

Decision No. 37146

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

<p>In the Matter of the Application of LEONARD P. WIKOFF ELECTRIC LIGHT AND POWER to sell and lease electric property and system to CALIFORNIA ELECTRIC POWER COMPANY and of both said parties for the valuation of certain of such properties to be sold.</p>	}
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Application No. 26099

Douglas L. King, for California Electric  
Power Company  
Leonard P. Wikoff in propria persona

BY THE COMMISSION:

O P I N I O N

Leonard P. Wikoff, doing business under the name of Leonard P. Wikoff Electric Light and Power, and Sara L. Wikoff, his wife, hereinafter sometimes referred to as sellers, own and operate electric generating plants and electric distribution properties at Twenty-nine Palms and vicinity, in San Bernardino County. They are operating the properties under the authority granted by Decision No. 31120, dated July 25, 1938, in Application No. 20642.

Sellers' electric generating plants have an installed capacity of 500 KVA. During 1943 they report the sale of 955,200 K.w.h. of electric energy and operating revenues of \$36,981.41. At the close of 1943 the number of meters in use is reported at 346.

Sellers have agreed to sell to California Electric Power Company all of their electric properties except the land described as Lot 3 of Tract 2558 and the building thereon. Some of the electric generating equipment is in the building. They have agreed to lease the lot and building to California Electric Power Company for a term of five years at a monthly rental of \$150.00. The lease arrangement is part of the agreement of sale and purchase filed in this

application as Exhibit A. It also contains a general description of the properties which are being sold and the terms and conditions of the sale.

California Electric Power Company has agreed to pay the sellers for their properties \$25,000, plus an amount equal to the original cost of the electric properties, less accrued depreciation, plus the value of materials and supplies. Of the purchase price \$10,000 is payable on the last day of the calendar month during which the Railroad Commission authorizes the transfer of the properties. \$15,000 is payable on January 2, 1945, and the balance in ten approximately equal annual installments on the second day of January of each year from and including January 2, 1946, to and including January 2, 1955. The deferred payments bear interest at the rate of 3½% per annum payable annually on the respective installment payment dates commencing January 2, 1945. Though payments for the properties are deferred at the request of the sellers, title to them passes to the purchaser upon the initial payment of \$10,000. The properties will be transferred free and clear of all encumbrances except state and county taxes of the kinds customarily collected by county officers, for the fiscal year (July 1 to June 30) current at the time of the transfer of the properties. The sellers agree to pay all indebtedness.

In Exhibit 4, prepared by the staff of the Railroad Commission, the original cost of the properties chargeable to electric plant accounts as of March 31, 1944 is reported at \$86,957.12. Exhibit 5, prepared by C. T. Moss, Valuation Engineer for the Railroad Commission, as amended at the hearing, shows the accrued depreciation in the properties at \$17,230.00. Both the seller and purchaser have accepted the figures shown in Exhibits 4 and 5 as amended. We find that they represent the original cost of the electric properties chargeable to electric plant accounts and the accrued depreciation therein. Under the terms of the agreement of sale and purchase, the purchaser will pay for the properties, \$69,727.12 which sum is chargeable to electric plant accounts. In addition the purchaser will pay the sellers a sum equal to the cost of additions and betterments subsequent to December 31, 1943, and not included in said

Exhibit 4, plus the value of materials and supplies not included in said Exhibit 4.

California Electric Power Company intends to construct a 33,000-volt transmission line from Garnet to Twenty-nine Palms if and when the necessary approval can be procured from the War Production Board and the necessary material obtained. The line will be about forty-five miles long. Its cost is estimated at from \$100,000 to \$115,000. Upon the completion of the interconnection, purchaser will place in effect in the Twenty-nine Palms area its Coachella Valley District rates. It estimates that upon the basis of present business these rates would save the consumers approximately \$10,000 per year. Until the interconnection is made the purchaser will operate present diesel generating equipment and continue to charge the present rates.

California Electric Power Company agrees to charge to Account 105, Electric Plant Acquisition Adjustment, \$25,000 paid the sellers for their electric properties and business. It asks permission to amortize this sum over a period of five years by charges to Account 505, Amortization of Electric Plant Acquisition Adjustment. The request to use Account 505 is predicated on the savings that will be effected through the reduction of rates. However, as a matter of fact, the rate reduction will not be put into effect until the transmission line has been constructed. In the meantime we believe that the \$25,000 should be amortized by charges to Account 537, Miscellaneous Amortization. This is without prejudice to the purchaser to petition for a different accounting treatment of the unamortized balance when the properties to be acquired are interconnected with the purchaser's present system and the rate reduction heretofore referred to has been put into effect.

No one appeared at the hearing to protest the granting of this application.

ORDER

The Commission having considered the evidence submitted at the hearing had on June 9, 1944 before Examiner Fankhauser and it being of the opinion that this application should be granted, subject to the provisions of this order, therefore,

IT IS ORDERED as follows:

1. Leonard P. Wikoff and Sara L. Wikoff, his wife, may, after the effective date hereof and on or before October 1, 1944, sell and lease to California Electric Power Company their electric and other properties described in the agreement of sale and purchase filed in this application as Exhibit A; said sale and lease to be in accordance with the terms and conditions of said agreement.
2. Leonard P. Wikoff, Sara L. Wikoff, his wife, and California Electric Power Company may execute the agreement of sale and purchase filed in this application as Exhibit A and perform all acts necessary to carry said agreement into effect.
3. If California Electric Power Company acquires said properties and business of Leonard P. Wikoff and Sara L. Wikoff, his wife, it shall charge \$25,000 paid for said properties and business to Account 105, Electric Plant Acquisition Adjustment, and unless otherwise directed by the Railroad Commission amortize said \$25,000 by charges to Account 537, Miscellaneous Amortization, over a 5-year period from the date of consummation of the transaction; further, it shall charge to its electric plant accounts as of March 31, 1944 the sum of \$86,957.12 segregated as shown in Exhibit 4 and shall credit its reserve for accrued depreciation electric plant with the sum of \$17,230.00 appearing in Exhibit 5 as amended.
4. The authority herein granted will become effective when California Electric Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

5. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

Dated at San Francisco, California, this 20<sup>th</sup> day of June, 1944.

Richard Lusk

Justus J. Calver

Francis R. Hawens

Francis W. Coe

Charles R. Powell

Commissioners.

