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Decision No. 11874.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC GAS AND ELECTRIC COMPANY.)
a corporation, for an order of the)
Railroad Commission of the State of)
California authorizing applicant to)
acquire, upon the terms and conditions)
in this application specified, the)
shares of the capital stock of the)
California Telephone and Light Com-)
pany.)

Application No. 8822.

C.P. Cutten for Pacific Gas and Electric Company;
Leo H. Susman for California Telephone and Light
Company.

MARTIN, Commissioner.

O P I N I O N.

PACIFIC GAS AND ELECTRIC COMPANY, in this application, asks permission to acquire the outstanding stock of the CALIFORNIA TELEPHONE AND LIGHT COMPANY and to issue preferred and common stock, in the amount and on the basis hereinafter mentioned, in exchange for such stock.

The record shows that the California Telephone and Light Company was organized on or about November 23, 1911, and at present is engaged in operating an electric distributing and telephone system in the counties of Sonoma, Lake and Mendocino, and that it operates in territory contiguous to that served by the Pacific Gas and Electric Company. The testimony shows that the California Telephone and Light Company during January, 1923, had 2,347 telephone subscribers and 6,138 electric consumers. Its reports on file with the Railroad Commission show revenues and expenses for the past three years as follows:

	1920	1921	1922
<u>Gross Revenues:</u>			
Electric.....	\$176,238.33	\$214,181.09	\$261,376.48
Telephone.....	76,381.57	80,486.76	88,266.90
Other.....	1,240.87	891.52	1,354.14
Total.....	\$253,860.77	295,559.37	350,997.52
Operating Expenses.....	173,447.84	212,645.47	260,633.85
Balance.....	80,412.93	82,913.90	90,363.67
Interest.....	33,612.32	33,932.84	40,701.50
Amortization.....	1,633.38	1,685.20	2,172.38
Other Deductions.....	2,877.80	3,179.92	2,347.61
Total Deductions.....	38,123.50	38,797.96	45,221.99
Surplus available for dividends:	42,289.43	44,115.94	45,141.68

California Telephone and Light Company has an authorized capital stock of \$10,000,000, divided into \$4,000,000 of six per cent. cumulative preferred and \$6,000,000 of common. Of the preferred, \$550,031.91, and of the common, \$764,850.00 is outstanding. The company has an outstanding bonded debt of \$747,900.00. The total stocks and bonds outstanding amount to \$2,062,781.91.

A.F. Hockenbeamer, a director of the California Telephone and Light Company, testified that the historical cost of the properties, using the Commission's engineers' estimate as of June 30, 1916 as a base and adding thereto the cost of additions and betterments since such date, amounts to approximately \$1,417,600.00.

Pacific Gas and Electric Company asks permission to issue \$550,031.90 of its six per cent. first preferred stock in exchange for \$550,031.91 of six per cent. preferred stock of California Telephone and Light Company and to issue \$254,950.00 of its common stock in exchange for \$764,850.00 of common stock of the California Telephone and Light Company. The preferred stock of the two companies will be exchanged on a share for share basis, while one share of Pacific Gas and Electric stock will be issued for each three shares of common stock of the California Telephone and Light Company.

It is of record that as of March 28, 1923, 95.56 per cent. of the outstanding stock of the California Telephone and Light Company had been deposited with the Mercantile Trust Company of California, the owners thereof agreeing to accept in exchange stock of the Pacific Gas and Electric Company. If all of the stock of the California Telephone and Light Company is exchanged on the basis indicated, the capitalization of its properties will in effect, though not actually, be reduced \$509,900.00. This reduction is effected through the exchange of three shares of common stock of the California Telephone and Light Company for one share of Pacific Gas and Electric Company stock.

The Pacific Gas and Electric Company, because of its more complete organization and greater resources should be able to operate and maintain the properties more efficiently than can the present stockholders of the California Telephone and Light Company and should develop additional business throughout the territory being served by the properties. The transfer of the control of these properties to the Pacific Gas and Electric Company appears to be in the public interest.

I herewith submit the following form of Order:

O R D E R.

PACIFIC GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for permission to issue stock and acquire the outstanding stock of the CALIFORNIA TELEPHONE AND LIGHT COMPANY, a public hearing having been held and the Commission being of the opinion that the granting of this application is in the public interest and that the application should be granted as herein provided; therefore--

IT IS HEREBY ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to issue for the purpose of acquiring the outstanding stock of the CALIFORNIA TELEPHONE AND LIGHT

COMPANY not exceeding \$550,031.91 of six per cent. first preferred and \$254,950.00 of common stock, such stock to be issued in exchange for preferred and common stock of the California Telephone and Light Company pursuant to the terms and conditions appearing in Exhibit No. 3 filed in this proceeding.

IT IS HEREBY FURTHER ORDERED, that PACIFIC GAS AND ELECTRIC COMPANY be, and it is hereby, authorized to acquire and hold \$550,031.91 of six per cent. preferred stock and \$764,850.00 of common stock of the CALIFORNIA TELEPHONE AND LIGHT COMPANY, such stock to be acquired through the issue of the preferred and common stock herein authorized.

The authority herein granted is subject to further conditions as follows:

(1)--Pacific Gas and Electric Company shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this Order.

(2)--The authority herein granted will become effective on the date hereof and will expire on December 31, 1923.

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

Dated at San Francisco, California, this 30th day of March, 1923.

C. Seelye
H. B. ...
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