED that upon the consummation of the foregoing conditions applicant, Surprise Valley Electric Light & Power Company, be, and it is hereby authorized to discontinue public utility business.

The authority herein granted shall be effective on
the date hereof.

Dated at San Francisco, California, this 26th day
of November, 1929.

David L. Lewis

W. H. Seaver

Edmund S. Smith

Leon A. Whittell

M. H. Lee
Commissioners.