

Decision No. 37568

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA PUBLIC SERVICE COMPANY for authority to sell and transfer its electric system and properties in Modoc County, California, and Lake County, Oregon, to THE CALIFORNIA OREGON POWER COMPANY and of The California Oregon Power Company for authority to acquire said system and properties.

Application  
No. 26400

ORRICK, DAHLQUIST, NEFF, BROWN & HERRINGTON,  
by Hillyer Brown for California Public Service Company.

BROBECK, PELEGER & HARRISON, by James S. Moore and  
Joseph F. Hogan for The California Oregon Power Company.

Dr. Paul McKenny, Mayor of the City of Alturas,  
interested party.

CLARK, COMMISSIONER:

O P I N I O N

In this application, California Public Service Company asks permission to sell its properties situate in Modoc County, California, and in Lake County, Oregon, to The California Oregon Power Company. The latter asks permission to acquire and operate said properties. A copy of the agreement covering the sale and purchase of the properties is filed in this application as Exhibit "A."

California Public Service Company, hereinafter sometimes referred to as Seller, is a California corporation. It is engaged as a public utility in distributing electricity in Fort Bragg and vicinity, in Willits and vicinity, both in Mendocino County; in Alturas and vicinity, in Modoc County, California, and in Lakeview and vicinity, in Lake County, Oregon. It also distributes water in Willits and vicinity. Seller for 1943 reports operating revenues of \$397,576.87, segregated as follows:

A - Electric Revenues-	
Fort Bragg District	\$106,631.24
Willits District	53,761.84
Alturas District	101,947.62
Lakeview, California District	2,582.01
Lakeview, Oregon District	<u>112,099.49</u>
Subtotal	377,022.20
B - Water Revenue - Willits	<u>20,554.67</u>
Total	\$397,576.87

The Seller is a subsidiary of Peoples Light and Power Company, a registered public utility holding company under the Public Utility Holding Company Act of 1935. It desires to dispose of its properties in compliance with a plan of simplification of the Peoples Light and Power Company System filed with the Securities and Exchange Commission under Section 11 of said Holding Company Act. Seller has entered into an agreement to sell its properties situate in Mendocino County to Pacific Gas and Electric Company. (1) As previously said, it asks permission to sell its properties in Modoc County, California, and in Lake County, Oregon, to The California Oregon Power Company, hereinafter sometimes referred to as the Purchaser. The consideration to be received

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(1) Application No. 26382.

by Seller from Purchaser for said properties is \$470,000, subject to the adjustments mentioned in the sale agreement.

In Exhibit 3, the original cost of the properties in the Alturas District is reported at \$393,361.07, and the original cost of the properties in the Lakeview District at \$334,524.79, the total being \$727,885.86. The Seller allocates to the Modoc County properties \$40,862.79 of its retirement reserve, and to the Lake County properties \$40,182.72, making a total of \$81,045.51. Deducting the \$81,045.51 from the \$727,885.86 leaves a balance of \$646,840.35. The reserve is about 11% of the original cost of the properties. The \$646,840.35 is \$176,840.35 in excess of the base sale price of \$470,000. Ordinarily, the \$176,840.35 would be a credit to Account 100.5, Electric Plant Acquisition Adjustment, and might be amortized through Account 505, Amortization of Electric Plant Acquisition Adjustments. However, because of the apparent inadequacy of the depreciation reserve, I feel that the \$176,840.35, or the difference between the sale price and the original cost of the properties less Seller's retirement reserve should by Purchaser be credited to its depreciation reserve.

Purchaser should, in due time, submit the journal entries required by Account 391, Electric Plant Purchased. (2)

(2) Account 391, Electric Plant Purchased, reads as follows:

"391. Electric Plant Purchased.

A. This account shall include the cost of electric plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, pending the distribution thereof to the appropriate accounts in accordance with electric plant instruction 4.

B. Within six (6) months from the date of acquisition of property recorded herein, there shall be filed with the Commission the proposed journal entries to clear from this account the cost to the utility of the property acquired."

The territory served by Seller in Lake County, Oregon, and in Modoc County, California, is immediately adjacent to that being served by the Purchaser. For several years past, Seller has obtained nearly all of its electric energy sold in Lakeview and vicinity and about 60% of its electric energy sold in Alturas and vicinity from Purchaser. To supply Seller with electricity, Purchaser has made a substantial investment in transmission lines. The petition shows that the properties of Seller can be operated as a part of Purchaser's system more economically than they can as a separate system. Purchaser believes that a greater use of electricity in the territory can be developed. Its general manager testified that Purchaser would put into effect its rates where such rates are lower than the rates of Seller and that Purchaser would temporarily continue in effect Seller's rates which are lower than Purchaser's rates.

The transfer of the properties is favored by the City of Alturas and by the City of Lakeview. No one protested the granting of the application.

I herewith submit the following form of Order.

#### ORDER

A public hearing having been held and the Commission having considered the evidence submitted at such hearing and it being of the opinion that the granting of this application is in the public interest, therefore,

*original*

IT IS HEREBY ORDERED that California Public Service Company be, and it is hereby, authorized to sell and transfer, on or before March 31, 1945, to The California Oregon Power Company the properties described in the agreement filed in this application as Exhibit "A." The California Oregon Power Company may acquire and operate said properties. The sale and transfer of the properties shall be consummated in accordance with the terms and conditions of said agreement, which agreement applicants may execute.

IT IS HEREBY FURTHER ORDERED that The California Oregon Power Company shall make effective, throughout the area of Modoc County now supplied with electricity by California Public Service Company for bills based on meter readings taken on and after January 25, 1945, its rates now on file with the Railroad Commission, except in those instances where said rates are higher than the rates of California Public Service Company now on file with the Railroad Commission. The rates of California Public Service Company which are lower than the rates of The California Oregon Power Company shall be adopted by The California Oregon Power Company and, as to present consumers, shall be continued in effect until further order of the Railroad Commission. The California Oregon Power Company shall supply electricity in said area under its rules and regulations.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the sale and transfer of said properties The California Oregon Power Company shall file with the Railroad Commission a true and correct copy of the Agreement of Sale, together with a copy of the deed and other instruments under which it acquired and holds title to said properties.

IT IS HEREBY FURTHER ORDERED that the action herein taken shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

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

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission.

Dated at San Francisco, California, this 19<sup>th</sup> day of December, 1944.

Richard Lachs  
Justin J. Casper  
Francis R. Havens  
Francis J. ...  
... ..  
Commissioners