

ions of the agreement dated February 24, 1928, filed in said application as Exhibit "B"; also granting and conferring upon the Western States Gas and Electric Company all necessary authority to grant, assign and transfer to the Pacific Gas and Electric Company all the properties which the former has agreed to grant, assign and transfer unto the latter, pursuant to the provisions of the above mentioned agreement, dated February 24, 1928; and also authorizing the Western States Gas and Electric Company upon the granting, assigning and transferring to the Pacific Gas and Electric Company the properties referred to in this application to cease furnishing and supplying electric, gas and water service in the territory in which such Western States Gas and Electric Company is, and may be, furnishing and supplying electric, gas and water service by means of the aforesaid properties.

In Application No. 14521 applicants, Coast Valleys Gas and Electric Company, and Pacific Gas and Electric Company, ask the Railroad Commission to enter its order granting and conferring upon the Coast Valleys Gas and Electric Company all necessary authority to grant, assign and transfer to Pacific Gas and Electric Company all the property which the former has agreed to grant, assign and transfer to the latter pursuant to the provisions of the agreement dated February 24, 1928, filed as Exhibit "B" in said application; also authorizing Coast Valleys Gas and Electric Company upon granting, assigning and transferring to the Pacific Gas and Electric Company the properties mentioned in this application, to cease furnishing and supplying electric, gas and water service in the territory in which said Coast Valleys Gas and Electric Company is, or may be, furnishing or supplying electric, gas and water service by means of said properties.

By Decision No. 18567 dated June 30, 1927 in Application No. 13805 the Commission, among other things, authorized the Pacific Gas and Electric Company to acquire and hold the following capital stock;-

- A. \$20,000,000. par value of common stock of Sierra and San Francisco Power Company.
- B. 751,500. par value of common stock of Western States Gas and Electric Company, a California corporation.
- C. 3,253,200. par value of common stock of Western States Gas and Electric Company, a Delaware corporation.
- D. 3,000,000. par value of common stock of Coast Valleys Gas and Electric Company.
- E. 25,000. par value of the capital stock of the Del Monte Light and Power Company.

The Commission by such decision also authorized the Pacific Gas and Electric Company to issue 260,000 shares of its common capital stock of the par value of \$25. per share and of an aggregate par value of \$6,500,000.00 as part payment for the stocks mentioned.

By Decision No. 19101 dated December 5, 1927, in Application No. 14208, the Commission authorized the Pacific Gas and Electric Company to acquire the outstanding seven percent preferred stock of the Coast Valleys Gas and Electric Company, (\$2,077,400.); the outstanding seven percent preferred stock of the Western States Gas and Electric Company not owned by the Western States Gas and Electric Company of Delaware, (\$4,625,000.); and the outstanding seven percent preferred stock of the Western States Gas and Electric Company of Delaware, (\$1,787,400.) To acquire these stocks the Commission by that decision authorized the Pacific Gas and Electric Company to issue on or before June 30, 1928, not exceeding 339,592 shares of its first preferred six percent stock of the par value of \$25. per share and the aggregate par value of \$8,489,800.

By Decision No. 19304 dated February 3, 1928 in Application No. 14387, the Commission authorized Pacific Gas and Electric Company to issue and sell on or before June 1, 1928 at not less than 96 percent of their face value and accrued interest, \$20,000,000. of its first and refunding mortgage four and one half percent bonds due June 1, 1957, and use the proceeds from the sale of such bonds to pay in part for the properties of the Coast Valleys Gas and Electric Company and Western States Gas and Electric Company on the condition that those companies in turn use said proceeds to pay all or part of their outstanding bonded indebtedness.

The evidence submitted in connection with the proceedings now before the Commission shows that the Western States Gas and Electric Company has outstanding \$6,750,000. of seven percent preferred stock and \$3,981,500. of common stock, and that the Western States Gas and Electric Company of Delaware has outstanding \$2,125,000. of seven percent preferred stock and \$3,505,000. of common stock. Of the outstanding stock of these companies, the Pacific Gas and Electric Company owns, or controls all except \$175,900. of the Western States Gas and Electric Company seven percent preferred stock; \$270,500. par value of seven percent preferred stock of the Western States Gas and Electric Company of Delaware, and \$97,000. of the outstanding common stock of the Western States Gas and Electric Company of Delaware.

The Coast Valleys Gas and Electric Company reports outstanding \$5,496,200. par value of capital stock segregated into \$2,077,200. of seven percent preferred, \$419,000. of six percent. preferred, and \$3,000,000. of common. The testimony shows that the Pacific Gas and Electric Company owns. all of the outstanding common stock and all except \$37,325. of the outstanding seven percent. preferred stock of Coast Valleys Gas and Electric Company. It does not own

any of the outstanding six percent preferred stock of Coast Valleys Gas and Electric Company.

These stocks have been acquired by the Pacific Gas and Electric Company pursuant to the authority granted by said Decision No. 18567 and said Decision No. 19101. It is of record that as soon as the Pacific Gas and Electric Company has acquired the properties of Coast Valleys Gas and Electric Company, Western States Gas and Electric Company, El Dorado Power Company and Western States Gas and Electric Company of Delaware, the several companies will be dissolved and their assets distributed amongst those entitled to receive the same. It will be noted that by Decision No. 18567 the Commission authorized the Pacific Gas and Electric Company to acquire \$20,000,000. of outstanding common stock of the Sierra and San Francisco Power Company. The properties of that company have, since 1920, been operated by the Pacific Gas and Electric Company, under a lease. It is not at this time proposed to transfer the properties of the Sierra and San Francisco Power Company to Pacific Gas and Electric Company, though the purchase of the control of that company was financed ^{in part} through the issue of the \$6,500,000. of common stock authorized by Decision No. 18567.

In Exhibit six a summary of the capitalization of Western States Gas and Electric Company, Coast Valleys Gas and Electric Company and Sierra and San Francisco Power Company, before the acquisition of the control by the Pacific Gas and Electric Company, and after refinancing by the Pacific Gas and Electric Company through the issue of the securities heretofore authorized by the Commission shows the following:-

A. Before acquisition of control by Pacific Gas and Electric Company:-

Bonds		\$38,555,500.
Preferred stocks		9,246,400.
	7%	\$8,927,400.
	6%	<u>419,000.</u>
Common stock		27,254,500.
	Total	<u>\$75,056,400.</u>

B. After refinancing by Pacific Gas and Electric Company:

Bonds	\$39,956,000.
Preferred stock-6%	8,489,800.
Common stock	6,500,000.
Bonds and stock	<u>54,945,800.</u>

Pacific Gas and Electric Company purchase expenditures which have not yet been capitalized:

Cash paid Byllesby's	1,535,000.
Cash advance to complete bond refunding	425,725.
Cash expended or still required to complete retirement of preferred stock	756,600.
Estimated cash required for purchase of minority common stock of Western States of Delaware	112,410.
Subtotal	<u>\$2,829,735.</u>
Grand total	<u>\$57,775,535.</u>
Decrease in capitalization	\$17,280,865.

The refinancing was accomplished by the Pacific Gas and Electric Company through the issue of \$6,500,000. of common stock; through the issue of six percent preferred stock in exchange for the seven percent preferred stock of Coast Valleys Gas and Electric Company and Western States Gas and Electric Company, and Western States Gas and Electric Company of Delaware; the issue of \$20,000,000. of four and one half percent Pacific Gas and Electric Company bonds to refund \$18,599,500. of Western States and Coast Valleys five percent and six percent bonds and notes and the payment of cash, as indicated above. While the refunding of the bonds increased the amount of bonds outstanding, it decreased the annual fixed charges by \$247,800. (Exhibit four). Additional annual savings of \$88,274. were accomplished by the refunding of seven percent preferred stock of the vendor companies, through the issue of Pacific Gas and Electric Company six percent preferred stock. Because of the reduction in the annual fixed charges it is estimated that federal income taxes will be increased by \$36,900. and that net savings due to refunding the stock and bonds mentioned will be \$299,174. The annual saving in operating expenses is estimated by the Pacific Gas and Electric Company at \$257,776. which, if added to the \$299,174. makes a total saving of \$556,950.

The Western States Gas and Electric Company owns all of the outstanding stock of the El Dorado Power Company. The Pacific Gas and Electric Company has agreed that it will, on demand, advance, and pay to, or upon the order of El Dorado Power Company, all sums of money required for paying the latter's debts and liabilities advance and pay to, or upon the order of, the Western States Gas and Electric Company:

- a. All sums of money required for the redemption of said Western States Gas and Electric Company's outstanding bonds and notes.
- b. All sums of money required for effecting the payment and discharge of all of the Western States Gas and Electric Company's other debts, obligations and liabilities.
- c. All sums of money required for the payment of all expenses to be incurred in connection with the dissolution and liquidation of the affairs of the El Dorado Power Company and Western States Gas and Electric Company.
- d. All sums of money required for paying the preferred stockholders of the Western States Gas and Electric Company, (other than the Pacific Gas and Electric Company and Western States Gas and Electric Company of Delaware) the entire amount to which such preferred stockholders shall be entitled respectively upon the dissolution of the Western States Gas and Electric Company.

The Pacific Gas and Electric Company will, on demand, advance and pay to, the Western States Gas and Electric Company of Delaware:

- a. All sums of money required for enabling said Western States Gas and Electric Company of Delaware to pay and

discharge its debts, obligations and liabilities.

- b. All sums of money required for the payment of all expenses to be incurred in connection with the dissolution and liquidation of the affairs of Western States Gas and Electric Company of Delaware.
- c. All sums of money required for the payment to preferred stockholders of Western States Gas and Electric Company of Delaware (other than Pacific Gas and Electric Company) of the entire amount to which such preferred stockholders shall respectively be entitled upon the dissolution of the Western States Gas and Electric Company of Delaware.
- d. The entire sum of money required for paying to common stockholders of the Western States Gas and Electric Company of Delaware (other than Pacific Gas and Electric Company) the sum of \$40. for each share of the common stock of Western States Gas and Electric Company of Delaware, held by such common stockholders respectively; and
- e. Such further sums of money, if any, as may be required for paying to common stockholders of the Western States Gas and Electric Company of Delaware (other than Pacific Gas and Electric Company) any amounts in excess of \$40. per share which such common stockholders may establish, that they have a right to receive in the proceedings for the liquidation of the affairs of Western States Gas and Electric Company of Delaware.

The consideration which the Pacific Gas and Electric Company has agreed to pay for the properties of the Coast Valleys Gas and Electric Company is,

- a. All sums of money required for the redemption of the Coast Valleys Gas and Electric Company's outstanding bonds.
- b. All sums of money required for effecting the payment and discharge of all Coast Valleys Gas and Electric Company's other debts, obligations and liabilities.
- c. All sums of money required in payment of all expenses to be incurred in connection with the Coast Valleys Gas and Electric Company's dissolution and liquidation.
- d. All sums of money required for the payment to preferred stockholders (other than Pacific Gas and Electric Company) of the Coast Valleys Gas and Electric Company; the entire amount to which they as such preferred stockholders will be entitled respectively upon the dissolution of the Coast Valleys Gas and Electric Company.

The statement on a preceding page shows approximately what the Pacific Gas and Electric Company must pay to acquire the properties.

We have considered the evidence submitted in these proceedings and believe that the transfer of the properties of the corporations mentioned, to the Pacific Gas and Electric Company, is in the public interest and that such transfer should be authorized.

ORDER

El Dorado Power Company, Western States Gas and Electric Company, Western States Gas and Electric Company of Delaware and Coast Valleys Gas and Electric Company having applied to the Railroad Commission for permission to sell all of their properties to the Pacific Gas and Electric Company, and Pacific Gas and Electric Company having asked

permission to purchase such properties, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the transfer of the properties of the corporations mentioned, to the Pacific Gas and Electric Company, is in the public interest and that Applications No. 14520 and 14521 should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows;-

1. El Dorado Power Company, may, on or before July 1, 1928, grant, assign and transfer to Western States Gas and Electric Company all of its properties which the former has agreed to grant, assign and transfer to the latter, pursuant to the provisions of the agreement dated February 24, 1928 and filed in Application No. 14520 as Exhibit "B", and Western States Gas and Electric Company may, on or before July 1, 1928, grant, assign and transfer to the Pacific Gas and Electric Company all of the properties which it has agreed to grant, assign and transfer to said Pacific Gas and Electric Company, pursuant to the provisions of the agreement dated February 24, 1928, and filed in Application No. 14520 as Exhibit "B", which agreement said Pacific Gas and Electric Company, Western States Gas and Electric Company, Western States Gas and Electric Company of Delaware and El Dorado Power Company are hereby authorized to execute.

2. Coast Valleys Gas and Electric Company may, on or before July 1, 1928, grant, assign and transfer to the Pacific Gas and Electric Company all of the properties which the former has agreed to grant, assign and transfer to the latter, pursuant to the provisions of the agreement dated February 24, 1928, and filed in Application No. 14521 as Exhibit "B", which agreement said companies are hereby authorized to execute.

3. Upon the granting, assigning and transferring to the Pacific Gas and Electric Company of the properties referred to in Applications No. 14520 and 14521, the Western States Gas and Electric Company and Coast Valleys Gas and Electric Company may cease furnishing and supplying electric, gas and water service in the territories in which said companies are, or may be, furnishing and supplying electric, gas and water service by means of the aforesaid properties.

4. The consideration being paid by the Pacific Gas and Electric

Company for the properties of El Dorado Power Company, Western States Gas and Electric Company, Western States Gas and Electric Company of Delaware and Coast Valleys Gas and Electric Company shall not be urged as a measure of the value of said properties for any purpose other than the transfer herein authorized.

5. Pacific Gas and Electric Company shall, as soon as available, file with the Railroad Commission a detailed statement showing the total consideration paid for the aforesaid properties.

6. Pacific Gas and Electric Company shall file with the Railroad Commission a statement showing the manner in which it will distribute to fixed capital or other accounts, the consideration which it will pay for the properties of El Dorado Power Company, Western States Gas and Electric Company, Western States Gas and Electric Company of Delaware and Coast Valleys Gas and Electric Company.

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

DATED at San Francisco, California, this 13 day of April, 1928.

Leon White

C. S. ...

David ...

M. J. ...

Commissioners.