

LEM

ORIGINAL

Decision No. 21916.

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 condi- )  
tions in this application set forth, )  
the shares of the common capital )  
stock of MODESTO GAS COMPANY herein )  
mentioned, etc. )

Application No. 18113

C. P. Cutten, for Pacific Gas and Electric Company;  
Frank A. Cressey, Jr., for certain stockholders of  
Modesto Gas Company.

BY THE COMMISSION:

O P I N I O N

In this proceeding Pacific Gas and Electric Company asks permission to acquire 698 shares (\$69,800.00) par value of the common capital stock of Modesto Gas Company, and issue to the owners of the 698 shares of stock, 20,940 shares (par value \$523,500.00) of its common capital stock and to consummate the agreement of November 8, 1929 filed in this proceeding as Exhibit "A".

Modesto Gas Company is a public utility engaged in the business of generating, manufacturing, distributing and selling artificial gas to its consumers located in the City of Modesto and territory immediately adjacent thereto, for light, heat and other lawful purposes. It is of record that in Case No. 2748 Frank A. Cressey, Jr., president of the company, stated that it

is the desire of the utility to substitute as soon as possible the service of straight natural gas for the present service of 550 B.T.U. oil gas at the present volumetric rates and schedules under which service is now being rendered. He further stated that all ordinary appliance adjustments would be made by the utility at no expense to the consumers and that the service of straight natural gas, containing substantially twice the heat units per cubic foot as the manufactured gas would result in a material reduction in the consumers' monthly gas bills. The record in this proceeding indicates that even though Pacific Gas and Electric Company acquires the 698 shares of stock of Modesto Gas Company, the Modesto Gas Company will proceed with its program of distributing natural gas, and that it is expected that the net earnings of the company can be materially increased by the sale of gas for house heating and industrial purposes and by operating economies.

As of October 31, 1929 Modesto Gas Company reports its assets and liabilities as follows:-

<u>ASSETS:</u>	
Fixed capital . . . . .	\$516,029.32
Fixed capital under construction . . . . .	983.45
Cash . . . . .	7,840.31
Notes receivable . . . . .	3,360.00
Accounts receivable :	
Consumers . . . . .	\$16,082.28
Miscellaneous . . . . .	6,222.41
Marketable securities . . . . .	22,304.69
Materials and supplies . . . . .	129,198.09
Materials and supplies . . . . .	12,888.81
Sinking fund . . . . .	338.20
Unamortized debt discount . . . . .	10,165.06
Prepaid insurance . . . . .	805.12
	<u>Total assets.....\$703,913.05</u>
<u>LIABILITIES:</u>	
Capital stock . . . . .	\$100,000.00
Long term debt . . . . .	154,000.00
Accounts payable . . . . .	15,086.81
Consumers' deposits . . . . .	2,994.29
Taxes accrued . . . . .	12,137.65
Interest accrued . . . . .	3,050.00
Depreciation reserve . . . . .	120,242.96
Insurance reserve . . . . .	9,430.00
Unappropriated surplus . . . . .	886,971.34
	<u>Total liabilities..\$703,913.05</u>

Frank A. Cressey, Jr. testified that the fixed capital, as reflected in the company's balance sheet, included land at cost, and that because of the appreciation of land values the fixed capital accounts should be increased by \$95,000.00. He further testified that in his opinion the value of the company's properties was in excess of that indicated by the company's balance sheet.

In this proceeding, as stated, the Pacific Gas and Electric Company asks permission to purchase \$89,800.00 of the outstanding stock of Modesto Gas Company. This stock will be purchased from Frank A. Cressey, Jr., and from Josephine Cressey Egleston. The application does not involve the transfer of the properties of Modesto Gas Company or any part thereof. If hereafter Modesto Gas Company asks permission to sell any, or all, of its properties to the Pacific Gas and Electric Company, the Commission will at that time determine what part, if any, of the consideration paid directly or indirectly for the properties of Modesto Gas Company may be charged to fixed capital accounts, and what part, if any, should be charged to profit and loss accounts.

#### ORDER

Pacific Gas and Electric Company, having asked permission to acquire 698 shares of the stock of Modesto Gas Company, and issue to the holders of such stock, 20,940 shares of its common capital stock, and to consummate the agreement of November 8, 1929, 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 the issue of the 20,940 shares of such stock, is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reason-

ably 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 and hold Six Hundred and Ninety-eight(698) shares of the issued and outstanding stock of Modesto Gas Company.
2. Pacific Gas and Electric Company may issue on or before March 1, 1930 to the holders of the Six Hundred and Ninety-eight(698) shares of stock of Modesto Gas Company, Twenty Thousand Nine Hundred and Forty(20,940) shares of its common capital stock, such stock to be issued and delivered pursuant to the terms and conditions of the agreement filed as Exhibit "A" in this proceeding, which agreement Pacific Gas and Electric Company is hereby authorized to execute.
3. Pacific Gas and Electric Company shall keep such record of the stock herein authorized to be issued, 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 insofar as applicable, is made a part of this order.
4. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 16<sup>th</sup> day of December, 1929.

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