

Decision No. 24993

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 and hold shares of the pre-
 ferred stocks of SAN JOAQUIN LIGHT
 AND POWER CORPORATION, and for said
 purpose to issue shares of applicant's
 first preferred and common capital
 stocks in the manner in this applica-
 tion set forth.

ORIGINAL

Application No. 18259

C. P. Cutten for applicant.

SEAVEY, COMMISSIONER:

O P I N I O N

In this application Pacific Gas and Electric Company asks the Railroad Commission to enter an order authorizing it to acquire and hold \$16,218,400.00 of the preferred stocks of San Joaquin Light and Power Corporation, now issued and outstanding, consisting of \$11,752,900.00 of seven percent prior preferred stock, \$1,952,500.00 of seven percent preferred series A stock, \$2,481,400.00 of six percent prior preferred series A stock and \$31,600.00 of six percent preferred series B stock, and in exchange therefor, upon a par for par basis, as hereinafter set forth, to issue \$13,705,400.00 of its first preferred six percent stock, \$2,513,000.00 of its first preferred five and one-half percent stock and \$2,938,225.00 of its common stock, provided that the aggregate amount of its preferred and common stock to be issued shall not exceed the total of \$16,218,400.00.

It appears from the application that San Joaquin Light and

Power Corporation has outstanding \$20,970,200.00 of preferred stock and \$13,000,000.00 of common stock, a total of \$33,970,200.00, of which amount Pacific Gas and Electric Company owns \$4,751,800.00 of the preferred stock and \$12,886,700.00 of the common, a total of \$17,638,500.00. The various classes of stock, the amounts held by applicant and the amounts in the hands of the public are as follows:

Class of Stock	: Issued and : Outstanding	: Held by : Applicant	: In Hands : of Public
Preferred	:	:	:
Prior preferred-7%	:\$11,842,600	:\$ 89,700	:\$11,752,900
Prior preferred-6%, series A:	2,627,600	146,200	2,481,400
Preferred-7%, series A	6,468,400	4,515,900	1,952,500
Preferred-6%, series B	31,600	-	31,600
Total preferred	20,970,200	4,751,800	16,218,400
Common	13,000,000	12,886,700	113,300
Total stock	\$33,970,200	\$17,638,500	\$16,331,700

The seven percent and six percent prior preferred stocks are equally preferred as to assets and dividends over the series A and B preferred stocks and common stock. The series A and B preferred stocks are equally preferred as to assets and dividends over the common stock. All classes of preferred stock are non-callable. In the event of any liquidation, or dissolution, or winding up of the corporation, whether voluntary or involuntary, the holders of the prior preferred stock shall be entitled to be paid in full both the par value of their shares and the ^{cumulative} unpaid/dividends thereon, if any, before any amount shall be paid to the holders of the other classes of stock, and the holders of series A and B preferred stock shall be entitled to be paid in full out of any assets and funds which shall remain after the holders of the prior preferred stock shall have been paid in full, both the par value of their shares and the unpaid cumulative dividends thereon, if any, before any amount shall be paid to the holders of the common stock.

The record shows that Pacific Gas and Electric Company recently has offered to issue shares of its stock in exchange, at par for par, for shares of the four classes of preferred stocks of San Joaquin Light and Power Corporation not held by it upon the following bases:

1. For the seven percent prior preferred stock:

Offer No. 1. For each share (\$100 par value) of the seven percent prior preferred stock of San Joaquin Light and Power Corporation, the Pacific Gas and Electric Company will issue four \$25.00 shares of its own six percent first preferred stock;

or

Offer No. 2. For each share of the seven percent prior preferred stock it will issue three \$25.00 shares of its six percent first preferred stock and one \$25.00 share of its common stock.

2. For the six percent prior preferred stock, series A:

For each share (\$100 par value) of the six percent prior preferred stock, series A, of San Joaquin Light and Power Corporation it will issue four \$25.00 shares of its five and one-half percent first preferred stock.

3. For the seven percent preferred stock, series A:

For each share (\$100 par value) of the seven percent preferred stock, series A, of San Joaquin Light and Power Corporation it will issue four \$25.00 shares of its six percent first preferred stock.

4. For the six percent preferred stock, series B:

For each share (\$100 par value) of the six percent preferred stock, series B, of San Joaquin Light and Power Corporation it will issue four \$25.00 shares of its five and one-half percent first preferred stock.

The application shows that Pacific Gas and Electric Company acquired the \$17,638,500.00 of stock of San Joaquin Light and Power Corporation it now holds under authority granted by the Commission by Decision No. 22432, dated May 14, 1930, and that ever since it has been

exercising a control over, and has been aiding and assisting in the financing and management of, the properties, business and affairs of San Joaquin Light and Power Corporation. It is stated in the interests of uniformity in standards of service, in coordination in operation of plants and in further economies in financing and operations that it is proposed by applicant in due course to acquire the properties and business of San Joaquin Light and Power Corporation. The acquisition of the preferred stocks of that corporation, as now proposed, is but a step in the accomplishment of applicant's ultimate purpose of consolidating the ownership of the properties.

While the holders of the preferred stocks of San Joaquin Light and Power Corporation will suffer a diminution in dividends if they exchange their shares for shares of Pacific Gas and Electric Company stock, as now proposed, it should be said in this connection that the acceptance of applicant's offers is purely optional on the part of the individual stockholder. It was emphasized by representatives of applicant that it is proposed merely to offer to the stockholders of San Joaquin Light and Power Corporation its own stock in exchange for their present holdings. Further, it should be understood that the action of the Commission now being taken is permissive only and in no sense is to be construed as compulsory or obligatory on the stockholders, or the company, to make the exchange. Any of the stockholders who do not desire to surrender their stock may continue in the ownership thereof.

I herewith submit the following form of order.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to acquire preferred stocks of San Joaquin

Light and Power Corporation and to issue \$13,705,400.00 of its six percent first preferred stock, \$2,513,000.00 of its five and one-half percent first preferred stock and \$2,938,225.00 of its common stock, a public hearing having been held, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that:

1. Pacific Gas and Electric Company may acquire, on or before September 30, 1932, and thereafter hold, all or any part of the \$11,752,900.00 of seven percent prior preferred stock, the \$1,952,500.00 of seven percent preferred series A stock, the \$2,481,400.00 of six percent prior preferred series A stock and the \$31,600.00 of six percent preferred series B stock of San Joaquin Light and Power Corporation now issued and outstanding.

2. Pacific Gas and Electric Company may issue, on or before September 30, 1932, up to but not exceeding \$13,705,400.00 of its six percent first preferred stock, \$2,513,000.00 of its five and one-half percent first preferred stock and \$2,938,225.00 of its common stock, provided that the aggregate par value of said preferred and common stocks to be issued by applicant under the authority herein granted shall not exceed the total sum of \$16,218,400.00.

3. Pacific Gas and Electric Company may exchange all or any part of its first preferred stock or common stock herein authorized to be issued, for the shares of preferred stocks of San Joaquin

Light and Power Corporation it is herein authorized to acquire and to hold, such exchange to be made upon the bases set forth in the opinion preceding this order.

4. Pacific Gas and Electric Company shall keep such record of the issue of the stock herein authorized 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.

5. The authority herein granted will become effective ten (10) days from the date hereof.

The foregoing opinion and order are herein approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 15th day of July, 1932.

Cl Seaver
Leon Whitell

Fred G. Stewart
Commissioners.