

LEM

Decision No. 18839.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PACIFIC GAS AND ELECTRIC COMPANY, )  
a corporation, and T.L.GATES, W.Z. )  
McBRIDE and SUSAN W.ENGLISH for an )  
order of the Railroad Commission of )  
the State of California authorizing )  
Pacific Gas and Electric Company to )  
purchase and acquire, upon the terms )  
and conditions in this application )  
set forth all the issued shares of )  
the capital stock of the Vacaville )  
Water and Power Company. )

Application No. 13901

C.P.Cutten, for Pacific Gas and Electric Company;  
W. Z. McBride, for Vacaville Water and Power Company.

BY THE COMMISSION:

O P I N I O N

In this application the Pacific Gas and Electric Company asks permission to acquire all the outstanding stock(\$69,000 par value) of the Vacaville Water and Power Company and issue in payment therefor \$175,000. par value of its six percent first preferred stock.

From Exhibit "A" it appears that T. L. Gates, W. Z. McBride and Susan W. English, owners of the outstanding stock of the Vacaville Water and Power Company, have agreed to sell the same to the Pacific Gas and Electric Company free and clear of all liens and encumbrances , for \$175,000., to be payable at the option of each of the vendors, either entirely in cash or entirely in shares of the first preferred stock of the Pacific Gas and Electric Company at par, or partly in cash and partly in such preferred capital stock at par

as may be designated by each of the vendors. It is of record that since the execution of the agreement filed as Exhibit "A", T. L. Gates, W. Z. McBride and Susan W. English have expressed their desire to receive in payment for their stock of the Vacaville Water and Power Company, first preferred stock of the Pacific Gas and Electric Company.

As of December 31, 1926 the Vacaville Water and Power Company reports assets and liabilities as follows;-

ASSETS:

Fixed capital . . . . .		\$138,013.37
Electric . . . . .	\$71,258.59	
Water . . . . .	<u>66,754.78</u>	
Cash . . . . .		3,008.13
Accounts receivable . . . . .		7,951.16
Materials and supplies . . . . .		<u>2,342.50</u>
Total assets.....		<u>\$151,315.16</u>

LIABILITIES:

Capital stock . . . . .		\$ 69,000.00
Consumers deposits . . . . .		443.77
Depreciation reserve . . . . .		26,665.18
Surplus . . . . .		<u>55,206.21</u>
Total liabilities.....		<u>\$151,315.16</u>

In Exhibit "C", prepared by J.T.Ryan, valuation engineer for Pacific Gas and Electric Company, the reproduction cost new of the properties of the Vacaville Water and Power Company as of August 1, 1927 was reported at \$209,593.00, segregated as follows;-

Electric system . . . . .	\$80,664.00
Water system . . . . .	101,670.00
General capital . . . . .	21,699.00
Materials and supplies . . . . .	<u>5,560.00</u>
Total.....	<u>\$209,593.00</u>

His testimony shows that an inventory was made of the properties of the Vacaville Water and Power Company and that thereafter the reproduction cost new of the properties as of August 1, 1927 was calculated. The testimony shows that no detailed study was made of the condition percent of the properties of the Vacaville Water and Power Company. J. T. Ryan, however, explained that in general the properties were in as good a condition of repair as

those of Pacific Gas and Electric Company. W. Z. McBride, general manager, also testified that the properties were in good operating condition.

The gross revenue of Vacaville Water and Power Company for the past five years has been reported as follows:-

<u>Year</u>	<u>Electric</u>	<u>Water</u>	<u>Total</u>
1926	\$43,882.09	\$13,215.33	\$57,097.42
1925	42,361.34	12,515.40	54,876.74
1924	54,492.07	11,936.50	46,428.57
1923	31,430.89	11,340.83	42,821.72
1922	32,326.23	10,868.05	43,194.28

For the same period the Vacaville Water and Power Company reports the following amounts available for dividends:

1926 . . . . .	\$13,918.46
1925 . . . . .	19,820.96
1924 . . . . .	13,553.55
1923 . . . . .	9,954.68
1922 . . . . .	12,621.37

As of December 31, 1926 Vacaville Water and Power Company had 972 electric and 523 water consumers.

A. F. Kockenbeamer, president of the Pacific Gas and Electric Company, testified that in negotiating for the purchase of the properties, greater consideration was given to the gross revenue of the company than to the amount which the company had available for dividends, for the reason that if the Pacific Gas and Electric Company acquired the stock of the Vacaville Water and Power Company, policies and practises of the Pacific Gas and Electric Company, rather than those of the Vacaville Water and Power Company will in the future, determine the amounts available for dividends. In his opinion the payment of \$175,000. for the stock in no way jeopardizes the investment of the stockholders of Pacific Gas and Electric Company.

His testimony further shows that it is the intention of the Pacific Gas and Electric Company at an early date to cause Vacaville Water and Power Company to transfer its properties to the Pacific Gas and Electric Company and as a matter of fact to operate such properties from and after the acquisition of the stock as an integral part of the Pacific Gas and Electric Company system. It is his opinion that through the consolidation of the properties an annual saving of at least \$3,000. in operating expenses can be effected.

For the time being the rates now charged by the Vacaville Water and Power Company will continue in effect. It is the intention, however, of the Pacific Gas and Electric Company to apply its rate schedules to the business of the Vacaville Water and Power Company and after it has completed the study of the rate situation, request this Commission to permit it to make such adjustment as may seem necessary to put into effect in the territory now served by the Vacaville Water and Power Company, the rates which the Pacific Gas and Electric Company charges elsewhere. As said, until the purchaser asks permission to make any changes in the rates, the present rates will continue in effect.

The Vacaville Water and Power Company purchases the electric energy it sells at wholesale from the Pacific Gas and Electric Company. The territory served by the Vacaville Company is contiguous to the territory being served by Pacific Gas and Electric Company. The present owners are reticent to invest any more money in the property to extend the system or improve the service. The Pacific Gas and Electric Company will on the other hand apply its extension rules which are more liberal to the consumers than those

of the Vacaville Company and furnish the same type of service as elsewhere.

O R D E R

Pacific Gas and Electric Company having asked permission to acquire the outstanding stock of the Vacaville Water and Power Company and to issue in payment therefor \$175,000. par value of its six percent preferred stock, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by the Pacific Gas and Electric Company and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED AS FOLLOWS:--

1. Pacific Gas and Electric Company may acquire from T. L. Gates, W. Z. McBride and Susan W. English, or their successors, the outstanding stock (\$69,000.) of Vacaville Water and Power Company and continue to own and hold such stock.
2. Pacific Gas and Electric Company may issue on or before November 15, 1927, to T. L. Gates, W. Z. McBride and Susan W. English, as fully paid, and as consideration for the stock to be acquired from them, 7,000 shares of its six percent cumulative first preferred capital stock of the par value of \$25. each of an aggregate par value of \$175,000.
3. The consideration being paid by Pacific Gas and Electric Company for such stock shall not be urged before this Commission as a measure of value of the properties of Vacaville Water and Power Company for any purpose other than the acquisition of the

stock herein authorized.

4. 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.

5. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 29<sup>th</sup> day of September, 1927.

Edmunds  
P. S. Harvey  
Leon J. White  
Thos. R. ...  
M. J. ...  
Commissioners.