

LEM

Decision No. 20748.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PACIFIC GAS AND ELECTRIC COMPANY,  
a corporation, and JAMES H. LYONS,  
for an order of the Railroad Commis-  
sion of the State of California auth-  
orizing the applicant, Pacific Gas and  
Electric Company, to purchase and ac-  
quire upon the terms and conditions  
in this application set forth the  
shares of the capital stock of Oakdale  
Gas Company, a corporation. )

ORIGINAL

Application No. 15272

C. P. Cutten, for applicants.

BY THE COMMISSION:

OPINION

Applicants, Pacific Gas and Electric Company, and James H. Lyons, ask the Railroad Commission to enter its order authorizing the Pacific Gas and Electric Company to acquire at a cost of \$40,000. all of the issued and outstanding capital stock of the Oakdale Gas Company.

The Oakdale Gas Company is a corporation duly organized and existing under and by virtue of the laws of the State of California. For several years last past it has been engaged in the public utility business of generating and distributing and selling artificial gas for light, heat and power purposes in the City of Oakdale, and the unincorporated town of Riverbank, and the districts adjacent to the highway between the said communities.

The company as of November 30, 1928 reports assets and liabilities as follows;-

ASSETS:

Plant account . . . . .		\$66,054.87
Current assets . . . . .		6,304.60
Cash on hand and in banks . . . . .	\$3,318.80	
Accounts receivable . . . . .	2,372.35	
Materials and supplies . . . . .	600.00	
Accrued interest receivable . . . . .	13.45	
Prepaid insurance . . . . .		127.27
Discount and expense on capital stock . . . . .		2,023.09
Unamortized bond discount and expense . . . . .		6,784.80
Total assets.....		<u>\$81,294.63</u>

LIABILITIES:

Capital stock . . . . .		\$23,000.00
First mortgage 6% bonds due October 1, 1938 . . . . .		40,000.00
Current liabilities . . . . .		5,736.32
Accounts payable . . . . .	2,933.64	
Meter deposits . . . . .	374.25	
Accrued taxes payable . . . . .	2,428.43	
Reserve for depreciation . . . . .		9,542.00
Surplus . . . . .		3,016.31
Total liabilities.....		<u>\$81,294.63</u>

For the years 1926 and 1927 and for the nine months ending September 30, 1928 the Oakdale Gas Company reports operating revenues and expenses as follows;-

I T E M	1926	1927	1928 (9 mos)
Operating revenues . . . . .	\$22,720.06	\$ 22,527.57	\$ 16,746.48
Operating expenses . . . . .	16,266.47	16,522.65	12,149.99
Net operating revenue . . . . .	6,453.59	6,004.92	4,596.49
Taxes . . . . .	1,974.24	1,983.57	1,303.82
Operating income . . . . .	4,479.35	4,021.35	3,292.67
<u>DEDUCTIONS:</u>			
Interest on bonds . . . . .	\$ 2,456.00	\$ 2,400.00	\$ 1,800.00
Other interest . . . . .	330.53	259.42	146.56
Miscellaneous . . . . .	4.98	4.88	-
Total.....	\$ 2,791.51	2,664.30	1,946.56
Net income available for stock.....	\$ 1,687.84	\$ 1,357.05	\$ 1,346.11

All of the outstanding stock and bonds of Oakdale Gas Company were issued under orders of the Railroad Commission. In Decision No. 14883 dated May 7, 1925 (Vol.26 Opinions and Orders of the Railroad Commission of California, page 418) the Commission fixed the

rates of the company and in so doing used a rate base of \$63,698.50. Adding to such rate base the cost of additions and betterments to September 30, 1928 one obtains a total of \$64,191.84. No deductions have been made from this figure on account of accrued depreciation.

Exhibit "B" shows that the Pacific Gas and Electric Company has agreed to pay \$40,000.00 for the issued and outstanding \$23,000. par value of common capital stock of the Oakdale Gas Company. The Pacific Gas and Electric Company at this time does not propose to acquire the physical properties of the Oakdale Gas Company. It merely seeks permission to acquire the outstanding stock. Inasmuch as this transaction does not involve the transfer of any public utility properties, no part of the purchase price to be paid by the Pacific Gas and Electric Company should, of course, be charged to its fixed capital accounts. While we are willing to grant this application, such action is not to be construed as a finding of the value of the physical properties of the Oakdale Gas Company. In making this order the Commission reserves the right to determine in the future what amount may be charged to fixed capital accounts by the Pacific Gas and Electric Company if it acquires the properties of Oakdale Gas Company, or how much of the moneys expended to acquire control of, or the properties of, Oakdale Gas Company may be capitalized through the issue of stock or indebtedness.

#### ORDER

Application having been made to the Railroad Commission for an order authorizing Pacific Gas and Electric Company to acquire the outstanding stock of Oakdale Gas Company, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED, that the Pacific Gas and Electric Company may acquire, on or before June 30, 1929, the issued and outstanding capital stock of the Oakdale Gas Company, provided that the consideration paid for said stock shall not be construed as a measure of the value of the properties of Oakdale Gas Company, either for the purpose of <sup>accounting</sup> fixing rates or issuing securities.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted shall become effective ten days after the date hereof, and that Pacific Gas and Electric Company shall within thirty days after acquiring the stock of Oakdale Gas Company, file with the Commission a statement showing the amount paid for such stock.

DATED at San Francisco, California, this 4<sup>th</sup> day of February, 1929.

W. J. [Signature]  
[Signature]  
[Signature]  
Leon [Signature]  
[Signature]

Commissioners.