

Decision No. 20901

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
 CALIFORNIA TELEPHONE AND LIGHT)
 COMPANY,)
 a corporation, and PACIFIC GAS AND)
 ELECTRIC COMPANY, a corporation,)
 for an order of the Railroad)
 Commission of the State of)
 California authorizing the former)
 to grant, assign and transfer all)
 of its properties to the latter,)
 pursuant to a certain agreement)
 entered into by applicants under)
 date of January 15, 1929.)

Application No. 15391.

C. P. Cutten, for applicants.

BY THE COMMISSION:

OPINION

In the above entitled proceeding the Railroad Commission is asked to make its order authorizing California Telephone and Light Company to grant, assign and transfer to Pacific Gas and Electric Company all of its properties and to cease furnishing and supplying electric service in the territory in which it now operates.

The application shows that California Telephone and Light Company is a corporation organized on or about November 23, 1911, under the laws of the State of California. At one time the corporation was engaged in the business of operating telephone

It is reported that Pacific Gas and Electric Company is the owner of all the outstanding stock, both common and preferred, of California Telephone and Light Company except seven shares which are held by the members of the Board of Directors, but which are held, in fact, in trust for the use of Pacific Gas and Electric Company. It appears that Pacific Gas and Electric Company acquired the outstanding stock of California Telephone and Light Company under authority granted by the Commission by Decision No. 11874, dated March 30, 1923, and issued in exchange therefor \$550,031.91 of its own preferred stock and \$254,950.00 of its common stock. The preferred stocks of the two companies were exchanged on a share for share basis and the common stock on a basis of one share of Pacific Gas and Electric Company common stock for three shares of common stock of California Telephone and Light Company. (Vol. 23, Opinions and Orders of the Railroad Commission of California, page 297).

Since the acquisition of the outstanding stock Pacific Gas and Electric Company has financed the cost of additions and betterments and has placed its own schedules of rates in effect. It now proposes to acquire the physical properties and merge them with its own system and in this connection it alleges that operation thereof as an integral part of its system will result in increased efficiency and in economy of operation and will be in the public interest accordingly. No opposition to the proposed transfer has been made to the Commission.

To effect the transfer applicants, under date of January 15, 1929, entered into an agreement, a copy of which is filed as Exhibit "C", whereby California Telephone and Light Company agreed to transfer all of its properties of every kind and nature to Pacific Gas and Electric Company in consideration that the latter

company assume and undertake to pay the principal and interest of all bonds of California Telephone and Light Company outstanding at the date of transfer and all other debts, obligations and liabilities. The testimony in this connection shows that after acquiring the properties it is the intention of Pacific Gas and Electric Company to call the outstanding bonds for payment, and to cause the dissolution of California Telephone and Light Company.

In making this application for permission to transfer properties applicants have filed as Exhibit 4 a valuation of the physical property showing the estimated cost to reproduce new, as of November 30, 1928, at \$2,748,878.00, and less accrued depreciation at \$2,563,743.00, and the historical cost as of the same date at \$2,561,229.00, and less depreciation at \$2,376,094.00. Additions and betterments during December, 1928, are reported at \$11,761.00.

We believe that the application should be granted, subject to the conditions in the order following this opinion. It occurs to us, however, that Pacific Gas and Electric Company in recording the transaction on its books of account should charge to its fixed capital accounts not more than the estimated historical cost of the properties as of November 30, 1928, plus net additions since the date of the valuation to the date of transfer and should credit to its reserve for accrued depreciation the depreciation estimated to have accrued on such properties. If the actual purchase price of the properties, as represented by the stock heretofore issued and the liabilities incurred and indebtedness to be assumed exceeds the estimated historical cost of the properties, less depreciation, and the current and other assets acquired, the company should charge such excess to its profit and loss accounts.

While we have referred to applicant's valuation

figures in making this opinion and order, it should be understood that nothing herein said or contained should be considered as binding upon the Commission to recognize such valuation figures hereafter for the purpose of fixing rates or for any other purpose. Such reference as we have made is for the purpose of this proceeding only.

ORDER

Application having been made to the Railroad Commission for an order authorizing California Telephone and Light Company to grant, assign and transfer its properties to Pacific Gas and Electric Company and to cease furnishing and supplying electric service, a public hearing having been held before Examiner Gannon, and the Railroad Commission being of the opinion that the application should be granted, as herein provided,

IT IS HEREBY ORDERED that California Telephone and Light Company be, and it hereby is, authorized to grant, assign and transfer on or before June 30, 1929, to Pacific Gas and Electric Company all of its properties which it has agreed to sell to the latter in the agreement of January 15, 1929.

IT IS HEREBY FURTHER ORDERED that California Telephone and Light Company be, and it hereby is, authorized upon granting, assigning and transferring its properties to Pacific Gas and Electric Company to cease furnishing and supplying electric service in the territory which it now serves.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company, within sixty (60) days after acquiring the properties of California Telephone and Light Company, shall file with the Commission a certified copy of the deed of conveyance and also, for approval, a copy of each and every entry made to record the cost of the properties and distribution of such cost to primary accounts.

IT IS HEREBY FURTHER ORDERED that if the actual purchase price of the aforesaid properties, as represented by the stock heretofore issued and the liabilities incurred and indebtedness to be assumed exceeds the estimated historical cost of the said properties, less accrued depreciation, and the current and other assets acquired, the Pacific Gas and Electric Company shall charge such excess cost to Account 508 - "Miscellaneous debits to profit and loss".

IT IS HEREBY FURTHER ORDERED that California Telephone and Light Company shall file with the Commission a report, prepared on the regular annual report forms prescribed by this Commission, covering the operations during the period from January 1, 1929 to the date of transfer, such report to be filed within sixty (60) days after such transfer.

DATED at San Francisco, California, this 22nd day of March, 1929.

Thos. D. Barrett

Chas. A. Seaver

Edward J. Edwards

M. J. Carr

Commissioners.