

Decision No. 28562

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 CLYDE W. HENRY, doing business under the
 name and style of POINT ARENA ELECTRIC
 LIGHT AND POWER COMPANY, and PACIFIC
 GAS AND ELECTRIC COMPANY for an order of
 the Railroad Commission authorizing the
 former to sell to the latter the electric
 public utility properties and business
 herein described.

ORIGINAL

Application No. 27102

Clyde W. Henry, in propria persona
 R. W. DuVal, for Pacific Gas and Electric Company
 J. J. Deuel, and Edson Abel, for California Farm
 Bureau Federation

ROWELL, COMMISSIONER:

OPINION

This is an application by Clyde W. Henry, doing business under the name and style of Point Arena Electric Light and Power Company, for permission to sell and by the Pacific Gas and Electric Company, hereinafter referred to as Pacific, for permission to buy the electric generation and distribution facilities of the former in and around Point Arena and Manchester, Mendocino County, California. The proposed sale price is \$35,000. The terms and conditions under which the sale and transfer of the properties are to be accomplished are embodied in an agreement between the parties dated November 19, 1945. The Applicants request that the Commission authorize the transfer in accordance with the contract, the withdrawal of Henry from the electric public utility business in the area, the adoption by Pacific of the present rate schedules and charges for service now being employed by Henry, and the substitution by Pacific of its filed rules and regulations in place of those now on file or in use by Henry.

Public hearing on the application was held in Point Arena on December 12. Two service complaints, Case Nos: 4804 and 4805, the former being an investigation on the Commission's own motion and the latter an action brought by California Farm Bureau Federation against Henry, were set for hearing at the same time and the three actions consolidated for the purpose of receiving evidence.

Among the properties to be transferred is a diesel engine-driven electric generating plant consisting of three units having a combined capacity of 165 hp., together with exciters, switches and metering equipment. An operator's cottage is located on the power plant site. The distribution equipment comprises approximately 4.1 miles of distribution lines in Point Arena and 6.2 miles of rural lines in the areas surrounding Point Arena and Manchester. In addition to the physical properties, Pacific will acquire franchises held by Henry, which were issued by the County of Mendocino and the City of Point Arena. The counsel for Pacific at the hearing amended the application to further request that the Commission issue a certificate authorizing Pacific to exercise the rights granted by the latter franchise.

A witness for Pacific presented an estimate of original cost new and depreciated original cost of the facilities which are to be transferred. The necessity for this estimate was, according to this witness, occasioned by the unavailability of adequate cost records. The estimate was prepared on the basis of cost to install the presently existing equipment at material prices, which would reflect the purchase of the equipment new as of the date of installation, and would likewise reflect the estimated direct and indirect labor wage rates which were being paid by Henry during the periods the plant units were constructed. Depreciation of the equipment was predicated, in general, on actual or estimated ages or expectancies and probable lives. The estimated depreciation was determined from these factors by using the usual sinking fund accumulation tables.

A summary of this estimate is as follows:

<u>Account</u>	<u>Estimated Original Cost-New</u>	<u>Estimated Depreciation</u>		<u>Estimated Depreciated Original Cost</u>
		<u>%</u>	<u>Amount</u>	
<u>Intangible Plant</u>				
301 Organization	\$ 200			\$ 200
<u>Tangible Plant</u>				
Total Production Plant	32,188	64	\$20,716	11,472
Total Distribution Plant	19,626	32	6,269	13,357
<u>General</u>				
373 Transportation Equipment	865	75	649	216
Total	52,879	52	27,624	25,245
Material and Supplies				539
Total				\$25,784

The evidence shows that Henry's operating revenues from the sale of electricity in the Point Arena area amounted to \$8,386.05 in 1944, and to \$7,797.38 for the first 11 months of 1945.

If the property transfer is approved, Pacific proposes to operate the present generating facilities until such time as it is in a position to extend its electric lines from Philo or Albion to connect with the Point Arena system. At that time it will be in a position to discontinue the present high cost source of energy. It proposes to operate the Point Arena system as part of its North Bay Division and make available present North Bay Division service and construction crews in the Point Arena area, to provide such operating personnel in Point Arena as conditions require, and to continue the present agency collection plan of Henry.

It is apparent from the evidence that the electric consumers in Point Arena and vicinity are in need of improvement in electric service conditions, and the proposed transfer of ownership and operation of these properties should contribute to a substantial betterment of service and coincides with the desires of most of the affected customers. Furthermore, this portion of the State has for many years been handicapped in its development by the lack

of adequate amounts of electric power which would permit extensions into hitherto unserved territory on a sound economic basis. The ultimate extension of the electric facilities of the Pacific company into the area will make available to existing consumers sufficient electric energy for their present and future requirements, and provide assurance that potential load growth in the area can be adequately satisfied.

A review of the record indicates that the transfer of properties, as here proposed, is in the public interest and should be authorized. It is not necessary for the Commission to make a finding of the cost or value of the properties at this time. Under the provisions of the uniform system of accounts prescribed for electrical corporations Pacific is required to charge the purchase price to Account 391, Electric Plant Purchased, and to file with the Commission within six months from the date of acquisition of the properties its proposed journal entries to clear the account and to distribute the cost to it of the properties acquired, to electric plant, and to other accounts as appropriate. The system of accounts also requires Henry to file within six months from the date of the sale or transfer of the properties proposed journal entries to clear from Account 392, Electric Plant Sold, the amounts recorded therein.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

(a) That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

(b) That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

I recommend the following form of order.

O R D E R

A hearing having been had upon the above application, the evidence considered, and it having been found by the Commission that the acquisition from Clyde W. Henry by Pacific Gas and Electric Company of the properties and rights described in the agreement attached to and made a part of the application as Exhibit "A" is reasonable and in the public interest, now therefore,

IT IS HEREBY ORDERED as follows:

1. Clyde W. Henry may sell and transfer to Pacific Gas and Electric Company and Pacific Gas and Electric Company may acquire the properties described in the agreement attached to the application as Exhibit "A."
2. Pacific Gas and Electric Company shall assume the public utility obligation of rendering electric service in the Point Arena territory heretofore served by Henry, and concurrently therewith, Clyde W. Henry is relieved of the duties and obligations of electric public utility service in said area.
3. Pacific Gas and Electric Company is hereby granted a certificate to exercise the rights and privileges and to carry out the duties imposed by the City of Point Arena franchise, and to exercise the County of Mendocino franchise, for which a limited certificate was heretofore granted by Decision Nos. 32751 and 33946 in Application No. 21744, within the Point Arena territory of the Point Arena Electric Light and Power Company.
4. Pacific Gas and Electric Company shall adopt for the time being the rate schedules of Point Arena Electric Light and Power Company for service in the Point Arena area and shall continue to charge and collect the rates which are presently in use. After a study of present rate practices and a revision of the present schedules to eliminate as far as possible any deviations in rate application, Pacific Gas and Electric Company shall refile said schedules in its own name. Pacific Gas and Electric Company shall make effective in the acquired territory its presently effective rules and regulations,

5. Pacific Gas and Electric Company shall within sixty (60) days after the purchase of said properties file with the Commission copies of all deeds and instruments under which it acquired and holds title to said properties and rights, together with copies of all franchises which it acquired in the transaction.

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

7. The effective date of this order is the date hereof.

This opinion and order is 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

1945

Harold Rubin
Justin F. Casper
Frank W. Clow
Joseph Lawrence
Harold P. Huls

Commissioners