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Decision No. 16379.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
UNIVERSAL ELECTRIC & GAS COMPANY)
to sell, and GREAT WESTERN POWER)
COMPANY OF CALIFORNIA to purchase)
the properties of UNIVERSAL ELECTRIC)
& GAS COMPANY.)

Application No. 7539

William Kehoe for Universal Electric & Gas Company;
Guy C. Earl and Chaffee E. Hall for Great Western
Power Company of California;
J.C. Marshall for Mission Street Merchants Association.

HOWELL, Commissioner.

OPINION

The Railroad Commission is asked to make an order authorizing UNIVERSAL ELECTRIC & GAS COMPANY, hereinafter sometimes referred to as the "Universal Company", to sell its properties described in this application to the GREAT WESTERN POWER COMPANY OF CALIFORNIA, hereinafter sometimes referred to as the "Western Company". The latter company asks permission to acquire the properties.

The Universal Electric & Gas Company is engaged in the business of purchasing, generating, producing, distributing and selling electric energy and steam and hot water in the City and County of San Francisco. The company reports that for many years last past, it has owned and operated a plant and system for the generation, production, distribution and sale of electric energy and steam and hot water in said City and County of San Francisco, consisting in general, of a steam generating plant of a capacity of 2400 K.V.A., approximately 81 miles of primary overhead distribution lines, approximately 53 miles of secondary overhead distribution lines, approximately 46 miles of underground cable and approximately 74 miles

of underground duct with the necessary and proper transformers, meters and other equipment for the distribution of electric energy, steam and hot water to approximately 4,250 consumers. The Universal Company in its Exhibit "A", prepared under the supervision of its general manager, A.K.Harford, reports the reproduction cost new of its properties as of August 31, 1920, at \$3,241,863.54. From August 31, 1920 to January 31, 1922, it reports an expenditure of \$142,343.13 for additions and betterments. Adding the \$142,343.13 to the reported reproduction cost new of the properties, makes a total of \$3,384,206.67.

If authorized by the Commission, the Universal Electric & Gas Company has agreed to sell and the Great Western Power Company of California has agreed to purchase, as of March 1, 1922, all of the good-will, franchises and properties of the Universal Company, tangible and intangible, of the character included within Classification C-1 to C-34, inclusive, as defined in the uniform system of accounts prescribed by the Commission for electric corporations, all properties used or useful in the production and distribution of steam and hot water, all materials and supplies, and all books of accounts, maps and records pertaining to the electric, steam and hot water business of the Universal Company, all free and clear of all liens and encumbrances, at and for the purchase price of \$2,250,000.00, plus an amount equivalent to the net increase in fixed capital installed between December 31, 1921 and March 1, 1922. Of the purchase price, the Western Company has agreed to pay \$500,000.00 upon the date that the Commission authorizes the sale of the properties, the balance to be paid within ninety days thereafter, but in no event later than June 30, 1922, with interest on said balance at the rate of 6 per cent. per annum from the date of the Commission's order. All operating revenues and expenses of the Universal Company prior to March 1, 1922 shall be

for the account of the Universal Company and all operating revenues and expenses on and after March 1, 1922 for the account of the Western Company, with the exception that the Universal Company shall be entitled to the net operating income arising out of the operation of the properties between March 1, 1922 and the date of the Commission's decision authorizing the sale of the properties, up to and not exceeding an amount equivalent to interest at the rate of 6 per cent. per annum on \$2,250,000.00 for such period. The Universal Company, however, is not entitled to any interest during such period in excess of the amount of the net operating income for the period nor in excess of interest at the rate of 6 per cent. per annum for the partly period. Income and expenses arising or incurred/prior to March 1, 1922 and partly after such date, such as electric and steam revenue for service furnished partly prior and partly after March 1, 1922, as well as taxes and insurance, shall be pro rated. The Western Company agrees to indemnify and hold harmless the Universal Company of and from all claims, demands and causes of action arising subsequent to March 1, 1922 out of the certain contract dated July 9, 1915 between the Universal Company and The Sierra and San Francisco Power Company, a certain contract between the Universal Company and A. Schilling & Company and all other contracts between the Universal Company and its electric and steam consumers listed in Exhibits "C" and "D".

A review of the evidence leads me to conclude that this application can be granted, as herein provided, without a detailed check of the inventory and appraisal submitted. While reference has been made to the appraisal, such reference does not constitute a finding as to the actual value of the properties for rate-fixing or any other purpose.

J.C. Marshall, appearing on behalf of the Mission Street Merchants Association, requested that the Great Western Power

Company of California be requested to file a stipulation agreeing or guaranteeing that it will not apply for an increase in rates or a modification of the contracts now existing between the Universal Company and its consumers on Mission Street until the expiration of the period set forth in such contracts. It appears that the desire of the Mission Street Merchants Association is the continuation of the present contract rates. As was pointed out at the hearing, an order modifying the rates may be made in response to an application filed by the Western Company, or as a result of a complaint brought by consumers or a proceeding instituted upon the Commission's own motion. In view of this situation, the filing of a stipulation, as suggested, is no assurance that the present rates will be continued. All of the rates of the Universal Company are subject to the jurisdiction of the Commission and will remain so, no matter whether the properties continue to be owned by the Universal Company or are transferred to the Western Company. There is not at this time sufficient evidence before the Commission to warrant a change in the rates. The order will therefore provide that the present rates of the Universal Company be continued in effect until modified by the Commission.

I herewith submit the following form of Order:

O R D E R

UNIVERSAL ELECTRIC & GAS COMPANY having applied to the Railroad Commission for permission to sell to GREAT WESTERN POWER COMPANY OF CALIFORNIA the properties described in this application, and GREAT WESTERN POWER COMPANY OF CALIFORNIA having applied to the Commission for permission to purchase said properties, a public

hearing having been held and the Commission being of the opinion that this application should be granted subject to the conditions of this order;

IT IS HEREBY ORDERED, that UNIVERSAL ELECTRIC & GAS COMPANY be, and it is hereby, authorized to sell to the GREAT WESTERN POWER COMPANY OF CALIFORNIA all of its properties described in this application, and GREAT WESTERN POWER COMPANY OF CALIFORNIA is hereby authorized to purchase said properties and to pay for said properties the sum of \$2,250,000.00, plus an amount equivalent to the net increase in fixed capital installed between December 31, 1921 and March 1, 1922.

IT IS HEREBY FURTHER ORDERED, that if the GREAT WESTERN POWER COMPANY OF CALIFORNIA acquires the properties of UNIVERSAL ELECTRIC & GAS COMPANY, it shall continue in effect all the rates now charged by the UNIVERSAL ELECTRIC & GAS COMPANY until otherwise authorized by the Commission.

The authority herein granted is subject to the following conditions:-

- 1.--The consideration being paid for the properties by the Great Western Power Company of California shall not be urged before this Commission, or any other authority having jurisdiction, as a measure of value of said properties for any purpose other than the transfer herein authorized.
- 2.--Great Western Power Company of California shall file with the Railroad Commission within thirty (30) days after its execution a certified copy of the deed under which it acquires the title to the properties herein authorized to be transferred and shall file with the Commission a statement showing the date on which it took possession of

the properties and the date on which the title was transferred.

3.—The authority herein granted will apply only to such transfer of properties as may be made on or before August 1, 1922.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of April, 1922.

H. B. Bridges
James M. ...
Charles A. ...
J. J. ...

Commissioners.