

ORIGINAL

Decision No. 6004.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
MT. WHITNEY POWER & ELECTRIC COMPANY)
to purchase certain capital stock of)
H.G. Lacey Company and to issue cer-)
tain of its preferred capital stock)
in payment therefor, and to acquire)
the business, franchises and property)
as a whole of H.G. Lacey Company, and)
of Southern California Edison Company)
to purchase certain capital stock of)
MT. WHITNEY POWER & ELECTRIC COMPANY.)

Application No. 3890

Harry J. Bauer, for Southern California Edison Company,
Mt. Whitney Power & Electric Company, and
H.G. Lacey Company.

GORDON, Commissioner.

O P I N I O N.

Applicants in the above entitled matter ask the Railroad
Commission to make its order authorizing:-

(a).-- Mt. Whitney Power & Electric Company to purchase
\$101,000 of outstanding stock of H.G. Lacey Company.

(b).-- Mt. Whitney Power & Electric Company to issue
\$200,000 of 7 per cent preferred stock in payment for
the \$101,000 of H.G. Lacey Company stock owned by Hunting-
ton Land and Improvement Company.

(c).-- Southern California Edison Company to purchase
said \$200,000 of 7 per cent preferred stock of Mt. Whitney
Power & Electric Company at a cost of \$164,353.37, plus
interest at six per cent from July 1, 1918.

(d).-- H.G. Lacey Company to convey its business,
franchises and property as a whole to Mt. Whitney Power &
Electric Company.

In brief this application involves the sale of the properties of H.G. Lacey Company to Mt. Whitney Power and Electric Company and vesting the ultimate control of the properties in the Southern California Edison Company. Through stock ownership, Southern California Edison Company now controls Mt. Whitney Power and Electric Company.

H.G. Lacey Company is engaged in the transmission, delivery and furnishing of electricity for light, heat and power in the City of Hanford and in certain unincorporated territory contiguous thereto. The company has issued \$101,000 of stock, all of which is owned by Huntington Land and Improvement Company.

In Exhibit No. 2, applicants report the net assets of H.G. Lacey Company as of May 31, 1918, as follows:-

Capital Assets,	\$187,687.80
Current Assets,	29,368.88
Deferred Charges,	<u>133.77</u>
Total,	217,190.45
Less Liabilities to be Assumed, . .	<u>29,982.99</u>
Net Assets,	\$187,207.46

In exchange for the acquisition of these assets, Mt. Whitney Power and Electric Company intends to issue \$200,000 of 7 per cent preferred stock, and assume all of the liabilities of H.G. Lacey Company.

H.G. Lacey Company has submitted reports to the Railroad Commission showing revenues and expenses as follows:-

I t e m	1 9 1 7	1 9 1 6	1 9 1 5
Operating Revenues	\$73,428.96	\$77,780.66	\$81,404.35
Operating Expenses	54,020.63	54,229.74	58,753.49
Net Operating Revenues	<u>19,408.33</u>	<u>23,550.92</u>	<u>22,650.86</u>
Non-Operating Revenues:			
Rent of Buildings	30.00	--	--
Total	<u>30.00</u>	<u>--</u>	<u>--</u>
Gross Corporate Income	<u>19,438.33</u>	<u>23,550.92</u>	<u>22,650.86</u>
Deductions:			
Uncollectible Bills	716.87	1,214.32	573.50
Interest Expense	36.13	1,392.00	2,096.30
Miscellaneous	--	--	5,930.80
Total Deductions	<u>753.00</u>	<u>2,606.32</u>	<u>8,600.60</u>
Surplus for Year	<u>18,685.33</u>	<u>20,944.60</u>	<u>14,050.26</u>
Surplus beginning of Year	80,775.68	60,621.81	46,571.55
Total Surplus	<u>99,461.01</u>	<u>81,566.41</u>	<u>60,621.81</u>
Deductions from Surplus:			
Dividends	--	--	--
Other Deductions	698.39	790.73	--
Total Deductions	<u>698.39</u>	<u>790.73</u>	<u>--</u>
Surplus End of Year	<u>98,762.62</u>	<u>80,775.68</u>	<u>60,621.81</u>

At present H.G. Lacey Company is purchasing its electrical energy from the San Joaquin Light and Power Corporation. Neither the San Joaquin nor the Mt. Whitney companies are distributing energy in the territory occupied by the Lacey Company. Consequently the question of duplication of property does not arise in this proceeding.

In Decision Number 5985 the Railroad Commission found that the present rates of H.G. Lacey Company are reasonable. At the hearing on this application, Mr. Harry J. Bauer expressed the opinion that if this application is granted Mt. Whitney Power and Electric Company intended to put into effect the same rates in Hanford as are in effect on the other portions of its system. As said, the Commission in Decision Number 5985 has found the present rates of the Lacey Company to be yielding a reasonable return on the investment. The

proposition of authorizing a public utility corporation earning a reasonable return to sell its properties, and then permit the purchasing company to increase the rates charged the consumers served by the corporation whose properties are sought to be acquired, because the existing rates of the purchasing company may not be remunerative, does not meet with my approval. The Commission is not ordering the sale of this property. The order herein is merely permissive, not mandatory. It occurs to me that a large corporation, speaking in relative terms, such as Mt. Whitney Power and Electric Company as compared with H.G. Lacey Company, should be able to operate in Hanford as cheaply and as economically as H.G. Lacey Company. While I am willing to recommend that this application be granted, it is with the distinct understanding that the recommendation does not carry with it any ^{commitment to any} increase in the rates now charged the consumers of H.G. Lacey Company.

I herewith submit the following form of Order:

O R D E R.

Application having been made to the Railroad Commission for authority to transfer the properties of H.G. LACEY COMPANY, issue stock to effect such transfer and sell said stock to the SOUTHERN CALIFORNIA EDISON COMPANY as outlined in the foregoing opinion, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured by the issue of the \$200,000 of stock is reasonably required for the purpose or purposes specified in the Order and that the expenditures for such purpose or purposes are not in whole or in part reasonably charged to operating expenses or to income:

IT IS HEREBY ORDERED as follows:

- (a).-- MT. WHITNEY POWER AND ELECTRIC COMPANY may purchase the \$101,000 of outstanding stock of H.G. Lacey Company.

- (b).--MT. WHITNEY POWER AND ELECTRIC COMPANY may issue \$200,000 of 7 per cent preferred stock in payment for the \$101,000 of H.G. Lacey Company's stock owned by Huntington Land and Improvement Company.
- (c).--SOUTHERN CALIFORNIA EDISON COMPANY may purchase the \$200,000 of 7 per cent preferred stock of Mt. Whitney Power and Electric Company, issued to acquire the stock of H.G. Lacey Company, for the sum of \$164,353.57 cash plus interest thereon at six per cent per annum from July 1, 1918 to the date of the transfer of the properties herein authorized.
- (d).-- H.G. LACEY COMPANY may sell and transfer its business, franchises and property as a whole, described in Exhibit "1", attached hereto, to Mt. Whitney Power and Electric Company, it being understood that there will be no other consideration for the transfer of the properties than the issue of the \$200,000 of 7 per cent preferred stock of Mt. Whitney Power and Electric Company, and the assumption and payment of all the outstanding debts and liabilities of H.G. Lacey Company by Mt. Whitney Power and Electric Company.

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

- 1.-- The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission or any other public body for rate-fixing or any purpose other than the transfer herein authorized.
- 2.-- Within thirty days after the execution by the petitioners herein of an instrument of conveyance, transferring the properties herein authorized, a certified copy of the instrument of conveyance shall be filed with the Railroad Commission by Mt.

Whitney Power and Electric Company; also a statement showing in detail the debts and liabilities assumed by it.

3.-- Mt. Whitney Power and Electric Company shall keep a true and accurate record of the issue of the stock herein authorized and shall on or before the twenty-fifth day of each month, until all of said stock has been issued, and the proceeds expended, file with the Railroad Commission a verified report as required by the 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 to transfer property and issue stock shall apply only to such property as may be transferred and to such stock as may be issued on or before January 31, 1919.

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 December, 1918.

Edwin O. Egerton
H. J. Loveland
Wm. L. Jordan
Frank R. Verlin
Commissioners.

EXHIBIT NUMBER ONE

In a statement filed with the Railroad Commission on December 13, 1918, the properties of H.G. Lacey Company to be acquired by Mt. Whitney Power and Electric Company are described as follows:

1.-- Lots 17, 18, 19, 20, 21, 22 and 23 in Block 77, in the Town of Hanford, in the County of Kings, State of California.

2.-- That certain franchise granted to Joseph H. Johnson, on February 4, 1891, by the Board of Supervisors of the County of Tulare, State of California.

3.-- All right, title and interest in and to the franchise granted to H.G. Lacey & Co., on September 13, 1897, by Ordinance No. 25 of the Board of Supervisors of the County of Kings, State of California.

4.-- The privilege of using the public streets and thoroughfares of the City of Hanford, California, and of laying down pipes and conduits therein, and connections therewith so far as may be necessary for introducing and supplying such city and its inhabitants with illuminating light as granted by Section 19 of Article 11 of the Constitution of California, as amended in 1885.

5.-- All buildings, substation, shops, mains, plants, works, wires, poles, machinery, fixtures and apparatus, motors, underground pipes, conduits, subways, repair shops and buildings, all tools, instruments, equipment, appliances, materials and supplies, horses, wagons, automobiles, all notes, securities and other obligations, all rights and contracts to sell and furnish electric light and power, business and goodwill, and all rights and consents to construct and, maintain electric lines, wires, subways, pipes and conduits for conveying electricity, all franchises, ordinances, licenses, agreements, contracts, rights, easements, rights-of-way, leases and leasehold interests, grants, privileges and immunities, and all other property, real, personal and mixed of every kind, nature and description, owned, held,

possessed or enjoyed by or in any manner conferred upon or appertaining to the H.G. Lacey Company, and the reversion and reversions, remainder and remainders, tolls, incomes, revenues, rents, issues and profits thereof, it being the intention to include herein the business, franchises and property of the H.G. Lacey Company as a whole of all kinds wheresoever situated.