

Decision No. 46500

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

NORTHERN COUNTIES UTILITY COMPANY,  
a California corporation,

for authority to sell electric and  
telephone systems serving the unincorp-  
orated Town of Westwood, Lassen County,  
California, and vicinity.

Application No. 32102

In the Matter of the Application of

CALIFORNIA-PACIFIC UTILITIES COMPANY,  
a California corporation,

for authority (1) to acquire and oper-  
ate electric and telephone systems  
serving the unincorporated Town of  
Westwood, Lassen County, California,  
and vicinity, and (2) to adopt elec-  
tric and telephone rates and charges  
for said Electric and Telephone Service.)

Application No. 32103

Farrand and Farrand, attorneys, by Stephen M. Farrand  
and H. A. Thomas, Jr., Assistant Secretary, for Northern  
Counties Utility Company; Chickering & Gregory, attorneys,  
by Walter C. Fox, Jr., and J. A. Ward, E. K. Albert and  
Don J. Ley for California-Pacific Utilities Company;  
J. J. Deuel and Eidon Dye for California Farm Bureau  
Federation, interested party; Reginald L. Vaughn, attorney,  
for Citizens Utilities Company of California, protestant;  
C. T. Mess and John F. Donovan for the Commission staff.

O P I N I O N

By the above-entitled applications, filed February 5, 1951,  
Northern Counties Utility Company<sup>1/</sup> seeks authority to sell and  
California-Pacific Utilities Company<sup>2/</sup> seeks authority to purchase

<sup>1/</sup> Hereinafter sometimes referred to as Northern Counties.  
<sup>2/</sup> Hereinafter sometimes referred to as California-Pacific.

electric and telephone systems serving the unincorporated town of Westwood, Lassen County, and vicinity. California-Pacific asks authority to place its presently filed rates, rules and regulations in effect for electric service and to file rates, rules and regulations for telephone service on the systems to be acquired concurrently with the property transfer.

Public hearings were held before Commissioner Craemer and Examiner Emerson at Westwood on October 4, 1951 and at San Francisco on October 15, 1951. Citizens Utilities Company of California<sup>3/</sup> appeared as protestants to the transfer of the telephone properties.

Northern Counties is a public utility furnishing water, telephone, and electric service for domestic, commercial and industrial purposes in, and in the vicinity of, the unincorporated town of Westwood, Lassen County. The utility is a subsidiary of Fruit Growers Supply Company<sup>4/</sup>. Fruit Growers own a large mill for the production of box shoo in Westwood, nearly all townsite properties, and all of the stock of Northern Counties. The directors of Northern Counties are connected with Fruit Growers and consider it to be to the best interests of Fruit Growers, Northern Counties, and the residents of the community to dispose of the electric and telephone facilities to a utility company whose primary business is that of utility service, thus permitting Northern Counties to withdraw completely from the electric and telephone utility businesses. Accordingly, Northern Counties entered into an agreement with California-Pacific for transfer of its electric and telephone facilities to the latter.

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<sup>3/</sup> Hereinafter sometimes referred to as Citizens Utilities.

<sup>4/</sup> Hereinafter sometimes referred to as Fruit Growers.

California-Pacific is presently engaged in gas, water, electric, and telephone utility operations in California and in other states. It desires to purchase the facilities of Northern Counties and to integrate such facilities into its Lassen Division, which contains public utility electric systems in and around Susanville in Lassen County and Chester in Plumas County. It proposes to pay Northern Counties a base purchase price of \$50,000 for the combined electric and telephone facilities, such sum being subject to certain adjustments and prorations.

Westwood is located in the southwestern portion of Lassen County, approximately 14 miles east of Chester and 21 miles west of Susanville. It is a trading center for a large area primarily devoted to the cutting and milling of lumber and embraces a population of about 5,300 persons. Northern Counties presently furnishes electric energy to approximately 1,000 residential customers and about 40 commercial establishments. Electric rates consist of both flat and meter rates, in effect for many years, and as charged by the Red River Lumber Company when such company owned the town. California-Pacific obtains its electric supply by purchase from Pacific Gas and Electric Company. California-Pacific proposes to place in effect, on the electric system to be acquired, the same rates, rules, and regulations now in force in its Lassen Division except for electric supply at 16 connecting points to Fruit Growers [whose tenants are not now directly billed for electric] service from Northern Counties. California-Pacific proposes to serve such locations at a rate of 1 cent per kilowatt-hour. The domestic consumer of electricity is presently

served under meter rates which have a minimum four-week charge of \$1 and quantity charges ranging from 6 cents per kwhr for the first 20 kwhr per period to 1 cent per kwhr for all over 140 kwhr per period. The rates proposed by California-Pacific, on a monthly basis, consist of a service charge of 60 cents to which are added energy charges ranging from 3.7 cents per kwhr for the first 40 kwhr to 1 cent per kwhr for all over 200 kwhr. Assuming that consumption remains the same, the average domestic customer would experience an increase of about 90 cents per month in his electric bill.

Northern Counties presently furnishes automatic telephone service to approximately 1,223 company-owned stations and to about 15 farmer line stations. Such service presently is furnished without exchange charges. Toll service is rendered through interconnection with Citizens Utilities at Westwood.

Whereas the present telephone subscriber [as a tenant of Fruit Growers] has free exchange service, on consummation of the property transfer such subscriber would pay, monthly, \$3.50 for 1-party service, \$3 for 2-party service, or \$2.50 for 4-party service. These charges would be approximately 25% below charges for like party service on the near-by telephone system operated by Citizens Utilities Company of California.

No persons served by Northern Counties appeared to protest or otherwise comment upon the proposed transfer of property or the proposed rates for service. Citizens Utilities

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Company of California, however, appeared in opposition to the transfer of the telephone facilities, claiming that it could better serve the Westwood area by integrating the Northern Counties telephone system into its Susanville Division where it has extensive telephone operations. Citizens Utilities expressed no interest in electric matters. It presented testimony by two witnesses and introduced seven exhibits relative to its claim that it would be in the public interest to deny the application with respect to the transfer of telephone plant from Northern Counties to California-Pacific. If the requested authority to transfer were denied, Citizens Utilities would then be in a position to negotiate for the telephone property. Northern Counties, however, expressed no inclination to deal with Citizens Utilities on such matters.

With respect to rates for telephone service, Citizens Utilities, in effect, offered to meet the rates of California-Pacific by stating that it would file identical rates if it acquired the system. Such rates would then be substantially below those charged in the rest of its Susanville Division. From the standpoint of the Westwood subscriber, who under either company's proposal would pay the same charges, there is no advantage which would inure to the public interest with respect to rates.

Citizens Utilities claimed that it could offer superior service. It is clear, however, that its operating and maintenance forces primarily would be in Susanville, over 20 miles from Westwood.

California-Pacific on the other hand, would maintain its forces in Westwood. During the winter season, particularly, the latter situation should be a distinct advantage and of public benefit.

The California Farm Bureau Federation, having particular interest in its members' farmer line service, opposed Citizens Utilities' interest in this matter and urged that the requests of applicants be granted.

In view of all of the evidence presented in this proceeding, we conclude that the proposed transfer of public utility property will not be adverse to the public interest and that applicants' requests in this regard should be granted. The action taken herein, however, shall not be construed to be a finding of the value of the property authorized to be transferred.

In order to effectuate the transfer of property, two agreements, both dated December 13, 1950, have been entered into. One agreement, marked Exhibit B and attached to Application No. 32103, is between the applicants herein and is concerned with the details of transfer. The second agreement, marked Exhibit C and attached to the same application is between California-Pacific and Fruit Growers and covers, in the main, two subjects. The first of these concerns the conveyance of easements owned by Fruit Growers and used by its subsidiary Northern Counties, together with rental of a site for an office for California-Pacific. The second major subject concerns rates for electric energy to be furnished Fruit Growers by California-Pacific and is set forth in paragraph 3 of said agreement.

Paragraph 3 of the agreement between California-Pacific and Fruit Growers provides that, subject to the prior and continuing approval of this Commission, California-Pacific will furnish electric energy to Fruit Growers at a rate of 1 cent per kwhr to the extent of

the requirements of Fruit Growers for electric energy furnished by Fruit Growers to existing 16-tenant locations without charge, such requirements not including, however, any electric energy needed for Fruit Growers' mill at Westwood. The locations referred to are 16 in number and are specifically set forth in Exhibit No. 14 in this proceeding. Some 32 firms or individuals are served through these 16 connections. Many of them might be served directly by Fruit Growers from its own electric plant at its mill. The preferential rate treatment proposed to be accorded is one of the considerations of transfer and therefore may be considered as of benefit to both parties. However, it is our opinion that utility services should be furnished in accordance with regularly filed tariffs. The granting of rates different therefrom should be limited to those situations wherein filed tariffs, available to all, will not equitably be applicable in a particular circumstance. Because of the particular situation in Westwood, wherein the townsite and its buildings are almost entirely owned by Fruit Growers and wherein one building owned by Fruit Growers may house as many as 11 distinct business concerns, the problems of rewiring buildings to permit separate metering and the problems of redesigning or revamping the overhead distribution system are of some economic significance. A period of time must be allowed in which to accomplish the necessary rearrangement of facilities. It appears reasonable to permit preferential rate treatment during such period. We find, therefore, that said preferential rate should not be effective for more than a five-year term and we conclude that paragraph 3 of the said agreement should be amended so as to state such term.

California-Pacific will be authorized to file rates, rules and regulations for electric and telephone service and to establish exchange and base rate area boundaries for its operations at Westwood

as requested, it being the opinion of the Commission that said rates, rules and regulations and area boundaries are justified and, further, that any increases in charges, over those presently in effect on the telephone and electric systems of Northern Counties, resulting therefrom are also justified.

O R D E R

The above-entitled applications having been filed with this Commission, public hearings thereon having been held, the matters having been submitted and it appearing to the Commission that the proposed transfer will not be adverse to the public interest; therefore,

IT IS HEREBY FOUND AS A FACT that the rates and charges authorized herein are justified, and

IT IS HEREBY ORDERED that Northern Counties Utility Company may, on or after the effective date hereof, and on or before June 30, 1952, sell and transfer the public utility electric and telephone systems described in the applications and in this proceeding to California-Pacific Utilities Company pursuant to the agreement of sale and purchase filed as Exhibit "B" in Application No. 32103, and upon the consummation of the property transfer herein authorized, Northern Counties Utility Company is relieved of its public utility obligation to furnish electric and telephone service in Westwood, Lassen County.

IT IS HEREBY FURTHER ORDERED that California-Pacific Utilities Company be and it is hereby authorized to carry out the terms of the written agreement, dated December 13, 1950 and filed as Exhibit "C" in Application No. 32103, with Fruit Growers Supply Company; provided, that paragraph three (3) thereof shall be so



amended as to limit the preferential rate treatment therein set forth to a term of not to exceed five (5) years from and after the date of property transfer hereinabove authorized unless otherwise ordered by this Commission.

IT IS HEREBY FURTHER ORDERED as follows:

1. California-Pacific Utilities Company shall file with this Commission, within thirty (30) days after the effective date of the sale and consummation of the agreement hereinabove authorized, certified copies of the deeds or other instruments of conveyance and the agreements as actually executed and delivered to it, together with a written statement indicating the date upon which control and possession were assumed.
2. Upon completion of said property transfer and assumption of control, California-Pacific Utilities Company shall place in effect on the acquired electric system the schedules of rates for electric service set forth on pages 2 to 14, both inclusive, of Exhibit No. 14 in this proceeding and coincidentally therewith make effective on the acquired system the same electric rules and regulations then effective in its Lassen Division.
3. Upon completion of said property transfer and assumption of control and on not less than five (5) days' notice to the public and this Commission, California-Pacific Utilities Company shall place in effect on the acquired telephone system the schedules of rates and charges for telephone service set forth on pages 2 to 17, both inclusive, and pages 20 to 28, both inclusive, of Exhibit No. 15, amended page 19 as it appears in Exhibit No. 16 and the schedules set forth in Exhibit No. 22 in this proceeding.
4. California-Pacific Utilities Company shall establish telephone exchange and base rate areas as set forth in Exhibit Nos. 21 and 23 in this proceeding, respectively, and shall place in effect in such areas the same rules and regulations for telephone service presently effective in its Needles Exchange.
5. On or before the date of actual transfer, Northern Counties Utility Company shall refund all deposits, if any, which customers are entitled to have refunded and any unrefunded deposits shall be transferred to and become the obligation for refund of California-Pacific Utilities Company.

6. California-Pacific Utilities Company shall file with this Commission, within sixty (60) days after completion of the property transfer, a copy of the accounting entries by which the properties will be distributed to accounts on its books.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 4th day of December, 1951.

R. Z. [Signature]  
President  
Justice F. [Signature]  
Harold P. [Signature]  
Fayette H. [Signature]  
John E. [Signature]  
Commissioners.