

Decision No. 76
BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.
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Decision No. 76

In the Matter of the Application of
COAST VALLEYS GAS AND ELECTRIC COMPANY
for an order authorizing the purchase
by Coast Valleys Gas and Electric Company
of all the issued capital stock of KING
CITY WATER, LIGHT AND POWER COMPANY.
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Application No. 9.

George H. Whipple of Chickering and Gregory and
H. F. Jackson for applicant.

L. B. Ulrey for King City Water, Light and Power Company.
The city trustees for King City.

DECISION.

Thelen, Commissioner.

This is an application by Coast Valleys Gas and Electric Company, hereinafter referred to as the Coast Valleys Company, for an order of the Railroad Commission authorizing the purchase by the Coast Valleys Company of the entire issued capital stock of King City Water, Light and Power Company, hereinafter referred to as the King City Company, for \$41,200 in cash.

The King City Company was incorporated on July 12, 1908 and since May 1909 has been supplying electricity and water within the limits of King City, Monterey County, California. The authorized capital stock is 2000 shares of the par value of \$25 each, whereof 941 shares have been issued. The company operates a steam generating plant and gives a sundown to sunup electricity service. It furnishes no electricity for use during the day time. The Company supplies some 130 persons with electricity and a few less with water.

It appears from the testimony and from investigation among the citizens of King City that it would be desirable to have

applicant purchase the stock of the local company and then to introduce into King City its hydro-electric power so that the city may have electricity for use both during the day and at night. In the event that the purchase is consummated, the service of the present plant will be supplemented by applicant's hydro-electric power transmitted from its plant in Tuolumne County. There is also reason to believe that the entrance of the applicant into the field, with its hydro-electric power, will make possible a reduction of the present rate of 15 cents per kilowatt hour for electricity. I find that the public convenience and necessity of the people of King City and vicinity will be subserved by the granting of this application.

There is considerable testimony in the case concerning the value of the property of the King City Company. A. G. Wishon on March 21, 1912, paid \$10,000 and agreed to pay to L. B. Ulrey and E. W. Kirk an additional \$30,000 for the entire issued capital stock of the company, making a total of \$40,000. L. B. Ulrey testified that the value of the plant, disregarding interest, taxes and insurance during construction, loss during the first year of operation and going concern value, was \$39,817.50. Applicant's engineer, when instructed to ascertain the value of the plant prior to applicant's contract of purchase, reported that its physical property is worth \$41,750. E. F. Jackson testified that in his opinion the value of the property is about \$42,000. Applicant's Exhibit "C", prepared by its auditor from the books of the King City Company, shows an actual expenditure for plant and equipment, without any duplication, of \$35,040.15, to which Mr. Ulrey adds \$4500 for securing the original franchise from Monterey County and incorporation and promotion expenses, making a total of \$39,540.15.

In view of this testimony and after a personal inspection of the plant I am of the opinion that the application should be

granted without an independent valuation by the Railroad Commission. It should be distinctly understood, however, that the granting of this application is not to be deemed to establish the value of the King City Company's plant, for rate fixing or ^{any} other purpose, before the Railroad Commission or any other public authority and that this decision is confined to the testimony in this case and applicant's prayer therein.

While I have reached the conclusion from facts as shown at the hearing that the application should be granted, I think it incumbent upon me to draw attention to the fact that the petition, although verified, does not state the truth in important particulars. For instance, the petition alleges that the authorized capital stock of the King City Company is 2000 shares of the par value of \$100 each, whereas it appears that the par value is only \$25. Again, the petition states that the difference between the sum of \$41,200, which applicant agreed to pay for the capital stock and \$30,000, the amount specified in agreement between D. B. Ulrey and E. W. Kirk to be paid by A. G. Wishon for the stock, "is represented by expenditures upon and betterments made to said plant since the execution of said agreement of March 21, 1912," whereas the testimony shows that \$10,000 of this amount is represented by an initial payment made by Mr. Wishon to Ulrey and Kirk on March 21, 1912, concerning which the petition says nothing, and \$1,200 apparently by Wishon's gross profit on the transaction. Again, the balance sheet of the King City Company which is attached to the application and marked Exhibit "C", does not correctly represent the financial condition of the company. While the real facts were elicited at the hearing, the attention of public utilities should be drawn to the possibility that their applications may be denied unless they correctly represent the facts.

The application is hereby granted.

The foregoing opinion is hereby approved and ordered filed as the decision of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17th day of May, 1912.

John M. Eshleman
H. L. Valand

Max Thelen
Edwin O. Edgerton

Commissioners.