

Decision No. 36223

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY LTD., a corporation, for Authority to Acquire the Properties and Franchises of FONTANA POWER COMPANY, a corporation, and of Fontana Power Company to Sell its Properties and Franchises to Southern California Edison Company Ltd.

Application
No. 25518

Gail C. Larkin, B. F. Woodard and Bruce Renwick,
by B. F. Woodard of Southern California Edison
Company Ltd., and Wm. Guthrie, for Applicant,
Southern California Edison Company Ltd.

Surr & Hellyer, by George W. Hellyer, for
Applicant, Fontana Power Company.

BY THE COMMISSION:

O P I N I O N

Fontana Power Company, hereinafter sometimes referred to as the Power Company, asks permission to sell and convey to Southern California Edison Company Ltd., hereinafter sometimes referred to as Edison Company, the properties described in Exhibit No. 2 on file in this application. The sale and conveyance is to be made pursuant to the provisions of the agreement filed as Exhibit "C" in this application as modified by said Exhibit No. 2.

Under the authority granted by Decision No. 3773, dated October 10, 1916, as amended in Application No. 2245, the Power Company constructed a hydroelectric plant situate in San Bernardino County, about three miles north of the Town of Rialto. A penstock, about four and one-half miles long, extends from the power plant up towards the mouth of Lytle Creek. Water is taken from Lytle Creek and also from wells in Lytle Creek and diverted through the penstock to the power plant under a static head of about 658 feet. In the power plant are two electric generators rated at 1,200 Kva. or 960 kilowatts. They are operated at 11,000 volts and are connected directly with the distribution system of the Edison Company. There are no transformers in the plant.

The Power Company plant was placed in operation in 1917. It is a stream-flow plant and its output varies with wet and dry years. The kilowatt-hours of electric energy produced has fluctuated between a low of 5,565,000 kilowatt-hours in 1934 and a high of 16,358,000 kilowatt-hours in 1922. The average annual output of the plant has been about 10,000,000 kilowatt-hours.

The plant since its completion has been operated by the Edison Company under an agreement dated January 18, 1917. This agreement has a term of thirty years, beginning July 1, 1917. The agreement, among other things, provides that all electric energy generated at the power plant during the term of the agreement, which is used within the territory described in the agreement, "by the Power Company and its customers, only for the operation of pumping plants, for all

agricultural purposes, and for the operation of rock crushers, packing houses and canneries, but not for lighting or heating purposes, shall belong to the Power Company." The remainder of the electric energy shall belong to the Edison Company. The agreement further provides that the power plant, throughout the life of the agreement, shall be maintained by the Edison Company.

The testimony in this proceeding shows that the Edison Company has maintained the plant in good operating condition and that no extensive repairs need to be presently made to the plant.

As of November 30, 1942, the Power Company reports assets and liabilities as follows:

| <u>Assets</u> | | |
|--|------------------|----------------------------|
| Intangible Capital -- Organization Expense | | \$ 732.76 |
| Land Devoted to Electric Operations | | 11,501.80 |
| Production Capital: | | 414,758.25 |
| Dams, water conduits and penstocks | \$269,711.62 | |
| Power plant buildings and general structures | 25,349.44 | |
| Hydroelectric power plant building | 51,883.12 | |
| Line transformers and devices | <u>67,815.07</u> | |
| Investments -- Deposits with System Corporations | | 2,324.16 |
| Cash | | 18,203.57 |
| Accounts Receivable | | 5,178.03 |
| Prepaid Taxes | | <u>1,727.38</u> |
| Prepaid Insurance | | 112.74 |
| Prepaid Trustees' Fees | | 28.44 |
| Note Discount and Expense | | 5,451.93 |
| Total Assets | | <u><u>\$456,565.30</u></u> |

Liabilities

| | |
|--|---------------------|
| Capital Stock | \$ 10,500.00 |
| Notes Payable | 110,000.00 |
| Accounts Payable | 5,746.06 |
| Water Rent Payable Fontana Union Water Co. | 12,000.00 |
| Miscellaneous Accounts Payable | 336.36 |
| Reserve for Accrued Depreciation | 274,386.15 |
| Surplus | <u>43,596.73</u> |
| Total Liabilities | <u>\$456,565.30</u> |

The investment in the power plant represents the original cost of such plant. The Edison Company is not acquiring all of the land owned by the Power Company nor is it acquiring certain pipe lines and other Power Company properties situate below the Power House. The original cost of the Power Company properties, which are not being acquired by the Edison Company, is about \$50,000. The original undepreciated cost of the properties, which the Edison Company is acquiring, is approximately \$365,000.

The Edison Company has agreed to pay in cash for the properties, \$125,000.

The Power Company has been depreciating its property on a basis of thirty years which is the life of the agreement between it and the Edison Company. The evidence shows the Power Company properties are in good operating condition, having an age of about 25 years and an expectancy of about 15 years. The evidence shows, however, that definite consideration to the costs of equivalent Boulder power was given in the determination of the purchase price of \$125,000. We believe the accounting entries for accrued depreciation should recognize this element, in addition to the depreciation inherent in the physical life indicated.

The Power Company has five consumers, to-wit: Fontana Union Water Company, Fontana Domestic Water Company, Fontana Citrus Company, Fontana Producers Egg & Supply Company, and Fontana Farm Company. They have been paying the Power Company one cent per kilowatt-hour for electric energy. They have been advised of the fact that the Edison Company, if it acquires the Power Company properties, will sell them electric energy under its regular filed schedule of rates, and that such rates are higher than those charged by the Power Company. They were notified of the hearing on this application but none appeared at the hearing.

The Power Company, as said, has no distribution system. Its few consumers are served over lines owned by the Edison Company. The lease under which its plant is operated by the Edison Company expires on July 1, 1947. The Power Company has no assurance that the lease would be renewed. It has concluded to sell its properties now rather than wait until the termination of the lease and then probably find itself in the position of an owner of a power plant with no outlet for its electric energy.

O R D E R

A public hearing having been held in the above entitled matter before Examiner Fankhauser and the Commission having considered the evidence submitted at such hearing and

it being of the opinion that this application should be granted subject to the provisions of this Order, therefore

IT IS HEREBY ORDERED that Fontana Power Company and Southern California Edison Company Ltd. be, and they are hereby, authorized to execute, on or before June 1, 1943, an agreement substantially in the same form as Exhibit "C" filed in this application, as modified by Exhibit No. 2 filed in this application, at the hearing had on February 23, 1943.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the execution of said agreement, Southern California Edison Company Ltd. shall file with the Commission a true and correct copy of said agreement and a copy of the deed under which it acquired and holds title to said properties of Fontana Power Company.

IT IS HEREBY FURTHER ORDERED that upon the sale and conveyance of said properties of Fontana Power Company to Southern California Edison Company Ltd., said Fontana Power Company may cease operations as a public utility and is relieved of all its obligations under said lease of January 18, 1917 to the extent that the Railroad Commission of the State of California has jurisdiction over the same.

IT IS HEREBY FURTHER ORDERED that the transfer of the property herein authorized is subject to the condition that the consideration paid by Southern California Edison Company Ltd. for said properties shall not be urged before this Commission or any other public body as fixing the value of said properties for any purpose other than the transfer herein authorized.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 16th day of March, 1943.

Francis D. Havenner

M. D. Baker

Justice F. Wagner

Richard C. Chase

Anna D. Cox

Commissioners.