

ORIGINAL

Decision No. 2359

Decision No. ✓

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the reorganization of UNITED LIGHT AND POWER COMPANY and subsidiary companies. ) Application No. 1542

- ✓ Guy C. Earl and Chaffee Hall for Consolidated Electric Company and Great Western Power Company.
- ✓ Morrison, Dunno and Brobeck, by W. I. Brobeck, for San Francisco-Oakland Terminal Railway.
- ✓ R. P. Henshall for United Light and Power Company and subsidiary companies.
- Walter E. Linforth and J. P. Lucey for William C. Osborn, protestant.
- G. G. Hatch for Henry Cowell Lime and Cement Company, protestant.
- J. C. Campbell and Joseph Kirk for certain unsecured creditors of United Light and Power Company and subsidiary companies.
- Gavin McNab, in propria persona.

CHIEF, Commissioner.

OPINION

Applicants, United Light and Power Company (of California) Equitable Light and Power Company, Consumers Light and Power Company, Southside Light and Power Company, Central Oakland Light and Power Company, United Light and Power Company (of New Jersey), Consolidated Electric Company, Great Western Power Company and E. W. Wilson in this proceeding, ask this Commission for an order authorizing:

- (1)- United Light and Power Company (of California), Equitable Light and Power Company, Consumers Light and Power Company, Southside Light and Power Company, Central Oakland Light and Power Company, and United Light and Power Company (of New Jersey), to sell, transfer and convey to E. W. Wilson of the City and County of San Francisco, all of their property of every kind whatsoever.

- (2)- E. W. Wilson to transfer to Consolidated Electric Company, and said company to purchase from said E. W. Wilson said property;
- (3)- Consolidated Electric Company to execute a mortgage and deed of trust in the form filed herewith to secure the payment of the principal and interest upon its 5 per cent. 40 year gold bonds in the aggregate face amount of \$3,000,000;
- (4)- Consolidated Electric Company to issue all of its capital stock consisting of 100 shares of the par value of \$100 per share to Great Western Power Company, excepting such shares as may be necessary to qualify directors;
- (5)- Consolidated Electric Company to issue its 5 per cent. 40 year gold bonds to be secured by said mortgage in the face amount of \$2,593,000, and to use said bonds or the proceeds thereof for the following purposes:
  - a- \$2,207,000 face value of bonds to be delivered to E. W. Wilson in payment of the purchase price of properties hereinbefore described;
  - b- \$ 243,000 face value of bonds to be issued from time to time in exchange for a like amount of bonds of Consumers Light and Power Company and of Central Oakland Light and Power Company;
  - c- \$ 71,000 face value of bonds to be issued to Great Western Power Company in part consideration for the guaranty by said Great Western Power Company of the principal and interest upon the bonds of Consolidated Electric Company, and the performance of a proposed contract between Consolidated Electric Company and San Francisco-Oakland Terminal Railways;
  - d- \$ 72,000 face value of bonds to be issued for the payment of expenses incident to rehabilitating the aforesaid properties to be purchased from said E. W. Wilson.
- (6)- Great Western Power Company to guarantee the payment of the principal and interest upon the bonds of Consolidated Electric Company, to be issued under the aforesaid mortgage or deed of trust;
- (7)- Great Western Power Company to purchase \$400,000 face value of bonds of Consolidated Electric Company from E. W. Wilson as per agreement marked Exhibit No. 6 attached to this application;
- (8)- Consolidated Electric Company to execute a contract marked Exhibit No. 4 for the delivery of electric energy to the San Francisco-Oakland Terminal Railways;

- (9)- Great Western Power Company to guarantee the performance by Consolidated Electric Company of the contract referred to in paragraph 8;
- (10)- Great Western Power Company to purchase the capital stock of Consolidated Electric Company as aforesaid;
- (11)- E. W. Wilson to acquire:
- a- 9,248 shares of the par value of \$10.00 each of common stock of Consumers Light and Power Company;
  - b- 50,000 shares of the par value of \$10.00 each of common stock of Equitable Light and Power Company;
  - c- 25,000 shares of the par value of \$10.00 each of preferred stock of Equitable Light and Power Company;
  - d- 70,208 shares of the par value of \$10.00 each of common stock of Central Oakland Light and Power Company;
  - e- 18,707 shares of the par value of \$10.00 each of preferred stock of Central Oakland Light and Power Company;
  - f- 75,000 shares of the par value of \$10.00 each of common stock of Southside Light and Power Company;
  - g- 25,000 shares of the par value of \$10.00 each of preferred stock of Southside Light and Power Company;
  - h- 30,000 shares of the par value of \$100.00 each of common stock of United Light and Power Company (of New Jersey);
  - i- 398,213 shares of the par value of \$10.00 each of the common stock of United Light and Power Company (of California);
  - j- 199,610 shares of the par value of \$10.00 each of preferred stock of United Light and Power Company ( of California)
- (12)- E. W. Wilson to sell and Consolidated Electric Company to purchase the stock of the companies mentioned in the last preceding paragraph.

United Light and Power Company (of California), Central Oakland Light and Power Company, Consumers Light and Power Company, Equitable Light and Power Company and Southside Light and Power Company, (hereinafter referred collectively as the "Operating Companies") are engaged in the business of generating, producing, distributing and selling electric energy, steam and hot water in the City and County of

San Francisco and in the City of Oakland.

Central Oakland Light and Power Company was organized January 25, 1909, to construct and operate electric and steam plants in the City of Oakland.

Consumers Light and Power Company was organized February 26, 1908, to construct and operate electric and steam plants in that part of the City and County of San Francisco, located north of Market Street and east of Powell Street.

Equitable Light and Power Company was organized March 22, 1909, to construct and operate electric and steam plants in that part of the City and County of San Francisco located north of Market Street, and west of Powell Street.

Southside Light and Power Company was organized May 3, 1910, to construct and operate electric and steam plants in that part of the City and County of San Francisco located south of Market Street,

Though separate corporate records have been kept for each of these four companies, they have to a large extent been under a single and unified management.

On May 4, 1910, the so-called Smith-Hanford-Tervis interests organized the United Light and Power Company (of California) to take over the control of Consumers Light and Power Company, Equitable Light and Power Company, Southside Light and Power Company and Central Oakland Light and Power Company. While United Light and Power Company (of California) was organized to aid in financing the aforementioned companies, it has leased and operates the so-called Yerba Buena power station of San Francisco-Oakland Terminal Railways, located in Oakland.

On January 6, 1911, the so-called Smith-Hanford-Tervis interests caused the organization of United Light and Power Company (of New Jersey). This company, though its articles of incorporation are general, is primarily a holding company. It owns more than 96% of

the stock of United Light and Power Company (of California), which in turn controls through majority stock ownership the Central Oakland Light and Power Company, Consumers Light and Power Company, Equitable Light and Power Company and Southside Light and Power Company.

Because of their inability to secure funds for adequate financing, due to the overloading of these properties with bonds at their inception, these utilities have had to face a persistent struggle for existence. Recently there was a default in the payment of interest upon outstanding securities. Negotiations have been carried on for a sale of these properties to Great Western Power Company. For the purpose of acquiring these properties, Great Western Power Company has organized the Consolidated Electric Company.

The operating companies, as well as United Light and Power Company (of New Jersey) now request authority to sell, transfer and convey all their property to E. W. Wilson, who in turn is to sell, transfer and convey the property thus acquired to Consolidated Electric Company, the stock of which will be owned by Great Western Power Company.

Under the proposed plan of reorganization, all of the stock (\$10,000) of Consolidated Electric Company, except such shares as may be necessary to qualify directors, are to be issued and delivered to Great Western Power Company. The holders of the three year collateral trust gold notes of United Light and Power Company (of New Jersey) are to receive bonds at par of Consolidated Electric Company in amounts equal to 90% of the face value of the notes held by them. The holders of bonds of the various operating companies are to receive for the full face value of their bonds, bonds of Consolidated Electric Company at par. The unsecured creditors are to receive 66-2/3% of the amount due to them. Of the 66-2/3 per cent, 10 per cent. is to be paid in cash and the balance in bonds of Consolidated Electric Company at par. I shall refer again to the proposed reorganization plan, after having considered the following matters:

1. Stock of operating companies and United Light and Power Company (of New Jersey);
  2. Funded debt of operating companies and United Light and Power Company (of New Jersey);
  3. Unsecured indebtedness of operating companies and United Light and Power Company (of New Jersey);
  4. Earnings and Expenses of operating companies;
  5. Assets and liabilities of operating companies and United Light and Power Company (of New Jersey);
  6. Value of property of operating companies.
1. Stock of operating companies and United Light and Power Company (of New Jersey).

Applicants' Exhibit No. 9, submitted in connection with this application shows the following:

NAME OF COMPANY	COMMON STOCK				PREFERRED STOCK					
	Authorized	Outstanding	Owned by Affiliated Companies		Owned by Public	Authorized	Outstanding	Owned by Affiliated Companies		Owned by Public
			Held	Pledged				Held	Pledged	
Central Oakland Light & Power Co.	\$1,000,000	\$ 946,100	(1) 12,270	(1) 689,610	\$ 262,020	\$ 250,000	\$ 230,200	(1) 2,150	(1) 184,920	\$ 43,130
Consumers Light and Power Company	100,000	100,000	(1) 5,150	(1) 87,830	7,520	-	-	-	-	-
Edible Light and Power Company	500,000	500,000	(1) -	(1) 500,000	-	250,000	250,000	-	(1) 250,000	-
Seaside Light and Power Company	750,000	750,000	(1) 250	(1) 749,750	-	250,000	250,000	(1) 250	(1) 249,750	-
United Light & Power Co. (of California)	4,000,000	3,982,130	(3) 982,130	(2) 3,000,000	-	2,000,000	1,996,100	(4) 452,570	(2) 1,500,000	43,530
United Light & Power Co. (of New Jersey)	3,000,000	3,000,000	(5) 3,000,000	-	-	-	-	-	-	-

- (1) Owned by United Light and Power Company (of California).
- (2) Owned by United Light and Power Company (of New Jersey).
- (3) \$170,398 owned by The United Properties Company of California, and \$811,732 by United Light and Power Company (of New Jersey).
- (4) Owned by Hanford Investment Company.
- (5) Owned as per exhibit by Hanford Investment Company. - Report does not show whether same is pledged or not.

Mr. James E. Old, auditor of United Light and Power Company (of California) testified that in preparing Exhibit No. 9, he did not consult the stock ledger and journal of the various companies. While the exhibit shows that the stock of United Light and Power Company (of New Jersey) is held by Hanford Investment Company, other evidence indicates that a part of this stock is owned by The United Properties Company of California. The ownership of the stock is material to the extent of assuring a valid title to the property and as bearing upon protests against an authorization as prayed for in this application.

The foregoing table shows that approximately 27.2 per cent. of the common and 18.7 per cent. of the preferred stock of Central Oakland Light and Power Company is held by the general public. The general public is also shown by the exhibits to hold approximately 2.2 per cent. of the outstanding preferred stock of United Light and Power Company (of California).

2. Funded Debt of Operating Companies and United Light and Power Company (of New Jersey).

Exhibit No. 9, to which reference has heretofore been made, shows funded debt as follows:



NAME OF COMPANY	NATURE OF OBLIGATION	T E R M		RATE OF INTEREST	TOTAL FACE VALUE AUTHORIZED	TOTAL FACE VALUE OUTSTANDING	HELD BY TRUSTEE OR AFFILIATED COMPANIES			OWNED BY GENERAL PUBLIC
		Date of Issue	Date of Maturity				RESERVED TO RETIRE UNDERLYING	PLEDGED	HELD	
Central Oakland Light and Power Co.	Bonds	May 1, 1909	May 1, 1939	5	\$ 800,000	\$ 493,000	-	\$ 350,000	-	\$ 143,000
Consumers Light and Power Co.	Bonds	April 15, 1908	April 15, 1933	6	100,000	100,000	-	-	-	100,000
Multistate Light and Power Company.	Bonds	April 30, 1910	April 30, 1935	6	750,000	365,000	-	365,000	-	-
Southside Light and Power Co.	Bonds	Aug. 1, 1910	Aug. 1, 1940	6	1,000,000	400,000	-	400,000	-	-
United Light and Power Co. (of Cal.)	Bonds	Oct. 1, 1910	Oct. 1, 1945	6	4,000,000	3,060,000	243,000	2,023,000	260,000	534,000
United Light and Power Co. (of N.J.)	Notes	Dec. 1, 1911	Dec. 1, 1914	6	3,000,000	1,618,000	-	-	-	1,618,000
T O T A L					9,650,000	6,036,000	243,000	3,138,000	260,000	2,396,000

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Bonds of United Light and Power Company (of California)

to the face value of \$2,023,000 are pledged with Bankers Trust \$1,618,000 face value three-year collateral trust notes of Company of New York to secure the payment of United Light and

Power Company (of New Jersey). United Light and Power Company (of California) owns and has hypothecated with Central Trust

Company of New York bonds in the following amounts:

\$350,000	face value of bonds of Central Oakland Light and Power Co.
365,000	" " " " " Equitable Light and Power Company.
400,000	" " " " " Southside Light and Power Company.

Consolidated Electric Company seeks authority to execute a mortgage or deed of trust to Anglo-California Trust Company of San Francisco securing the payment of \$3,000,000 face value General Mortgage five per cent. Forty-year Gold Bonds. The lien of the mortgage or deed of trust is to cover all the property of Consolidated Electric Company now owned or hereafter acquired. The trust estate includes:

- a- 9,248 shares of the par value of \$10 each of common stock of Consumers Light and Power Company;
- b- 50,000 shares of the par value of \$10 each of common stock of Equitable Light and Power Company;
- c- 25,000 shares of the par value of \$10 each of preferred stock of Equitable Light and Power Company;
- d- 70,208 shares of the par value of \$10 each of common stock of Central Oakland Light and Power Company.
- e- 18,707 shares of the par value of \$10 each of preferred stock of Central Oakland Light and Power Company.
- f- 75,000 shares of the par value of \$10 each of common stock of Southside Light and Power Company.
- g- 25,000 shares of the par value of \$10 each of preferred stock of Southside Light and Power Company.
- h- 30,000 shares of the par value of \$100 each of common stock of United Light and Power Company (of New Jersey).

- 1- 398,213 shares of the par value of \$10 each of common stock of United Light and Power Company (of California).
- 2- 199,610 shares of the par value of \$10 each of preferred stock of the United Light and Power Company (of California).

The proposed mortgage or deed of trust of Consolidated Electric Company provides that \$2,350,000 face value of bonds shall be delivered to the company immediately upon the execution and delivery of this instrument. It provides also that \$243,000 face value of bonds shall be reserved to retire:

- a- \$100,000 face value of General Mortgage 6 per cent. Sinking Fund twenty-five year Gold Bonds of Consumers Light and Power Company, issued under a deed of trust dated April 15, 1908; and
- b- 143,000 face value of First Mortgage five per cent. Sinking Fund thirty-year gold bonds of Central Oakland Light and Power Company issued under a deed of trust dated May 1, 1909.

Bonds to the face value of \$407,000 are appropriated to defray the cost of future extensions, additions and betterments. The proposed deed of trust permits the company to issue these bonds in amounts equal to the cost of extensions, additions and betterments, regardless of the earnings of the company.

The proposed deed of trust makes no provision for a sinking fund. It, however, provides that on and after July 1, 1920, the company may call for redemption any or all of the bonds at par.

Hereinafter I shall refer to the necessity of a sinking fund as well as to the guarantee by Great Western Power Company.

3. Floating indebtedness of Operating Companies and United Light and Power Company (of New Jersey)

The operating companies and United Light and Power Company (of New Jersey), exclusive of amounts due to system corporation, report a floating indebtedness aggregating \$723,905.46. The amount consists of the following items:

Notes Payable -----	\$401,216.13
Due Merchants National Bank -----	\$2,443.21
Due Central Nat. Bank of Oakland-----	10.50
Due Hanford Investment Company-----	236,051.53
Due General Public -----	<u>162,710.89</u>
Accounts Payable -----	322,690.33
Due Hanford Investment Co-----	127,073.42
Due Tevis-Hanford Company-----	4,941.93
Due General Public -----	<u>190,674.98</u>
Total -----	\$ 723,905.46

If the reorganization plan as herein outlined is carried into effect, Hanford Investment Company and Tevis-Hanford Company have agreed to cancel the indebtedness due to them. It is further understood that all amounts due from or to system corporations will be cancelled.

Mr. J. C. Campbell and Mr. Joseph Kirk, representing unsecured creditors, whose claims aggregate over \$300,000, have petitioned the Commission to grant this application. The unsecured creditors whom they represent seem to be of the opinion that in case of foreclosure, they will receive nothing. In view of this situation, they have agreed to accept in payment for their claims 65-2/3% of their face value. Of this, 10% is to be paid in cash and the balance in bonds of Consolidated Electric Company at par.

4. Earnings and Expenses of Operating Companies:

United Light and Power Company (of New Jersey) is not an operating company. The evidence submitted in connection with this application shows the earnings and expenses of the operating companies for the year ended December 31, 1914, to have been as follows:

<u>I T E M</u>	<u>CENTRAL OAKLAND LIGHT AND POWER COMPANY</u>	<u>CONSOLIDATED LIGHT AND POWER COMPANY</u>	<u>EQUITABLE LIGHT AND POWER COMPANY</u>	<u>SOUTHSIDE LIGHT AND POWER COMPANY</u>	<u>UNITED LIGHT AND POWER COMPANY (of California)</u>	<u>TOTAL</u>
<b>INCOME STATEMENT:</b>						
Operating Revenue	\$ 120,440.31	\$ 164,038.14	\$ 120,136.33	\$ 57,560.30	\$ 161,532.19	\$ 613,727.27
Operating Expenses	105,759.99	120,846.24	88,818.34	36,234.13	105,701.64	477,360.34
Net Operating Revenue	\$ 14,680.32	43,191.90	31,317.99	1,346.17	45,830.55	136,366.93
<b>Other Income:</b>						
Misc. Non-Operating Revenue	362.00	3,647.99	3,472.06	30.45	1,774.37	9,286.87
Interest Revenues	-	-	120.00	-	63,399.98	63,519.98
Rents Accrued	-	-	-	-	7,138.44	7,138.44
Total Other Income	-	-	-	-	72,312.79	79,945.29
Gross Corporate Income	15,042.32	46,839.89	34,910.05	1,376.62	118,143.34	216,312.22
<b>DEDUCTIONS:</b>						
Interest on Funded Debt	24,649.96	6,000.00	21,900.00	24,000.00	148,320.00	224,869.96
Other Interest	39.79	2.70	36.94	-	26,644.06	26,723.49
Rent	240.75	2,198.64	475.00	7,188.44	1.00	10,053.83
Misc. Non-Operating Expenses	-	4,925.29	3,548.62	-	2,556.00(2)	5,917.81
Total Deductions	24,930.50	13,126.63	25,960.46	31,188.44	172,409.06	267,665.09
Loss for Year.....	\$ 9,888.18	-	-	\$ 29,761.82	\$ 54,265.72	\$ 51,252.87
SURPLUS FOR YEAR.....	-	\$ 33,713.26	\$ 8,949.59	-	-	-
<b>SURPLUS ACCOUNT:</b>						
Surplus beginning of year	79,635.93(1)	7,203.43(1)	34,778.70(1)	52,657.91(1)	117,653.93(1)	-
Net surplus adjustments	563.68(2)	518.94	121.77	933.20	3,556.07(1)	-
Adjusted surplus as of beginning of year	80,199.61(1)	6,684.49(1)	34,656.93	51,724.71(1)	121,210.05	-
Net income for year	9,888.18(3)	33,713.26	8,949.59	29,761.82(3)	54,265.72(3)	-
Net surplus additions and deductions for year	-	-	-	-	-	-
Total income and surplus for year.	9,888.18(3)	33,713.26	8,949.59	29,761.82(3)	54,265.72(3)	-
Surplus end of year	90,087.69(1)	27,028.77	25,707.34(1)	61,486.53(1)	175,475.77(1)	-

(1) Deficit.  
(2) Credit.  
(3) Loss.

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The evidence further shows the sources of revenue of various companies to have been for the year ending December 31, 1914:

NAME OF COMPANY	Electric		Steam Sales		Miscellaneous		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
Central Oakland Light and Power Co.	\$106,120.96	88.11	\$14,258.20	11.84	\$61.15	.05	\$120,440.31	100
Consumers Light and Power Co.	107,607.15	65.60	56,439.50	34.40	8.51*	-	164,038.14	100
Equitable Light and Power Co.	77,001.60	46.09	43,203.64	35.96	68.91*	.05	120,136.33	100
Southside Light and Power Co.	45,322.88	78.64	12,298.14	21.36	40.72*	-	57,580.30	100
United Light and Power Co. (of Calif.)	151,432.42	99.99	-	-	99.77	.01	151,532.19	100
Total.....	487,485.01	79.43	126,199.48	20.56	42.78	.01	613,727.27	100

\* Credit.

During the year ending December 31, 1914, the operating companies regarded as a unit sustained a loss of \$51,252.87. Applicants' Exhibit No. 11, prepared by Mr. W. W. Briggs, general agent for Great Western Power Company, estimates that a surplus of \$79,036.93 could have been earned had Consolidated Electric Company operated the various plants and systems. This change from a loss to a surplus, he contends, would have been effected chiefly by a reduction in the administration, maintenance and operating expenses, and a reduction in bond interest charges.

In a statement dated April 16, 1915, Mr. W. W. Briggs estimates that if the proposed reorganization plan is approved, Consolidated Electric Company for 1915, will have a net income, after paying operating expenses, taxes and interest, amounting to \$96,197.66. The increase in the net income for 1915, as compared with his estimates for 1914, will accrue, according to his contention, from a normal increase in the business, and from the placing of consumers of steam on a meter basis as rapidly as the flat rate contracts expire.

Mr. Mortimer Fleishhacker, president of Great Western Power Company, testified as follows in regard to the prospective earnings of Consolidated Electric Company. (Transcript, page 87):

✓ "The estimates which I have made rather show that almost from the beginning, or very soon from the time we take over the property, we will be able to earn the interest on these bonds. I don't think there will be any surplus in the beginning, but eventually we may earn some surplus and in that way in the end <sup>we</sup> make a profit."

5.- Assets and Liabilities of Operating Companies:

The operating companies report in exhibits attached to this application, assets and liabilities as of December 31, 1914, as follows:

ITEM	CENTRAL OAK- LAND LIGHT AND POWER COMPANY	CONSUMERS LIGHT AND POWER COMPANY	EQUITABLE LIGHT AND POWER COMPANY	SOUTHSIDE LIGHT AND POWER COMPANY	UNITED LIGHT AND POWER COMPANY (of California)	CONSOLIDATED BALANCE SHEET
CONSOLIDATION AND ACQUIREMENT ACCTS.	\$ 801,500.00	\$ 99,950.00	\$ 755,640.62	\$ 1,199,500.00	\$	\$ 6,461,580.62
Fixed Capital	1,183,054.31	490,509.28	690,352.59	50,000.00	467,152.68	2,881,069.06
Investments.	-	-	2,000.00	-	7,747,700.00	298,280.00
Treasury Securities	-	-	-	-	243,000.00	-
Cash and Deposits	957.20	60.00	-	-	3,612.50	4,629.70
Accounts Receivable	21,435.22	38,650.09	177,985.76	31,181.13	1,635,728.06	32,763.53
Notes Receivable	5,525.00	-	126.55	-	27,111.98	591,077.77
Interest and Dividends Receivable	-	-	-	-	-	240.00
Materials and Supplies	-	-	43.40	-	44,083.99	44,127.39
Other Current Assets	-	40.46	257.54	2.40	-	60.40
Perpetual Assets	-	-	15.00	-	16,566.66	15.00
Prepayments	3,229.19	3,721.28	3,673.73	75,367.37	27,652.20	39,408.69
Contingent Assets	4,930.00	4,742.05	-	4,130.82	-	13,802.87
Miscellaneous	-	-	-	-	10,000.00	10,000.00
Profit	90,087.69	-	25,707.34	81,486.53	175,475.77	345,728.56
<b>Total.....</b>	<b>\$2,110,718.61</b>	<b>\$637,673.16</b>	<b>\$ 1,656,002.53</b>	<b>\$ 1,441,668.25</b>	<b>\$10,398,084.04</b>	<b>\$ 10,722,783.59</b>
Capital Stock - Common	964,100.00	100,000.00	500,000.00	750,000.00	3,982,130.00	4,251,670.00
Capital Stock - Preferred	230,200.00	-	250,000.00	250,000.00	1,996,100.00	2,039,230.00
Bonded Debt	493,000.00	100,000.00	365,000.00	400,000.00	3,060,000.00	3,060,000.00
Accounts Payable	414,270.57	405,052.94	537,222.89	31,608.26	748,752.26	823,014.43
Notes Payable	-	3,000.00	-	-	414,491.79	417,491.79
Interest Accrued	4,108.32	1,250.00	3,650.00	10,000.00	42,255.00	44,696.66
Insurance Accrued	2.54	2.37	2.37	2.37	3.75	13.40
Amortized Premium on Debt	-	-	-	-	78,582.00	78,582.00
Reserves	107.18	79.08	127.27	57.62	101.16	472.31
Contingent Liabilities	4,930.00	1,250.00	-	-	1,433.00	7,613.00
Miscellaneous	-	-	-	-	74,235.08	-
Surplus	-	27,028.77	"	"	-	-
<b>Total.....</b>	<b>\$2,110,718.61</b>	<b>\$637,673.16</b>	<b>\$ 1,656,002.53</b>	<b>\$ 1,441,668.25</b>	<b>\$ 10,398,084.04</b>	<b>\$ 10,722,783.59</b>



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United Light and Power Company (of New Jersey) reports  
as of December 31, 1914, assets and liabilities as follows:

ASSETS:

Securities of System Corporation -----		\$4,760,311.36
Current Assets:		
Cash and Deposits -----	\$ 2,171.74	
Accounts Receivable -----	413,901.64	
Interest and Dividends re-		
ceivable -----	<u>301,680.00</u>	717,753.38
Interest and Dividends Receivable Accruing -----		, 34,245.00
Taxes Unearned -----		1,500.00
Contingent Assets -----		2,627,000.00
Corporate Deficit -----		<u>292,506.61</u>
	Total Assets -----	\$ 8,433,316.35

LIABILITIES:

Capital Stock -----		3,000,000.00
Funded Debt ----- 3 year notes, -----		1,618,000.00
Current Liabilities		
Audited Vouchers -----	\$ 38,841.42	
Matured Coupons -----	98,880.00	
Due U.L. & P. Co. (of Calif) ---	493,850.00	
Hanford Investment Company ---	<u>80,929.89</u>	712,501.31
Deferred Liabilities (Due Hanford Investment Co.)		998,503.68
Contingent Liabilities (Due Hanford		
Investment Co. U.L. & P. Co. Stock)	1,253,311.36	
Treasury Notes Pledged and Sold	12,000.00	
Due L/S agreement with Hanford		
Investment Co. dated 12/29/11--	<u>839,000.00</u>	<u>2,104,311.36</u>
	Total Liabilities -----	\$ 8,433,316.35

6. Value of Property of Operating Companies.

Applicants in Exhibit #12 report that the operating  
companies own or lease property as follows:

A- UNITED LIGHT AND POWER COMPANY ( CALIFORNIA)

GENERAL OFFICE #511 Sutter Street, San Francisco.

Leased from York Realty Company for Five Years from June 1,  
1914, at a total rental of \$17,700, payable at rate of \$275  
per Month during first year and \$300 per month during last  
four years.

Office Furniture and Equipment owned by United Light and Power Company.

WAREHOUSE. #469 Stevenson Street, San Francisco.

Rented from Whittell Realty Company @ \$100 per Month (No lease)

Office Furniture and Equipment, Material and Supplies in stock here, etc., owned by United Light and Power Company.

YERBA BUENA POWER STATION. 36th & Hannah Sts., Oakland.

This Plant supplies electric energy exclusively for operation of "Key Route" System of San Francisco-Oakland Terminal Railways.

Generating Capacity 7,350 K.W.  
Available Boiler Capacity 5,500 H.P.

Plant is leased from San Francisco-Oakland and San Jose Con. Railway for 10 years from December 30, 1911.

Materials and supplies, tools, etc. equity in storage batteries is property of United Light and Power Company.

SOUTHSIDE STEAM AND ELECTRIC PLANT. #120 Minna St. San Francisco.

Real Estate, improvements and all equipment is owned by United Light and Power Company and leased to Southside Light & Power Company.

B- CONSUMERS LIGHT AND POWER COMPANY.

MAIN STEAM AND ELECTRIC PLANT. Whitney Building, #133 Geary St. San Francisco.

This Plant furnishes steam and electricity to the System.

Generating Capacity 725 K.W.  
Boiler Capacity 880 H.P.

Basement in Whitney Building is leased for 20 years from April 1, 1908. Rental \$115,000, payable in 230 equal monthly payments of \$500 each from February 15, 1909.

With the exception of certain apparatus as specified in lease, all equipment is owned by the Consumers Light and Power Company.

STEAM PLANT- SUB-STATION- Marx Hotel, Cor. Powell and O'Farrell Sts. San Francisco.

This plant furnishes steam only, to the system operating only during winter months.

Boiler Capacity- 120 H.P. which is used to feed the steam system.

Basement in Marx Hotel is leased for 5 years from August 1, 1910. Equipment was installed by Consumers Light and Power Company but is now owned by Marx Hotel Company, having been purchased by said Hotel Company for \$1,700. In consideration of above Consumers Light and Power Company furnishes steam and electric current to Hotel Company for \$400 per month.

STEAM PLANT- SUB-STATION. Charleston Bldg. Bush & Kearny Ste.  
San Francisco.

This Plant furnishes steam only to the system, operating only during winter months.

Boiler Capacity 40 H.P. which is used to feed the Steam System.

Basement in Charleston Building is leased for 5 years from Sept. 30, 1910. Annual rental \$200.00, payable \$16.65 monthly.

Equipment consisting of one high pressure boiler and appurtenances is the property of Charleston Building.

In consideration of above, Consumers Light and Power Company furnishes Charleston Building with Steam and Electric Current for \$500 per year.

C- EQUITABLE LIGHT AND POWER COMPANY.

MAIN STEAM AND ELECTRIC PLANT- Phelan Bldg. Cor. O'Farrell and Market Sts., San Francisco.

This Plant furnishes steam and electricity to the System.

Generating Capacity 1,000 K.W.  
Boiler Capacity 1,000 H.P.

Basement in Phelan Building is leased for 25 years from January 2, 1909. Rental \$147,500 payable as follows:

\$300 per Mo. from Jan 2, 1909 to Jan. 1, 1910.  
\$500 per Mo. from Jan. 2, 1910 to Jan. 2, 1934.

Equipment is owned by Equitable Light and Power Company.

STEAM PLANT- SUB-STATION- Westbank Building, Ellis & Market Sts.  
San Francisco.

This Plant furnishes steam only to the system, operating only during winter months, excepting emergency cases.

Boiler capacity 120 H.P. which is used to feed steam system.

Basement in Westbank Building is leased for 10 years from August 16, 1909, also 2 boilers and appurtenances owned by Westbank Building, for which Equitable Light and Power Company pays rental of \$100 per month.

All electrical equipment is owned by Equitable Light and Power Company.

In consideration of above, Equitable Light and Power Company furnishes steam and electric current to Westbank Building for \$400 per month.

D- SOUTHSIDE LIGHT AND POWER COMPANY

MAIN STEAM AND ELECTRIC PLANT. #120 Minna St. San Francisco.

This Plant furnishes steam and electricity to the system.

Present Generating Capacity 1,000 K.W.  
Present Boiler Capacity 1,000 H.P.

Auxiliaries and steam headers installed for an ultimate capacity of 4,000 K.W.

Real Estate, improvements, and all equipment is leased from United Light and Power Company. (The holding company).

E- CENTRAL OAKLAND LIGHT AND POWER COMPANY.

OFFICE- #1704 Broadway, Oakland, California.

Leased from Lucy Fay Thomson, for five years from July 29th, 1914, for \$6,000, payable at rate of \$100 per month.

Office furniture and equipment owned by Central Oakland Light and Power Company.

MAIN GENERATING PLANT- 2nd and Alice Sts. Oakland, Cal.

This Plant supplies alternating current only to system (No Steam).

Total Generating Capacity 2000 K.W.  
Total Boiler Capacity 1488 H.P.

Real Estate, improvements and equipment consisting of lot, generating station, sub-station, warehouse, garage, and machine shop all owned by Central Oakland Light and Power Company.

STEAM AND ELECTRIC- SUB-STATION- St. Mark Hotel, 12th & Franklin Sts., Oakland, Cal.

This plant furnishes all steam and electric direct current supplied by Central Oakland Light and Power Company.

Generating Capacity 75 K.W.  
Boiler Capacity 240 H.P.

Basement in St. Mark Hotel is leased for 15 years from March 31, 1910, at \$125 per month.

With exception of certain apparatus as specified in the lease, all equipment is owned by Central Oakland Light and Power Company.

In consideration of above, Central Oakland Light and Power Company furnishes steam, electricity, and water to St. Marks Hotel for \$810 per month.

F- DISTRIBUTION SYSTEM - SAN FRANCISCO

STEAM DISTRIBUTION SYSTEM - Underground.

Approximately 25,570 feet of pipe in various sizes, of which 1,975 feet runs through the basements of buildings, giving a net total of 23,595 feet of pipe laid in the streets or an equivalent of 4.5 miles in the streets.

For details see report of Francis E. Wilkinson on file with application.

ELECTRIC DISTRIBUTION SYSTEM - Underground.

Approximately 26,146 feet of electric line in the streets or an equivalent of 5 miles in the streets. Electric Distribution system follows the steam in the same trenches with exception of certain lines as shown in detailed report of Francis E. Wilkinson.

The above Steam and Electric Distribution System is owned jointly by the Consumers Light and Power Company, Equitable Light and Power Company and United Light and Power Company (leased to Southside Light and Power Company) and the lines of the different Companies are "tied in" in such manner that it is impossible to allocate consistently the ownership of each individual Company.

G - DISTRIBUTION SYSTEM - OAKLAND:

STEAM DISTRIBUTION SYSTEM - Underground.

Approximately 4,200 feet of pipe in various sizes or an equivalent of .8 miles in the streets.

For detail see report of Francis E. Wilkinson on file with application.

ELECTRIC DISTRIBUTION SYSTEM: -

Overhead System

50,760 feet or 9.6 miles.

Underground System

15,450 feet or 2.9 miles.

Included in the overhead system is an 11 K.V. line to Idora Park, which is approximately 4.5 miles in length. Deducting this distance from the total overhead gives a figure of 5.1 miles as the length of the overhead system in Oakland.

For detail see report of Francis E. Wilkinson on file with application.

Steam mains in Oakland are laid in separate trenches from the electric mains.

The original cost of the various properties is estimated by the applicants to have been \$2,800,000. Applicants' Exhibit No. 10, prepared by Mr. Francis E. Wilkinson, an engineer in the employ of the Great Western Power Company, estimates the reproduction cost of the properties at \$2,221,242.83 and the present value at \$1,972,894.36. Mr. Gaskill S. Jacobs, of the electrical engineering department of this Commission, estimates the reproduction cost of these properties at \$1,556,746, and the present value at \$1,330,367.

Subsequent to the hearing the applicants filed a statement by Mr. Frederick G. Cartwright, to a large extent in agreement with the calculations by Mr. Wilkinson. Mr. Cartwright had revised the figures of Mr. Jacobs, and on the basis of this revision calculated the reproduction cost of these properties at \$2,127,241 and the present value at \$1,818,793. The applicants also filed a statement prepared by Mr. A. M. Hunt, Consulting Engineer, in which he directed attention to unusual cost units in connection with the construction of the properties of United Light and Power Company (of California) and its affiliated subsidiary corporations. The statements of Mr. Cartwright and Mr. Hunt, having been filed after the hearing, were not subjected to the scrutiny given the statements produced at the hearing. Mr. Cartwright and Mr. Hunt were not offered as witnesses by the applicants.

The examination of Mr. Wilkinson developed certain features of his appraisal that are clearly subject to general revision. Certain elements of Mr. Jacobs' estimate are also subject to revision.

The highest estimate of present value which the applicants offered was contained in Mr. Wilkinson's testimony and

amounted, as heretofore mentioned, to \$1,972,894.36. I am of the opinion from a study of these figures and from the evidence of Mr. Wilkinson on cross-examination that detailed and exact finding of value would require a substantial reduction of this figure.

In connection with the estimates of value submitted by the applicants, many matters bearing on value must be taken into consideration, including the fact that much of this property is on leased sites. Some of the property itself is held under lease. Additions and permanent improvements have been built upon leased real estate. If I were to make an exact finding of value I should take into account this and kindred features of this situation which affect very decidedly the real value of these properties.

However, on the showing made by the applicants themselves, there are insufficient property values to sustain the amount of securities which it is proposed to issue. To state the case briefly, the highest estimate of present value which these applicants have submitted is the sum of \$1,972,894.36. At the same time this application is a request for authority to issue bonds in the sum of \$2,593,000. On the face of the showing made by the applicants themselves, they ask for authority to issue bonds approximately 33-1/3 per cent. greater than their own estimate of the value of the property. We are obliged to look elsewhere, therefore, for a basis upon which to sustain this application.

Although the applicants insistently urged the matter of valuation in connection with this proceeding, I am frank to say that did the entire matter rest upon this one issue I should be obliged to recommend that the application be denied.

I have chosen, however, to look at this situation in its broader aspects. This matter has been presented as an effort to reorganize companies in a general condition of bankruptcy, if not in actual bankruptcy. They have defaulted in the interest on their bonds, and are accumulating a growing deficit, and their outstanding obligations far exceed their tangible property.

It has been urged that this Commission should authorize the securities which it is proposed to issue on the ground that it would result in a lessening of the obligations now outstanding. This, of course, could only be persuasive if the result would be a solvent corporation. It is my belief, however, that if the United Light and Power Company and affiliated corporations were obliged to stand alone, the reduction of indebtedness as herein proposed would still leave insolvent institutions which must sooner or later again encounter financial distress. It would avail little to authorize a reorganization of a financial wreck if the reorganized concern itself were a financial ruin at its very inception.

It seems to me the better policy for this Commission to announce its willingness to give its consent to such a reorganization as would leave a public utility in an improved <sup>financial</sup> condition, provided, always, that the utility as reorganized shall be at least solvent.

On the showing as presented by the applicants, the United Light and Power Company (of California) with its subsidiaries, as reorganized, standing by themselves, would not be such solvent corporations.

There remains, therefore, the final basis for this application, and that is the guarantee of the Great Western Power Company. It is proposed in this application that the properties now held by the United Light and Power Company (of California) and its subsidiary corporations shall pass into the hands of a new



corporation to be known as "Consolidated Electric Company," and that the stock of the Consolidated Electric Company shall be owned by the Great Western Power Company. It is further proposed that the Great Western Power Company shall guarantee as to interest and principal the bonds which it is intended that the Consolidated Electric Company shall issue. If this is a firm guarantee, executed in good faith, as appears to be the intent, and fully fortified, it will serve to place the strength and credit of the Great Western Power Company behind the bonds of the Consolidated Electric Company.

While no appraisal of the properties of the Great Western Power Company has been submitted to this Commission, the affairs of this corporation have been reviewed in previous proceedings. This corporation has an outstanding bonded indebtedness of approximately \$22,425,000. It is urged on behalf of the Great Western Power Company that it has the financial ability to take care of such overplus of bonds as there may be in this situation beyond the value of the properties which the United Light and Power Company (of California) and its subsidiary corporations propose to transfer to the Consolidated Electric Company.

If we assume that Mr. Wilkinson's appraisal is correct, the overplus of bonds will amount to \$621,000.00. If we assume the appraisal of Mr. Jacobs to be correct, the overplus of bonds will amount to \$1,263,000.00. Under the showing as presented, therefore, the minimum which it may be assumed could be classed as chargeable against the Great Western Power Company would be \$621,000.00 of these bonds and the maximum \$1,263,000.00.

It has been urged by the Great Western Power Company that the unification of these properties and their absorption into the Great Western Power Company's system would result through unified administration in special benefits to the Great Western Power Company, which would not accrue to any other electric corporation in a position to purchase them.

Mr. Mortimer Fleishacker, President of the Great Western Power Company, testified that a great saving could be made in the operation of the property now held by United Light and Power Company (of California) and its subsidiary corporations; that the contract for the sale of power to the San Francisco-Oakland Terminal Railways would be a very profitable one to the Great Western Power Company; and that the additional steam service to be obtained through the acquisition of certain of the steam plants in San Francisco would increase the earning possibilities of the City Electric plant, in subsidiary ownership of the Great Western Power Company. It was further urged on behalf of the Great Western Power Company that the acquisition of the United Light and Power Company properties would give it access to very desirable business in the central part of the City of Oakland. Mr. Fleishacker made the following statement in advocacy of the acquisition of these properties by the Great Western Power Company: (See Transcript, pages 84-85-86 and 87).

"In the first place, answering your question about the idea of junking this plant, I can say that we have no definite idea in regard to junking any of the plants. Our only idea in doing that would be provided we could find a more economical method of producing the same results. In other words, if we can produce this current at some future time or the steam for steam heating at a less cost than the existing companies are producing it, we might decide to alter the present methods of production and discontinue the use of this property as it is now being used, but only to such an extent; my own idea is that we will one way or another continue to use these plants. We may not use them exactly as they are being used now. Some of them will be used as auxiliary plants, but I think we will continue to use them to a great extent. We will use the property wherever we can and we will endeavor not to discard any of them. I think, as a matter of fact, in the practical working out we will not discontinue the use of very much of it. Some of it may be moved from one place to another. In answering Senator Earl's question more specifically, my idea is that by combining this property with the existing system of the Great Western Power Company, we can work out many economies, and while this property is now in the red, and in operating as an independent property probably always

will be in the red, and perhaps get more so as the property gets older, by incorporating it in the Great Western Power Company's system we can greatly reduce or materially reduce the expensive operation. In the first place, it happens that this property is more or less intermingled with the entire Great Western Power Company's system. In San Francisco, for example, we have a business office, the Great Western Power Company has solicitors and auditors and a bookkeeping department, and we can take this right over. It will eliminate the question of salesmanship entirely. The customers are right on our lines and we can handle this business with very little additional overhead, and in that way we think we can eliminate the red entirely and show a slight profit to begin with on the basis that we have made our offer, and this will justify our guarantee of the bonds. Our idea in using as much of the physical property as possible would naturally be so as not to have to resort to this guarantee, to make the property pay for itself, and so the Great Western Power Company will not be obliged to advance any of this money or to supplement the interest charges which we are taking upon ourselves. And the estimates which I have made rather show that almost from the beginning, or very soon from the time we take over the property, we will be able to earn the interest on these bonds. I don't think there will be any particular surplus in the beginning, but eventually we may earn some surplus, and in that way in the end make a profit."

If this were an entirely independent financial proposition, I should recommend to this Commission that it should not place its sanction upon the financial plan as outlined. I am willing to recommend a different determination of this matter on the sole ground of the willingness of Great Western Power Company, through its guarantee, to assume such additional obligations as may be herein involved and its assurance of its financial ability to assume these burdens. Of course, such a recommendation does not contain any recognition of the value of the properties involved in this matter other than their actual value, as that may be determined by this Commission when it shall find it necessary to determine such value. I have purposely avoided such a determination, merely summarizing the estimates which have been presented.

If it becomes necessary hereafter for this Com-

mission to make findings as to rates for Consolidated Electric Company, such findings, of course, must be made in the usual and approved method and based upon the value of the property used and useful in the service.

The evidence of the financial ability of the Great Western Power Company, to a large extent, is the measure of its earnings as shown in its reports rendered to this Commission. For the calendar years 1913 and 1914, Great Western Power Company has submitted to this Commission the following statement of earnings and expenses:

I T E M S	Year Ended December 31, 1913.	Year Ended December 31, 1914.
OPERATING REVENUES. . . . .	\$1,845,702.58	\$1,989,936.30
OPERATING EXPENSES: . . . . .	534,090.17	457,794.77
Net Operating Revenue . . . . .	1,311,612.41	1,532,141.53
OTHER INCOME . . . . .		
Misc. Interest Revenues - 2 . . . . .	245,341.54	266,082.03
Interest on funded debt owned . . . . .	697.92	173.50
Misc. Rent . . . . .	6,849.10	9,915.00
Misc. Non-Operating Revenue . . . . .	6,067.50	
Total Other Income. . . . .	258,956.06	276,170.53
GROSS CORPORATE INCOME. . . . .	1,570,568.47	1,808,312.06
<u>DEDUCTIONS:</u>		
Interest Accrued on Funded Debt . . . . .	999,678.34	1,048,810.89
Other Interest Deductions . . . . .	49,575.33	57,888.18
Rent . . . . .	250,736.46	250,512.81
Uncollectible Bills . . . . .	4,218.89	6,084.05
Amortization of debt discount and expense . . . . .	- - - - -	3,531.80
Total Deductions . . . . .	1,304,209.02	1,366,827.73
Surplus for year carried to corporate surplus account . . . . .	266,359.45	441,484.33
Surplus beginning year . . . . .	543,930.21	826,594.27
Brought forward from Income Account . . . . .	266,359.45	441,484.33
Miscellaneous Additions . . . . .	32,085.26	745.38
Miscellaneous Deductions . . . . .	15,780.65	100,245.41
Surplus End of Year . . . . .	826,594.27	1,168,578.57

It appears from the testimony in this proceeding

that the creditors, with a few exceptions, have signified in written form their agreement to the plan of reorganization as herein proposed. Out of a total of \$2,975,905.96 represented by creditors all but the holders of less than \$1,000.00 have received payment or have joined in the plans of reorganization and have expressed in writing their willingness to accept in lieu of their present holdings the new securities which it is proposed that the Consolidated Electric Company shall issue. This plan appears to have the sanction of all interests directly involved and if, consistently, this Commission can approve its adoption, it is my desire and belief that the Commission should do so. This Commission, of course, could not be properly importuned to approve this plan if it contemplated an undue or unusual burden upon the present patrons of either United Light and Power Company and its subsidiaries or of the Great Western Power Company and its subsidiaries.

It will be my purpose to recommend in the order that such authorization as may be given shall contain the reservation that such issue of securities as may be approved shall not either directly or indirectly be used as a basis to place an additional cost or burden upon any consumer or patron of any of the utilities herein concerned, beyond such cost as should properly be imposed, based upon the fair value of the properties involved.

It has been the experience of this Commission that a guarantee may be either an empty guarantee of words or a contract to be performed in good faith. We take it, of course, that in offering to guarantee the principal and interest of the bonds of Consolidated Electric Company, the

Great Western Power Company means in good faith to stand sponsor if need be for these bonds.

In fact, the plan outlined in the submission of this matter to the Commission provides for the purchase by Great Western Power Company of \$400,000 of the bonds of Consolidated Electric Company which it is herein proposed to issue.

This agreement on the part of the Great Western Power Company is expressed in a contract with Mr. E. W. Wilson (marked Exhibit No. 6) in connection with this application. This contract provides that the Great Western Power Company shall purchase from E. W. Wilson, or his nominee or nominees, at par, \$400,000 face value of bonds of Consolidated Electric Company, as follows:

\$100,000 face value to be purchased upon the execution of the agreements conveying the property herein referred to from E. W. Wilson to Consolidated Electric Company.

100,000 to be purchased within twelve months after said conveyance.

100,000 face value to be purchased within two years after said conveyance.

100,000 face value to be purchased within three years after said conveyance.

The effect of this contract is to bind the Great Western Power Company to acquire from the present creditors of United Light and Power Company (of California) and of United Light and Power Company (of New Jersey) \$400,000 face value of the bonds which Consolidated Electric Company desires to issue to them. If this agreement is carried out, it will, within three years, have reduced the bonds which the plan now under submission contemplates shall be outstanding against

Consolidated Electric Company and its subsidiaries in the hands of the general public from \$2,593,000 to \$2,193,000. It is intended also that \$71,000 of the Consolidated Electric Company's bonds shall be issued to Great Western Power Company in exchange for its guarantee and also for the purpose of making up the discount to reimburse the Great Western Power Company for such discount allowance in the purchase of \$400,000 of bonds. As this \$71,000 of bonds pass into the hands of Great Western Power Company, they will serve to reduce the remaining bonds of Consolidated Electric Company outstanding to the amount of \$2,122,000. As Great Western Power Company will be the owner of the stock of Consolidated Electric Company, this plan gives a much more favorable aspect to the proposals herein presented.

The mortgage or deed of trust submitted by Consolidated Electric Company contains no provision for a sinking fund. It will be possible, however, that the plan under which the Great Western Power Company proposes to acquire the bonds of Consolidated Electric Company may operate to fulfill in a large part the functions of a sinking fund. A light additional sinking fund and an expression of the guarantee in concrete form would appear to be desirable so that the Commission might give its approval to the general plan under consideration.

Protests have been filed in this matter by persons who urge that they have claims against the United Properties Company and assert that the United Properties Company is interested in the stock of the United Light and Power Company (of New Jersey) and, therefore, in its subsidiaries. These protestants maintain that if the properties

are allowed to be transferred, as is herein requested, they will be injured to the extent that assets upon which they now look for relief may be removed beyond their power to recover.

I would be inclined to go into this more deeply were it not for the fact that the evidence before me does not lead me to believe that there is value in the stock of the United Light and Power Company (of California) or of the United Light and Power Company (of New Jersey). On the contrary, the investigations which have been made and the evidence which has been introduced have led me to the conclusion that these companies have an indebtedness beyond the value of their properties and are operating at a loss.

It would avail nothing, as I understand this matter, if this stock were available for the creditors of the United Properties Company, as I do not believe there is value therein. I take this position in regard to these protestants more readily by reason of the fact that they may, of course, have recourse to the proper tribunal to protect whatever rights they have in this matter.

A protest has also been filed in this matter by certain minority stockholders of the Central Oakland Light and Power Company. They protest that the transaction as proposed gives them nothing for their stock, although they allege that they have paid cash therefor. If it appears that the sale of these properties was regularly authorized by the controlling stock interests according to law, and in the absence of an allegation of fraud, it is difficult for me to see upon what basis this Commission could give heed to the request of the minority interests of this stock as against the controlling majority interests.



While it may be that the minority stockholders in the Central Oakland Light and Power Company may not under this plan attain what they believe to be their due, they have not presented sufficient evidence upon which this Commission may act. They have directed the Commission's attention to their situation but have not supported their claims by evidence upon which this Commission can base a finding that their interests are being sacrificed.

In this proceeding Consolidated Electric Company has also petitioned the Commission for authority to execute a contract (marked Exhibit No. 4) for delivery of electric energy to the San Francisco-Oakland Terminal Railways.

The San Francisco-Oakland Terminal Railways is now purchasing power from United Light and Power Company (of California) under a contract, the reasonableness of which is now under consideration by the Commission in Case No. 779. In the present proceeding Consolidated Electric Company asks this Commission to approve a contract to which the San Francisco-Oakland Terminal Railways has not subscribed. It would be idle for this Commission to approve a contract to which both parties have not subscribed and, therefore, I am obliged to recommend the dismissal of that portion of this application.

In this application Consolidated Electric Company also requests authority to issue 100 shares of its capital stock at the par value of \$100.00 per share. This will be the entire issue of capital stock of this Company. It is proposed to issue this stock, with the exception of enough shares to qualify directors, to Great Western

Power Company. As this is only a nominal amount, intended merely as representative of ownership of the equity, I shall recommend that this portion of the application be granted.

I am mindful of the fact that the nature of the lease, under the terms of which United Light and Power Company (of California) holds possession of and operates the Yerba Buena steam plant of the San Francisco-Oakland Terminal Railways, is subject to serious objection, as is more particularly specified in the findings and order of this Commission in Case No. 779. Any authority herein given as to the transfer of this lease, or contracts involved therein or in connection therewith, must be given, of course, with the reservation that this Commission does not, by such authority, in any degree place its approval upon that lease or the agreements or contracts in connection therewith. The authorization will merely permit the United Light and Power Company (of California) to transfer to Mr. E. W. Wilson, and will permit Mr. E. W. Wilson thence to transfer to Consolidated Electric Company such leaseholds, contracts or agreements to which United Light and Power Company (of California) may be a party in connection with its operation of the Yerba Buena steam plant. This Commission will, of course, reserve any authority it may have to pass upon the reasonableness of such matters involved in these leases, agreements or contracts which may come within its jurisdiction.

In accordance with the findings<sup>as</sup>/set forth in the foregoing opinion, I ~~recommend that the application be granted and~~ submit the following form of order:

O R D E R

United Light and Power Company (of California),  
Equitable Light and Power Company, Consumers Light and Power  
Company, Southside Light and Power Company, Central Oakland

Light and Power Company, United Light and Power Company (of New Jersey), Consolidated Electric Company, Great Western Power Company and E. W. Wilson having applied to this Commission for an order authorizing the following:

1. United Light and Power Company (of California), Equitable Light and Power Company, Consumers Light and Power Company, Southside Light and Power Company, Central Oakland Light and Power Company, and United Light and Power Company (of New Jersey), to sell, transfer and convey to E. W. Wilson, of the City and County of San Francisco, all their property of every kind whatsoever;
2. E. W. Wilson to transfer and Consolidated Electric Company to purchase from said E. W. Wilson said property;
3. Consolidated Electric Company to execute a mortgage and deed of trust in the form filed herewith to secure the payment of the principal and interest upon its five per cent. 40 year gold bonds in the aggregate face amount of \$3,000,000.
4. Consolidated Electric Company to issue all of its capital stock consisting of 100 shares of the par value of \$100 per share to Great Western Power Company, excepting such shares as may be necessary to qualify directors;
5. Consolidated Electric Company to issue its five per cent. 40 year gold bonds to be secured by said mortgage in the face amount of \$2,593,000, and to use said bonds or the proceeds thereof for the following purposes:
  - a- \$ 2,207,000 face value of bonds to be delivered to E. W. Wilson in payment of the purchase price of properties hereinbefore described;
  - b- \$ 243,000 face value of bonds to be issued from time to time in exchange for a like amount of bonds of Consumers Light and Power Company and of Central Oakland Light and Power Company;
  - c- \$ 71,000 face value of bonds to be issued to Great Western Power Company in part consideration for the guarantee by said Great Western Power Company of the principal and interest upon the bonds of Consolidated Electric Company, and the performance of a proposed contract between Consolidated Electric Company and San Francisco-Oakland Terminal Railways;

- d- \$, 72,000 face value of bonds to be issued for the payment of expenses incident to rehabilitating the aforesaid properties to be purchased from said E. W. Wilson;
6. Great Western Power Company to guarantee the payment of the principal and interest upon the bonds of Consolidated Electric Company, to be issued under the aforesaid mortgage or deed of trust;
7. Great Western Power Company to purchase \$400,000 face value of bonds of Consolidated Electric Company from E. W. Wilson as per agreement marked Exhibit No. 6 attached to this application;
8. Consolidated Electric Company to execute a contract marked Exhibit No. 4, for the delivery of electric energy to the San Francisco-Oakland Terminal Railways;
9. Great Western Power Company to guarantee the performance by Consolidated Electric Company of the contract referred to in paragraph 8;
10. Great Western Power Company to purchase the capital stock of Consolidated Electric Company as aforesaid;
11. E. W. Wilson to acquire:
- a- 9,248 shares of the par value of \$10 each of common stock of Consumers Light and Power Company.
  - b- 50,000 shares of the par value of \$10 each of common stock of Equitable Light and Power Company.
  - c- 25,000 shares of the par value of \$10 each of preferred stock of Equitable Light and Power Company.
  - d- 70,208 shares of the par value of \$10 each of common stock of Central Oakland Light and Power Company.
  - e- 18,707 shares of the par value of \$10 each of preferred stock of Central Oakland Light and Power Company.
  - f- 75,000 shares of the par value of \$10 each of common stock of Southside Light and Power Company.
  - g- 25,000 shares of the par value of \$10 each of preferred stock of Southside Light and Power Company.
  - h- 30,000 shares of the par value of \$100 each of common stock of United Light and Power Company (of New Jersey).
  - i- 398,213 shares of the par value of \$10 each of the common stock of United Light and Power Company (of California).

4- 199,610 shares of the par value of \$10 each of preferred stock of United Light and Power Company (of California);

12. E. W. Wilson to sell and Consolidated Electric Company to purchase the stock of the companies mentioned in the last preceding paragraph.

and a public hearing having been held, and it appearing that the public interests will be served by the sale and conveyance of these properties, and by the execution of the contracts and guarantees as set forth in the foregoing opinion, and that the stocks and bonds which the applicants herein propose to issue are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that United Light and Power Company (of California), Equitable Light and Power Company, Consumers Light and Power Company, Southside Light and Power Company, Central Oakland Light and Power Company, and United Light and Power Company (of New Jersey) be granted authority, and they are hereby granted authority, to sell, transfer and convey to E. W. Wilson, of the City and County of San Francisco, all of their property of every kind whatsoever;

IT IS FURTHER ORDERED that E. W. Wilson be granted authority, and he is hereby granted authority, to transfer to Consolidated Electric Company the properties of United Light and Power Company (of California), Equitable Light and Power Company, Central Oakland Light and Power Company and United Light and Power Company (of New Jersey) referred to in the foregoing paragraph;

IT IS FURTHER ORDERED that Consolidated Electric Company be granted authority, and it is hereby granted authority, to execute a mortgage and deed of trust substantially in the form filed in connection with the application herein and marked Exhibit No. 7, said mortgage and deed of trust being in the form

of an indenture between Consolidated Electric Company and Anglo-California Trust Company of San Francisco, Trustee, as security for the payment of the principal and interest upon the proposed issue of \$3,000,000 of five per cent. forty-year gold bonds; provided that provision shall be made in said trust indenture for a sinking fund to apply toward the retirement of the bonds to be issued under said trust agreement, said sinking fund to consist annually, beginning in 1920, of a sum sufficient to retire not less than one per cent. of the bonds outstanding under said trust indenture, said sum to be applied annually to the retirement of the bonds issued under said trust indenture in such amount that the bonds retired annually shall not be less than one per cent. of the whole amount of the bonds then outstanding.

IT IS FURTHER ORDERED that Consolidated Electric Company be granted authority, and it is hereby granted authority, to issue to Great Western Power Company 100 shares of its capital stock of the par value of \$100 per share, or to issue any part of said 100 shares to such persons as Great Western Power Company may designate to act as directors of Consolidated Electric Company;

IT IS FURTHER ORDERED that Consolidated Electric Company be granted authority, and it is hereby granted authority, to issue \$2,593,000 face value of its five per cent. forty-year bonds under its mortgage and deed of trust to Anglo-California Trust Company, Trustee, (a copy of which has been filed as Exhibit No. 7 in connection with this application) to which reference is hereby made, said bonds to be delivered as follows:

- a- \$ 2,207,000 face value of said bonds to be delivered to E. W. Wilson in payment of the purchase price of the properties to be conveyed by E. W. Wilson to Consolidated Electric Company; on the condition that said \$2,207,000 of bonds to be issued to E. W. Wilson shall be used by said Wilson for the purpose of making a settlement with the secured and unsecured creditors of United Light and Power Company (of California) and of United Light and Power Company (of New Jersey) in accord-

ance with the terms of said proposed settlement as filed by the applicants herein and as more specifically set forth in the foregoing opinion.

b- \$ 243,000 face value of said bonds to be issued from time to time in exchange for the purpose of paying \$100,000 face value of bonds of Consumers Light and Power Company and \$143,000 face value of bonds of Central Oakland Light and Power Company; said \$243,000 of bonds to be so issued that for every bond of Consolidated Electric Company issued under this section of the order there shall be paid, discharged or retired a bond of like amount of Consumers Light and Power Company or of Central Oakland Light and Power Company.

c- \$ 71,000 face value of bonds to be issued to Great Western Power Company in part consideration for the guarantee by said Great Western Power Company and more specifically to provide an equitable discount at which Great Western Power Company shall repurchase \$400,000 of bonds herein authorized to be issued; provided, the \$71,000 of bonds herein authorized to be issued to Great Western Power Company shall be held by Great Western Power Company in a special fund which shall constitute a special sinking fund, and the bonds placed therein shall be cancelled, or provided that Great Western Power Company shall place said \$71,000 of bonds with the trustee under the mortgage to be executed by Consolidated Electric Company to be held by said Trustee as a special sinking fund.

d- \$ 72,000 face value of said bonds to be issued for the purpose of raising funds which shall be used in the rehabilitation of the properties to be acquired under this order by Consolidated Electric Company or for additions and betterments to said properties, said bonds to be sold at not less than 80 per cent of their face value plus accrued interest thereon.

IT IS FURTHER ORDERED that Great Western Power Company be granted authority, and it is hereby granted authority, to guarantee the payment of principal and interest upon the bonds herein authorized to be issued by Consolidated Electric Company and which may hereafter be issued by Consolidated Electric Company under its mortgage and deed of trust to Anglo-California Trust Company, Trustee, heretofore referred to as Exhibit No. 7.

IT IS FURTHER ORDERED that Great Western Power Company be granted authority, and it is hereby granted authority, to purchase \$400,000 face value of bonds of Consolidated Electric Com-

pany from E. W. Wilson, or his nominees, in accordance with an agreement between said Consolidated Electric Company and said E. W. Wilson, filed with the application herein and marked Exhibit No. 6, on the condition that said \$400,000 of bonds when purchased shall be held by Great Western Power Company in a special fund as a sinking fund, and that such bonds when placed in said special sinking fund shall be cancelled, or on the condition that Great Western Power Company shall place said \$400,000 of bonds when purchased with the Trustee under the mortgage to be executed by Consolidated Electric Company to secure the payment of its bonds, said \$400,000 of bonds to be held in a special sinking fund by said Trustee;

IT IS FURTHER ORDERED that the application of Consolidated Electric Company that this Commission approve the proposed contract for the sale of electric energy to San Francisco-Oakland Terminal Railways, filed in connection with the application herein as Exhibit No. 4, be dismissed, for the reason that San Francisco-Oakland Terminal Railways is not a party to the application for the approval of said contract, such dismissal to be without prejudice to the right of Consolidated Electric Company to renew such application when it shall have obtained the signature of San Francisco-Oakland Terminal Railways to such contract;

IT IS FURTHER ORDERED that the application of Great Western Power Company to guarantee the performance by Consolidated Electric Company of the contract for the sale of electric energy referred to in the foregoing paragraph be dismissed without prejudice to the right of Great Western Power Company to renew such application when Consolidated Electric Company and San Francisco-Oakland Terminal Railways shall have reached an agreement and shall have applied to this Commission jointly for the approval of a contract for the sale of electric



energy by Consolidated Electric Company to said San Francisco-Oakland Terminal Railways;

IT IS FURTHER ORDERED that Great Western Power Company be granted authority, and it is hereby granted authority, to purchase 100 shares of the capital stock of Consolidated Electric Company of the par value of \$100 per share, or such part thereof as it may desire to acquire, provided that Great Western Power Company shall acquire and purchase not less than ninety-five shares of said stock;

IT IS FURTHER ORDERED that E. W. Wilson be granted authority, and he is hereby granted authority, to acquire the following stocks:

- a- 9,248 shares of the par value of \$10 each of common stock of Consumers Light and Power Company;
- b- 50,000 shares of the par value of \$10 each of common stock of Equitable Light and Power Company;
- c- 25,000 shares of the par value of \$10 each of preferred stock of Equitable Light and Power Company;
- d- 70,208 shares of the par value of \$10 each of common stock of Central Oakland Light and Power Company;
- e- 18,707 shares of the par value of \$10 each of preferred stock of Central Oakland Light and Power Company;
- f- 75,000 shares of the par value of \$10 each of common stock of Southside Light and Power Company;
- g- 25,000 shares of the par value of \$10 each of preferred stock of Southside Light and Power Company;
- h- 30,000 shares of the par value of \$100 each of common stock of United Light and Power Company (of New Jersey);
- i- 398,213 shares of the par value of \$10 each of common stock of United Light and Power Company (of California);
- j- 199,610 shares of the par value of \$10 each of preferred stock of United Light and Power Company (of California).

IT IS FURTHER ORDERED that Consolidated Electric Company be granted authority, and it is hereby granted authority, to acquire the following stocks:

- a- 9,248 shares of the par value of \$10 each of common stock of Consumers Light and Power Company;
- b- 50,000 shares of the par value of \$10 each of common stock of Equitable Light and Power Company;
- c- 25,000 shares of the par value of \$10 each of preferred stock of Equitable Light and Power Company;
- d- 70,208 shares of the par value of \$10 each of common stock of Central Oakland Light and Power Company;
- e- 18,707 shares of the par value of \$10 each of preferred stock of Central Oakland Light and Power Company;
- f- 75,000 shares of the par value of \$10 each of common stock of Southside Light and Power Company;
- g- 25,000 shares of the par value of \$10 each of preferred stock of Southside Light and Power Company;
- h- 30,000 shares of the par value of \$100 each of common stock of United Light and Power Company (of New Jersey);
- i- 398,213 shares of the par value of \$10 each of common stock of the United Light and Power Company (of California);
- j- 199,610 shares of the par value of \$10 each of preferred stock of the United Light and Power Company (of California);

The authority herein granted as to all of the specific authorizations herein recited is given upon the following conditions, and not otherwise:

1. A good and sufficient deed shall be given to E. W. Wilson for the properties herein authorized to be transferred to him, and a good and sufficient deed shall be given by Mr. Wilson for all of the properties herein authorized to be transferred by him to Consolidated Electric Company.

2. Great Western Power Company shall carry out in good faith its guarantee of the payment of principal and interest of the bonds herein authorized to be issued and shall also carry out in good faith its contract with E. W. Wilson to purchase \$400,000 of the bonds herein authorized to be issued.

3. Great Western Power Company shall execute an indenture with the trustee under the deed of trust securing the

bonds to be issued by Consolidated Electric Company, under the terms of which Great Western Power Company shall obligate itself to purchase bonds of Consolidated Electric Company as follows:

\$100,000 face value to be purchased upon the execution and delivery of the deed conveying the properties heretofore referred to from E. W. Wilson to Consolidated Electric Company;

\$100,000 face value to be purchased within twelve months after said conveyance;

\$100,000 face value to be purchased within two years after said conveyance;

\$100,000 face value to be purchased within three years after said conveyance;

said bonds, when purchased, to be held by Great Western Power Company in a special fund as a sinking fund, and to be cancelled when placed in said sinking fund, or said bonds when purchased to be placed with the trustee, heretofore referred to, under the mortgage and to be held by said trustee as a special sinking fund.

4. The authorizations herein given as to conveyances of property, execution of contracts or issue of stocks and bonds shall not be binding upon this Commission, or any other public authority, as a finding of value of the properties herein concerned or any of them, it being the purpose of this Commission in this matter, as set forth in the foregoing opinion, to grant this application to a large extent upon the guarantee of the Great Western Power Company, with the condition that such guarantee shall not be used to impose rates or charges upon the patrons of said Great Western Power Company which would not be just and reasonable rates, based upon the value of the properties of said Great Western Power Company;

5. The authorizations herein given as to conveyances of property, execution of contracts or issue of stocks and bonds shall not be binding upon this Commission, or other public authority, as a finding of value of the properties herein concerned or any of them, or of the properties authorized to be ac-

quired by Consolidated Electric Company, it being the purpose of this Commission, as specifically set forth in the foregoing opinion, to grant this application upon the condition that the authorization herein should not be advanced as a cause or a reason for a rate or charge in any way different from such rate or charge as would be a just and reasonable rate based upon the actual value of the properties to be acquired by the Consolidated Electric Company.

6. The authorization herein given as to the conveyance of property, execution of contracts or issue of stocks and bonds shall not be binding upon this Commission or any other public authority as an approval of the terms of the lease under which United Light and Power Company (of California) operates the Yerba Buena steam plant of the San Francisco-Oakland Terminal Railways, in Oakland, nor of the agreements or contracts in connection with said lease which may come within the jurisdiction of this Commission. (This Commission specifically reserving any authority it may have as to the matters contained in such leases, agreements or contracts for determination hereafter if necessity should arise.)

7. The guarantee of the principal and interest of the bonds of Consolidated Electric Company by Great Western Power Company shall be in the form of an indenture between said Great Western Power Company and the trustee under the mortgage securing the bonds to be issued by said Consolidated Electric Company; said indenture to contain in clear language the definite and exact form of guarantee by Great Western Power Company.

8. Consolidated Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said stock and bonds hereby authorized to be issued and on or before the twenty-fifth day of

each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds and stock during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

9. The payment of the fee specified in Section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

10. The authorization herein given as to transfer of property, the execution of contracts and the issue of securities shall apply to such transfer of properties, such contracts and such stocks and bonds as shall have been executed or issued on or before November 1, 1915.

The foregoing Opinion and Order (is) hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, this 10th day of May, 1915.

Max Shelden  
H. J. Loveland  
W. G. Gordon  
Edwin O. Edgerton  
Francis R. Berlin

Commissioners.

See paid  
on Dec 2579  
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