

ORIGINAL

Decision No. 50647

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Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA..

* * *

In the Matter of the Application of)
 CALISTOGA ELECTRIC COMPANY and)
 CALIFORNIA TELEPHONE AND LIGHT COMPANY)
 for an order of the Railroad Commission)
 of the State of California authorizing)
 the former to sell and convey unto the)
 latter, and the latter to purchase and)
 acquire from the former all of the)
 property of said Calistoga Electric)
 Company and authorizing said California)
 Telephone and Light Company to issue,)
 sell and deliver to the face amount of)
 \$26,000.00 its First Mortgage 6% Gold)
 Bonds maturing April 1, 1943.)

Application
Number 2695

J.S. Meyerstein, for Calistoga Electric Company;
 Charles P. Cuten, and L.E. Susman, for California
 Telephone and Light Company;
 Milton S. U'Ren and D.L. Beard, for Napa Valley
 Electric Company, intervenor;
 Jacob Lerner, Town Trustee, for the Town of
 Calistoga.

EDGERTON, Commissioner.

O P I N I O N .

In this application as amended, CALISTOGA ELECTRIC COMPANY asks authority to sell and California Telephone and Light Company to purchase the electric distributing system which serves the town of Calistoga and adjacent territory in Napa County. The consideration for the property as agreed upon by the parties is \$28,900.00. The California Telephone and Light Company also asks authority to issue \$26,000.00 par value of its first mortgage 6 per cent gold bonds due April 1, 1943. The bonds are to be sold for

not less than 94 per cent of their face value and the proceeds used to pay in part for the properties to be acquired from Calistoga Electric Company.

Napa Valley Electric Company asks the Railroad Commission to deny this application, or that if it grant the same, it be upon the condition that California Telephone and Light Company assume all of the obligations and contracts existing between Napa Valley Electric Company and Calistoga Electric Company. The latter company is purchasing its electrical energy from the Napa Valley Electric Company. The Commission by Decision Number 3876, dated November 15, 1916, (Vol. 11, Opinions and Order of the Railroad Commission of California, pg. 974) established the rates for the sale of electrical energy by Napa Valley Electric Company to the Calistoga Electric Company. Regardless of this decision, the Napa Company contends that the Calistoga Company is purchasing electrical energy under and by virtue of the contract entered into by said Napa Company with one, E.L. Armstrong, predecessor in interest of the Calistoga Company and by supplementary contracts entered into between said Calistoga Company and said Napa Company. The intervenor further alleges that if this application is granted, it has no assurance that the California Telephone and Light Company, the purchasing company, will continue to purchase electrical energy under the so-called Armstrong contract. If it does not, the Napa Company alleges that its investment made to serve the Calistoga Company will become valueless and the securities of the Napa Company decline in value proportionately.

In reply to the allegation of the Napa Company, the California Telephone and Light Company contends that the Calistoga Company is not purchasing electrical energy from the Napa Company under the so-called Armstrong contract but under and by virtue of

the Railroad Commission's Decision Number 3876, dated November 15, 1916. Applicants further allege that if this petition is granted, the California Telephone and Light Company will continue to purchase electrical energy from the Napa Company so long as the cost of such electrical energy is not greater than the cost of securing electrical energy from some other source.

In so far as the aforesaid decision of the Commission governs in this matter, and regardless of the proposed sale and transfer of these properties, I can see no reason why Calistoga Electric Company could not at any time cease to purchase electrical energy from the Napa Valley Electric Company and make arrangements to purchase its electrical energy from some other source. Under these circumstances, no particular benefit will accrue to the Napa Company if this application is denied. Moreover, the California Telephone and Light Company explicitly states that it will continue to purchase electrical energy from the Napa Company so long as it can purchase said electrical energy at no greater cost than the cost of securing it from some other source.

In view of the testimony herein as well as the matters submitted to the Commission in connection with Cases Number 508, 538 and 967, I shall recommend that the petition of intervention filed by Napa Valley Electric Company be denied.

The Railroad Commission's engineers estimate the

reproduction cost new of the Calistoga Electric Company as of August 1, 1917 at \$39,722.00, while the reproduction cost new less depreciation is estimated at \$32,393.00. An additional deduction of \$2,000.00 should be made to cover the cost of reconstructing the company's distribution system to comply with the State Law requirements, making a cost, less accrued depreciation of approximately \$30,000.00. The appraisal by the Commission's engineers was not based upon the actual historic cost for the reason that the records of the Calistoga Electric Company are not complete. The unit costs applied to the inventory were estimated on the basis of the experience of other companies which constructed comparable properties at about the same time.

California Telephone and Light Company as said asked authority to issue \$26,000.00 face value of its first mortgage 6 per cent bonds. It proposes to sell these bonds at not less than 94 per cent of their face value. If sold at this price the proceeds from the sale of the bonds will amount to \$24,440.00. The balance of the purchase price amounting to \$4,460.00 will be paid from the earnings of the California Telephone and Light Company.

It appears that the purchase of the properties of Calistoga Electric Company by the California Telephone and Light Company will be in the interest of economy and efficiency and that the public interest will be served thereby.

I herewith submit the following form of Order:-

O R D E R

CALISTOGA ELECTRIC COMPANY having applied to the Railroad Commission for authority to sell and California Telephone and Light Company for authority to purchase a certain electric distribution system which serves the town of Calistoga and adjacent territory in Napa County and California Telephone and Light

Company having applied to the Railroad Commission for authority to issue \$26,000.00 face value of bonds to pay in part for said properties; and a public hearing having been held, and the Commission being of the opinion that the public needs will be served by the granting of this application and that the property to be procured or paid for by said bond issue is reasonably required for the purpose specified in the order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Calistoga Electric Company be, and it is hereby, authorized to sell and convey to California Telephone and Light Company for the sum of \$28,900.00 that certain electric distribution system located in and about the town of Calistoga, Napa County, under the terms and conditions of an agreement of sale, dated the twenty-ninth day of November, 1916, as amended by an agreement dated July 23, 1917, copies of which are on file herein and reference to which is hereby made for a more particular and detailed description of the property herein authorized to be conveyed; provided that the authority herein granted to transfer properties is subject to the following conditions:

- 1.-- The authority herein granted is predicated upon the condition that the consideration given for the property herein authorized to be transferred shall not be binding upon this Commission or any other public body as a value for said property for rate fixing or any other purpose, except for the purpose of this proceeding only.

2.-Within thirty days after the transfer of the properties, California Telephone and Light Company shall file with the Railroad Commission a copy of the deed of conveyance.

3.-The authority herein granted to transfer property shall apply only to such property as shall be transferred on or before October 1, 1918.

IT IS HEREBY FURTHER ORDERED that California Telephone and Light Company be and it is hereby granted authority to issue \$26,000.00 par value of its first mortgage 6 per cent gold bonds due April 1, 1943 upon the following conditions and not otherwise:-

(a)-The bonds herein authorized to be issued shall be sold at not less than 94 per cent of their face value plus accrued interest.

(b)-The proceeds derived from the sale of said bonds shall be used to pay in part for the properties herein authorized to be transferred to California Telephone and Light Company by Calistoga Electric Company.

(c)-The authority herein granted is conditioned upon the payment by California Telephone and Light Company of the fee prescribed by the Public Utilities Act.

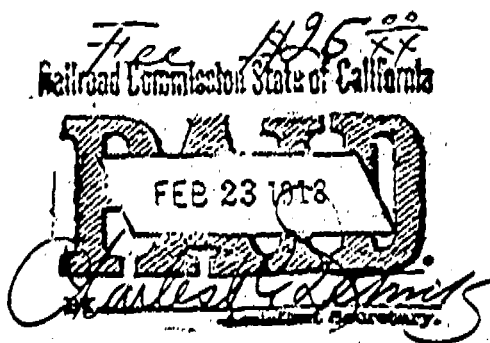
(d).- California Telephone and Light Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

(e).- The authority herein granted to issue bonds shall apply only to such bonds as shall be issued on or before October 1, 1918.

The application in intervention of Napa Valley Electric Company is hereby dismissed.

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 21st day of January, 1918.



Max Thelen
H. H. Wood
W. T. Gordon
Edwin O. Edgerly

Commissioners