

Decision No. 10837

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of	)	
H. A. REED to sell and GUS PETERSON	)	
to purchase an automobile passenger	:	
line operated between Arcata and	)	Application No. 8006
Hoopa, Humboldt County, and Pony Bar,	)	
Trinity County, California.	:	
	)	

E. F. Quinn for Applicants.

BY THE COMMISSION,

OPINION

H. A. Reed and Gus Peterson have filed a joint application with the Railroad Commission in which they petition for an order authorizing Reed to sell and Peterson to purchase a certain automobile stage line operated as a common carrier of passengers and express between Arcata and Hoopa, Humboldt County, and intermediate points and Arcata and Pony Bar Trinity County, and intermediate points, California.

A public hearing on the above entitled application was held before Examiner Eddy on July 24th, 1922, at Eureka at which time the matter was submitted and is now ready for decision.

The operative right herein proposed to be transferred was obtained by applicant Reed through operation in good faith prior to May 1st, 1917, and continuously since that date. It appears from testimony submitted in this proceeding that in addition to the operative right it is proposed to transfer to Mr. Peterson four Packard automobiles, two of which are 1910 models, one 1911 and one 1912 model. The consideration involved is given as the sum of \$6400.00, of which \$3400.00 is said to represent.

the present value of equipment and \$3000.00 the so-called value of the operative right.

Under the agreement of sale submitted in connection with the application the proposed purchaser is to pay for the property herein proposed to be transferred at the rate of \$150.00 per month with the exception of a lump sum of \$900.00 to be paid on account of said purchase price on January 1st, 1923, thereafter the balance to be paid off at a rate of \$150.00 per month.

All of the equipment involved in the transfer herein proposed is from ten to twelve years old and will have to be replaced within a short period of time, in fact, Mr. Peterson testified that he proposes to retire one of the machines in 1923 and another the following year.

From the evidence submitted in this proceeding it would appear that it is Mr. Peterson's intention to take over this stage line with the expectation that the revenue derived therefrom will be sufficient not only to provide operating expenses, taxes and a reasonable return upon the actual value of property used in this service, but a sufficient amount in excess thereof to provide the \$150.00 per month payments and also to furnish sufficient funds to replace the two machines that must shortly be retired. It is unreasonable to expect patrons of this utility to pay rates sufficient not only to provide reasonable operating expenses and a return upon the actual value of property used and useful in the service, but to pay also for the property itself and in addition thereto the sum of \$3,000.00 for a right granted by the people of the State without cost.

The Commission has held in previous decisions that it will not authorize a transfer of public utility property under an agreement requiring periodical payments from which it would appear, - and the evidence herein tends to show - that the purchaser of such public utility property is so obligating himself financially as to seriously impair his ability to continue to render an adequate service to the public.

We are of the opinion that the application should be denied.

ORDER

A public hearing having been held in the above entitled proceeding, evidence submitted and the Commission being fully advised,

IT IS HEREBY ORDERED that the above entitled application be, and the same hereby is denied.

Dated at San Francisco, California, this 10<sup>th</sup> day of August, 1922.

*H. P. Brundage*  
*George M. Smith*  
*Charles J. Jones*  
*W. J. ...*

Commissioners