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Decision No. \_\_\_\_\_

ORIGINAL

Decision No. 3884

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

In the matter of the application  
of HALF MOON BAY LIGHT AND POWER  
COMPANY to sell and GREAT WEST-  
ERN POWER COMPANY OF CALIFORNIA  
to buy a certain electrical sys-  
tem in the County of San Mateo.

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Application  
No. 2590.

Wm. H. Chapman for Half Moon Bay  
Light and Power Company.  
Guy C. Earl and Chaffee E. Hall  
for Great Western Power Company  
of California.

LOVELAND, Commissioner.

O P I N I O N .

This is an application of HALF MOON BAY LIGHT  
AND POWER COMPANY to sell and of GREAT WESTERN POWER  
COMPANY OF CALIFORNIA to buy for the sum of \$42,500.  
an electrical distributing system located in San Mateo  
County. This system consists of an 11,000 volt trans-  
mission line approximately twenty-four miles in length  
extending from a point on the county line in Daly City

to a point one mile south of the town of Halfmoon Bay, together with twelve miles of distribution lines, including transformers, meters and other electrical equipment.

Energy for distribution over the system is purchased from City Electric Company, which company is a subsidiary of Great Western Power Company of California.

On December 31, 1915, Half Moon Bay Light and Power Company had 220 consumers, divided as follows:

Commercial lighting.....	198
Municipal lighting.....	2
Industrial .....	3
Agricultural .....	<u>17</u>
Total .....	220

Half Moon Bay Light and Power Company was incorporated May 18, 1911. It has a total authorized capital stock issue of \$100,000. divided into 4,000 shares of the par value of \$25. per share. At the present time the company reports \$84,400. par value of stock outstanding. The following is an abstract of the company's balance sheet as of August 31, 1916, and a comparative income and profit and loss account for the years ending December 31, 1912, 1913, 1914 and 1915.

HALF MOON BAY LIGHT & POWER COMPANY

BALANCE SHEET

August 1, 1916.

A S S E T S

Tangible Capital

Installed prior to January 1, 1913 .....	\$49,675.85
Installed since December 31, 1912 .....	26,019.44
	<u>75,695.29</u>

Intangible Capital

Installed prior to January 1, 1913 .....	
Installed since December 31, 1912 .....	3,492.70
	<u>3,492.70</u>

Total Capital Assets 79,187.99

Cash and deposits .....	363.57
Notes receivable .....	8,745.92
Accounts receivable .....	5,476.56
Consumers .....	2,590.09
Miscellaneous accounts receivable .....	<u>2,886.47</u>
Interest and Dividends receivable .....	11.51
Materials and supplies .....	1,926.50
Other prepayments .....	166.30
Unamortized discount on securities .....	17,398.57
Other suspenses .....	529.46
Treasury stock .....	2,500.00
Corporate deficit .....	<u>5,446.29</u>
	<u>121,752.67</u>

L I A B I L I T I E S

Capital stock .....	100,000.00
Unissued capital stock .....	15,125.00
	<u>84,875.00</u>
Delinquent Stock sold for assessment .....	2,500.00
Installments on stock subscriptions .....	6,650.00
Assessment No. 1 .....	6,540.69
Notes payable .....	13,222.78
Meter deposits .....	32.50
Accounts payable .....	2,598.49
Taxes accrued .....	.02*
Reserve for accrued depreciation .....	5,285.48
Other reserves from income or surplus .....	47.75
	<u>\$121,752.67</u>

\*Deficit.

STATEMENT SHOWING COMPARATIVE IN-  
COME AND PROFIT AND LOSS ACCOUNTS OF  
HALFMOON BAY LIGHT AND POWER COMPANY  
FOR YEARS ENDED DECEMBER 31.

<u>Item</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
Operating revenues	\$3,677.58	\$19,231.13	\$20,650.16	\$17,423.24
Operating expenses	<u>3,702.68</u>	<u>20,092.79</u>	<u>21,325.71</u>	<u>15,953.73</u>
Net operating revenue	25.10*	861.66*	675.55*	1,469.51
Non-operating revenue:				
Miscellaneous Interest		-----	204.39	135.37
Miscellaneous	<u>584.71</u>	-----	<u>95.06</u>	-----
Total	584.71	-----	299.45	135.37
Gross Corporate Income:	559.61	861.66*	376.10*	1,604.88
Deductions:				
Uncollectible Bills	-----	-----	508.47	571.75
Miscellaneous interest	-----	<u>270.42</u>	<u>912.30</u>	<u>973.14</u>
Total	-----	270.42	1,420.77	1,544.89
Balance Carried to Profit and Loss	559.61	1,132.08*	1,796.87*	59.99

\*Deficit

PROFIT AND LOSS ACCOUNT

Balance at beginning of year	\$-----	559.61	140.69	2,057.45*
Balance carried from income account	559.61	1,132.08*	1,796.87*	59.99
Miscellaneous Additions	<u>-----</u>	<u>1,468.44</u>	<u>641.49</u>	<u>757.71</u>
Total	559.61	895.97	1,014.69*	1,239.75*
Miscellaneous Deductions	-----	<u>755.28</u>	<u>1,042.76</u>	<u>3,385.54</u>
Balance at close of year	559.61	140.69	2,057.45*	4,625.29*

\*Deficit

On September 20, 1916, Great Western Power Company of California entered into a contract with Half Moon Bay Light and Power Company for the purchase of its business, franchises and property as the same existed on September 1, 1916, for the price of \$42,500.

Subsequent to the hearing of this application Great Western Power Company of California filed a letter with the Commission stating that it proposed to pay to one H.W. Gray, who, it stated, had previously been connected with Half Moon Bay Light and Power Company, the sum of \$5,000. for his services in negotiating the abovementioned contract with Half Moon Bay Light and Power Company.

I am of the opinion that this payment to Mr. Gray should be included as part of the cost of the properties and authority so to do will be granted in the order herein.

Included in the property to be transferred  
are the following franchises:

(a) A franchise for a term of fifty (50) years granted to Benjamin Cunha, his successors and assigns, by Ordinance No. 232, adopted February 21, 1910, and covering all the highways in the Fourth Township of San Mateo County, between the Arroyo de en Medio in the Miramar School District, and the Purissima Creek in Purissima School District, and being all the territory in Halfmoon Bay School District and in said Purissima School District northerly of said Purissima Creek;

(b) A franchise for a term of fifty (50) years granted to J. J. Gomes, his successors and assigns, by Ordinance No. 242, adopted May 8, 1911, and covering all highways in the Fourth Township of the County of San Mateo, State of California, between the southerly bank of the Arroyo de en Medio in the Miramar School District, and the northerly boundary line of Montara School District, and being all of said Montara School District and said Miramar School District northerly of the southerly bank of said Arroyo de en Medio;

(c) A franchise for a term of fifty (50) years, granted to J. J. Gomes, his successors and assigns, by Ordinance No. 251, adopted Feb. 5, 1912, and covering all the highways in San Pedro School District, in said County.

(d) A franchise for a term of fifty (50) years, granted to J. J. Gomes, his successors and assigns, by Ordinance No. 253, adopted April 1, 1912, and covering all highways in Jefferson School District, in said County;

(e) A franchise for a term of fifty (50) years, granted to J. J. Gomes, his successors and assigns, by Ordinance No. 261, adopted Jan. 27, 1913, and covering all highways in that portion of Purissima School District lying south of Purissima Creek, Pharis School District, Tunis School District, San Gregorio School District, La Honda School District, Bell School District, Seaside School District, Warr School District,

Pescadero School District, Pemponio School District, Sunnyside School District and Pigeon Point School District, all in said County.

It does not appear that Half Moon Bay Light and Power Company has secured a certificate of public convenience and necessity from this Commission granting it authority to exercise the rights and privileges granted by Ordinance No. 261 of the County of San Mateo as described in paragraph (e) above. If Great Western Power Company of California desires to operate under this franchise it should immediately make application to this Commission for the necessary certificate of public convenience and necessity.

The agreement of sale between the parties herein specifically excepts from the property to be transferred certain notes given for subscriptions to the capital stock of Half Moon Bay Light and Power Company aggregating \$6,907.60 and a sum of money equal to cash on hand August 31, 1916, not exceeding \$260. The agreement further provides that Half Moon Bay Light and Power Company shall transfer its properties free from encumbrance except for the second installment of taxes for the fiscal year 1916. It is also provided that the purchase price of \$42,500. shall be payable in two installments, \$16,000. when the title to the property is vested in Great Western Power Company of California, the balance upon a satisfactory discharge of all duties and obligations of Half Moon Bay Light and Power Company.

No valuation of <sup>the properties of</sup> Half Moon Bay Light and Power Company has been presented in connection with this hearing. However, in Decision No. 1969, dated November 27, 1914, (Volume 5, Opinions and Orders of the Railroad Commission of California, page 779) the company presented appraisals of its properties, giving the reproduction cost new as of July 31, 1914, at \$69,832.87. The Commission's engineering department made an analysis of this appraisal and reduced the sum to \$56,375.32.

In response to an inquiry made at the hearing in this application attorney for Great Western Power Company of California stated that the company had no immediate intention of applying for any change in rates and that the service rendered would be the same as given elsewhere on the lines of the Great Western Power Company. The manager of the Half Moon Bay Light and Power Company testified that at the present time there were demands for service, which the utility, as at present organized, was unable to fill. He further stated that the company had not actively sought business for some time past.

After a consideration of the evidence presented in this matter I am of the opinion that public interest will be served by allowing the transfer as herein applied for. This territory is not as yet fully developed and it is important that it be served by an electric utility which is financially able to extend its lines and develop business as need for the same becomes apparent.



It appears from the evidence that Great Western Power Company of California is in a position to undertake these obligations.

I accordingly submit the following form of order:

ORDER

HALF MOON BAY LIGHT AND POWER COMPANY having applied to this Commission for authority to sell, and GREAT WESTERN POWER COMPANY OF CALIFORNIA having applied to this Commission for authority to buy a certain electrical system in the County of San Mateo, for the sum of \$42,500.:

And a hearing having been held and it appearing to this Commission for the reasons hereinbefore set forth that this application should be granted,

IT IS HEREBY ORDERED that Half Moon Bay Light and Power Company be, and it is hereby, authorized to sell and Great Western Power Company of California be, and it is hereby, authorized to purchase the business, franchises and assets of Half Moon Bay Light and Power Company as the same existed on the first day of September, 1916, for the sum of \$47,500.00; \$42,500.00 to be paid to Half Moon Bay Light and Power Company upon the terms and conditions set forth in an agreement and contract of sale attached to the application herein and marked Exhibit "D".

The authority herein granted is granted upon the following conditions, and not otherwise:

1. The price at which the properties of Half Moon Bay Light and Power Company are transferred to Great Western

Power Company of California shall not be binding upon this Commission as representing the value, or a measure of value, of said properties for rate making or other purposes.

2. Within thirty (30) days from the date of this order Great Western Power Company of California shall file with the Railroad Commission a stipulation, duly authorized by its Board of Directors, declaring that Great Western Power Company of California, its successors, and assigns, will never claim before the Railroad Commission or any court or other public body a value for the franchises acquired from Half Moon Bay Light and Power Company in excess of the actual cost to Half Moon Bay Light and Power Company of acquiring which cost shall be stated in the stipulation said franchises and shall receive from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

3. The authority herein granted shall apply only to such transfer of property as shall have taken place on or before March 31, 1917.

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 18th day of November, 1916.

W. H. Boardman  
W. H. Boardman

Frank P. DeWitt  
Commissioners.