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Decision No. 2621

ORIGINAL

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of GEORGE F. DETRICK, H. W. FURLONG and PACIFIC GAS AND ELECTRIC COMPANY, a corporation, for an order of the Railroad Commission authorizing GEORGE F. DETRICK and H. W. FURLONG to sell and transfer unto the PACIFIC GAS AND ELECTRIC COMPANY and authorizing the Pacific Gas and Electric Company to purchase and acquire from them all of the shares of the capital stock of WEST SACRAMENTO ELECTRIC, a corporation.

) Application No. 1783.

H. H. Susman, for Pacific Gas and Electric Co.
T. H. C. Gregory, for George F. Detrick and
H. W. Furlong.

O P I N I O N.

GORDON, Commissioner:

This is an application, whereby Pacific Gas and Electric Company seeks permission to purchase the capital stock of West Sacramento Electric.

West Sacramento Electric was organized on September 5, 1911, to construct and operate an electrical distributing system in Broderick and territory adjacent thereto, in Yolo County, California.

West Sacramento Electric was organized by E. R. Lillenthal and associates. The company has an authorized capital stock issue of \$100,000 divided into 1000 shares of the par value of \$100 each. All of the stock is outstanding. During the early part of 1914, the organizers of West Sacramento Electric sold their stock to H. W. Furlong for the sum of \$40,000. In payment, H. W. Furlong gave three promissory notes, secured by the stock of West Sacramento Electric. When the notes became due, H. W. Furlong refused to pay them. He

alleged that E. R. Lilienthal and his associates had not complied with certain agreements and that because of such non-compliance he suffered damages in excess of the face value of the notes. Thereafter he brought an action in the Superior Court of the City and County of San Francisco to enjoin E. R. Lilienthal and his associates from foreclosing on the pledged stock. E. R. Lilienthal and his associates have assigned their interests to George F. Detrick.

Both George F. Detrick and H. W. Furlong have agreed to sell and transfer any and all interests they may have in the stock of West Sacramento Electric to Pacific Gas and Electric Company for the sum of \$50,000 in cash. The sum of \$27,000 is to be paid to George F. Detrick and \$3,000 to H. W. Furlong. Both have agreed to use the cash payments to purchase first preferred stock of Pacific Gas and Electric Company at \$82.50 per share.

Both H. W. Furlong and George F. Detrick have agreed to in case the Commission grant this application to cause the pending litigation to be dismissed. The notes, given by H. W. Furlong in payment for the stock of West Sacramento Electric, are to be cancelled.

In Exhibit No. 1 applicants report the value of the physical property of West Sacramento Electric, as follows:

Filed - July 19, 1915.

SUMMARY OF INVENTORY OF WEST SACRAMENTO ELECTRIC COMPANY
PROPERTIES AS OF APRIL 30, 1915.

Distribution System at Broderick	\$ 6,458.00
Line and Equipment from Broderick Station to River Bank and Distribution	4,663.00
Main 10 K. V. Line from Bay Line No. 3 to Elkhorn.	15,208.00
Line and Equipment on Main 10KV Line from Broderick Sub to #785 Tap	3,773.00
11 K.V. Tap from Bay #3 to Reclamation District No. 785	1,019.00
Distribution System at Headquarters.	1,461.00
11 K. V. Tap Line from Dist. #900 to Suction Dredge	764.00
District #900 11 K.V. Line and Taps	5,933.00
60 K. V. Line from Bay #3 to District #900	10,913.33
11 K. V. Line and Service from Dist. #900 to Electric Dredge (Carried under the 60 K.V. Line)	955.00

Broderick Storerooms (Material and Supplies and Tools)
and 11 K.V. Laboratory Taps - - - - - 5545.06

T o t a l - - - - - \$54,692.59

The testimony in this proceeding shows that West Sacramento Electric has a total indebtedness amounting to \$28,435.21. All but \$3,400 of its indebtedness is due to Pacific Gas and Electric Company. The indebtedness due Pacific Gas and Electric Company represents the cost of lines purchased from Pacific Gas and Electric Company, the cost of making repairs and the cost of electrical energy. The current assets of West Sacramento Electric are reported at \$4,700. By acquiring the stock of West Sacramento Electric, the Pacific Gas and Electric Company, becomes liable for its indebtedness.

Witness for Pacific Gas and Electric Company testified that the distributing system of West Sacramento Electric can readily be absorbed into the system of Pacific Gas and Electric Company. It is the intention of the Pacific Gas and Electric Company to make the necessary adjustments as soon as possible.

West Sacramento Electric has reported earnings and expenses for the year ended December 31, 1914, as follows:

Operating revenues - - - - -	\$22,398.97
Operating expenses - - - - -	<u>17,385.54</u>
Net operating revenues - -	\$ 5,015.63

The report shows no deductions because of interest payments.

I herewith submit the following form of Order:

O R D E R

George F. Detrick, H. W. Furlong and Pacific Gas and Electric Company having applied to this Commission for an order authorizing Pacific Gas and Electric Company to acquire from George F. Detrick and H. W. Furlong all the capital stock of West Sacramento Electric, for the sum of \$30,000 in accordance with the agreements marked Ex-

hibits A and B, attached to this application; and a public hearing having been held and the Commission being fully apprised in the premises, and it appearing that it is to the public interest to authorize the transfer of the stock as prayed for,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be given authority, and hereby is given authority to acquire the capital stock of West Sacramento Electric now owned by George F. Detrick and E. W. Furlong in accordance with agreements marked Exhibits A and B attached to this application.

The authority herein given is given upon the following conditions and not otherwise:

1. The values referred to in the foregoing opinion or the purchase price of the stock shall not be binding upon this Commission or any other rate fixing body for rate fixing purposes or otherwise.

2. Applicant shall report to this Commission within ten days after the purchase of the stock the date of purchase and transfer.

3. This order shall apply only to such stock as shall be acquired on or before October 31, 1915.

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

Dated at San Francisco, California, this 29th day of July, 1915.

Max Thelen
W. H. ...
...
Edwin O. Edgerton

Commissioners.