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Decision No. 10864.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

In the Matter of the Application of )  
R. A. ROSE )  
operating under the name of FAIR OAKS )  
ELECTRIC COMPANY, Fair Oaks, Califor- )  
nia, and FAIR OAKS ELECTRIC COMPANY, )  
a corporation, for an order authori- )  
zing the sale by said R.A. ROSE to FAIR )  
OAKS ELECTRIC COMPANY, a corporation, )  
of the business and property owned and )  
operated by said R.A. ROSE under the )  
name of "FAIR OAKS ELECTRIC COMPANY". )

Application  
Number  
7518

Elliott and Atkinson, by Frank F. Atkinson,  
for applicant.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make its order authorizing the transfer of all the electric properties and business now owned by R.A. ROSE and operated under the fictitious name of FAIR OAKS ELECTRIC COMPANY to FAIR OAKS ELECTRIC COMPANY, a corporation, and the issue of stock and assumption of indebtedness by the corporation.

A public hearing was held before Examiner Satterwhite in San Francisco on February 6, 1922.

The record shows that R.A. Rose since 1913 has been engaged in the business of distributing electric energy for lighting and power purposes in and about Fair Oaks Townsite, Sacramento County, serving approximately 150 consumers. He reports the assets and liabilities of his electric business as of January 1, 1922, as follows:-

ASSETS:

Fixed Capital:

Poles and Fixtures,.....	\$6,034.99
Overhead System,.....	3,470.45
Transformers and Devices,...	3,399.77
Electric Services,.....	1,561.32
Meters,.....	1,205.45
Total,.....	<u>15,671.98</u>
Less Depreciation,.....	1,951.10
Net Fixed Capital,.....	\$13,720.88
Cash,.....	89.96
Accounts Receivable,.....	824.92
Materials and Supplies,.....	163.75
Tools and Truck,.....	395.00
Cost of Franchise,.....	<u>120.00</u>
TOTAL ASSETS,.....	<u><u>\$15,314.51</u></u>

LIABILITIES:

Notes to Fair Oaks Bank,.....	\$ 5,750.00
Notes to Western Electric Company,.....	670.58
Accounts Payable,.....	<u>93.93</u>
TOTAL LIABILITIES,.....	\$ 6,514.51
NET WORTH,.....	<u>8,800.00</u>

The above figures represent according to the testimony the historical cost of the properties, exclusive of any allowance for intangible property items.

The annual reports of R.A. Rose, which have been filed with the Commission show gross revenues for 1920 of \$4,567.43 and for 1919 of \$3,047.37. For 1920 his net operating revenues were \$721.39 and for 1919, \$247.07. After paying interest on notes, he reports a surplus for 1920 of \$371.39 and a loss for 1919 of \$110.63.

The testimony of R.A. Rose shows that he is in need of additional funds to make extensions, additions and betterments to his electric properties and that he is of the opinion that the best method of obtaining money is by the sale of his properties to a corporation and the issuance of bonds by the corporation. He testified that should the application be granted, it is the intention of the company to apply to the Railroad Commission for permission to execute a mortgage and to issue \$10,000.00 of bonds. Fair Oaks Electric Company was incorporated on or about January 23, 1922. The company has an

authorized capital stock of \$25,000.00 divided into 250 shares of the par value of \$100.00 each. The application shows that the corporation has offered to purchase all of the electric properties, assets and franchises now owned by R.A. Rose and that it proposes, in exchange for such properties to issue \$10,000.00 of stock to R.A. Rose, and to assume the payment of indebtedness outstanding against the system as of January 1, 1922, which indebtedness is reported at \$6,514.51.

Reference is here made to Decision No. 8223, dated October 11, 1920, (Vol. 18, Opinions and Orders of the Railroad Commission of California, pg. 1012) in which decision the Commission considered the value of the electric properties of R.A. Rose for rate fixing purposes.

We believe that this application should be granted subject to the conditions of the following order.

#### O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of properties, the assumption of indebtedness and the issue of stock, a public hearing having been held and it appearing to the Railroad Commission that the application should be granted;

IT IS HEREBY ORDERED, that R.A. ROSE be, and he is hereby, authorized to sell, transfer and assign to FAIR OAKS ELECTRIC COMPANY, a corporation, all of the electric properties, assets, franchises and business now owned by him and operated under the fictitious name of FAIR OAKS ELECTRIC COMPANY, such transfer to be upon the terms and conditions set forth in applicants' Exhibit "D".

IT IS HEREBY FURTHER ORDERED, that FAIR OAKS ELECTRIC COMPANY, a corporation, be and it is hereby, authorized to purchase and acquire the properties herein authorized to be sold, transferred and assigned.

and in payment therefor to issue \$10,000.00 of its capital stock to R.A. ROSE, and to assume the payment of indebtedness against the system up to \$6,514.51.

The authority herein granted is subject to the following conditions:

- 1.--The price at which the properties are herein authorized to be transferred shall not be binding upon this Commission or any court or other body having jurisdiction as a measure of the value of the properties for rate-fixing or for any purpose other than the transfer herein authorized.
- 2.--Fair Oaks Electric Company shall file with the Commission a verified copy of the deed conveying the properties herein authorized to be transferred, such copy to be filed within thirty days after execution.
- 3.--Applicant shall keep such record of the issue and disposition of the stock herein authorized as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.
- 4.--The authority herein granted shall apply only to such stock as may be issued and delivered, and to such transfer of properties as may be made on or before April 30, 1922.

DATED at San Francisco, California, this 8<sup>th</sup> day of February, 1922.

H. B. Brundage  
H. D. Loveland  
Charles H. Jones  
W. A. [unclear]  
COMMISSIONERS.