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Decision No. 9766.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

* * *

ORIGINAL

In the Matter of the Application of)
SOUTHERN CALIFORNIA EDISON COMPANY)
for authority to purchase certain)
securities of Santa Barbara Electric)
Company, and to acquire the proper-)
ties and franchises of Santa Barbara)
Electric Company, and of Santa Bar-)
bara Electric Company to sell its)
properties and franchises to Southern)
California Edison Company)

Application
Number
7240

Roy V. Reppy and Wm. G. Griffith for applicants.

BENEDICT, Commissioner.

O P I N I O N.

SANTA BARBARA ELECTRIC COMPANY asks permission to sell and convey to SOUTHERN CALIFORNIA EDISON COMPANY all of its business, franchises and properties, more particularly described in Exhibit "A" attached hereto.

Southern California Edison Company, hereinafter referred to as the Edison Company, joins in the application and asks permission to acquire the business, franchises and properties, to assume all the debts and liabilities of Santa Barbara Electric Company and to pay Santa Barbara Electric Company, on or before July 1, 1941, the sum of \$682,634.50, with interest at the rate of 7.04 per cent per annum.

The Edison Company further asks permission to purchase 636 shares of the common stock of Santa Barbara Electric Company for \$70.50 a share.

Santa Barbara Electric Company, which is engaged in the business of generating, transmitting and distributing electric energy in

Santa Barbara County, was organized during the month of August, 1909, with an authorized capital stock of \$1,000,000.00 divided equally into preferred and common stock. Of the authorized stock, \$400,000. (4,000 shares) of 6 per cent. preferred and \$400,900.00 (4,009 shares) of common are at present issued and outstanding. The record shows that the Edison Company owns, and has owned since the organization of the Santa Barbara Electric Company, all of the outstanding preferred stock and \$337,400.00 of the outstanding common stock, and that by reason of such stock ownership, Santa Barbara Electric Company has been operated for many years substantially as a subsidiary of the Edison Company.

In Exhibit "3" applicants report the original cost of the properties to be transferred as of August 31, 1921, at \$1,595,979.72 as follows:--

Capital assets as shown by balance sheet,.....	\$1,729,143.48	
Deduct amount included in intangible capital which does not represent actual cash expenditure,.....		376,598.48
Net Capital Assets,.....	\$1,352,545.00	
Current Assets,.....		227,179.94
Deferred assets,.....	\$97,529.40	
LESS unamortized discount on securities and expense,.....	81,274.62	16,254.78
Total Original Cost,.....	\$1,595,979.72	

The indebtedness to be assumed by the Edison Company is reported in Exhibit "A", as of August 31, 1921, as follows:--

First Mortgage Bonds,.....	\$750,700.00
Notes Payable,.....	265,000.00
Accounts Payable,.....	41,163.80
Total Indebtedness,.....	\$1,056,863.80

In addition to assuming indebtedness of \$1,056,863.80, the Edison Company has agreed to pay to the Santa Barbara Electric Company for its properties on or before July 1, 1941 the sum of \$682,634.50 with interest at the rate of 7.04 per cent per annum. Reference will hereafter be made to this payment.

The Edison Company owns all but 635 shares (\$63,500.00) of

the outstanding stock of the Santa Barbara Electric Company. The Edison Company has offered to purchase the 635 shares of stock at \$70.50 per share. In arriving at the \$70.50 per share, the Edison Company has assumed the payment of a 6 per cent. dividend on the Santa Barbara Electric Company common stock. A 6 per cent. dividend on such stock purchased at \$70.50 per share is the equivalent of an 8 per cent. dividend on the Edison Company common stock purchased at 94. The Edison Company is now paying an 8 per cent. dividend on its common stock and is selling such stock at 94.

The Santa Barbara Electric Company has heretofore paid only a 4 per cent. dividend on its common stock.

It is urged that the offer of the Edison Company to the minority stockholders of the Santa Barbara Electric Company is entirely fair for the reason that it is based upon a 6 per cent. dividend, whereas the company has been paying but a 4 per cent. dividend. It should be understood that by granting this application the Commission in no way becomes responsible for the dividends paid by the Santa Barbara Electric Company. Any interest paid by the Edison Company on the \$682,634.50, as all other interest paid by the company, must come out of the allowance for a fair return.

The \$682,634.50 which the Edison Company has agreed to pay for the properties of the Santa Barbara Electric Company on or before July 1, 1941 is the equivalent of the \$400,000.00 of outstanding preferred stock taken at par and the \$400,900.00 of common stock taken at the rate of \$70.50 per share. To acquire the minority stock of the Santa Barbara Electric Company, the Edison Company will have to spend \$44,767.50. If it acquires all of the minority stock, it will in effect owe the \$682,634.50 to itself. If it acquires none of the minority stock, the \$44,767.50 will eventually, assuming liquidation to take place on the basis of this application, be distributed to the stockholders, leaving \$637,867.00 for the Edison Company.

As stated, the Edison Company now owns \$400,000.00 of the

preferred and \$337,400.00 of the common stock of the Santa Barbara Electric Company. On December 31, 1920, this stock was carried on the books of the Edison Company at a value of \$485,025.00, -the preferred stock being valued at par and the common at \$85,025.00. If we assume that the value of the Santa Barbara Electric Company stock, as carried on the books of the Edison Company on December 31, 1920, represents the cost of that stock to the Edison Company, it follows that the Edison Company will pay considerably less than the present outstanding indebtedness of the Santa Barbara Electric Company plus the \$682,634.50 for the properties. Adding to the \$485,025.00 -the reported value of the Santa Barbara Electric Company stock- the \$44,767.50 which the Edison Company will have to expend to acquire the minority stock, makes a total of \$529,792.50. The indebtedness to be assumed aggregates \$1,056,863.80, which added to the \$529,792.50, makes a total of \$1,586,656.30, which is the net cost to the Edison Company of the Santa Barbara Electric Company properties. This net cost is approximately equal to the estimated historical cost of the properties as reported by applicants.

A.E. Morphy, secretary of the Edison Company, testified that in his opinion the transfer of the properties as proposed will result in economies through the elimination of the expense of maintaining separate accounting and operating organizations. Some reductions in rates, he reports, should likewise and will follow the transfer of the properties.

As a result of the proposed transfer, the Edison Company will acquire the right to operate under two electric franchises now owned by the Santa Barbara Electric Company. One franchise was granted by the City of Santa Barbara in November, 1886, for a term of 50 years, the other was granted by the County of Santa Barbara on July 3, 1920 for a term of 50 years.

I herewith submit the following form of Order:

O R D E R

Application having been filed with the Railroad Commission involving the sale of stock and properties of SANTA BARBARA ELECTRIC COMPANY to SOUTHERN CALIFORNIA EDISON COMPANY, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted;

IT IS HEREBY ORDERED, that SANTA BARBARA ELECTRIC COMPANY be, and it is hereby, authorized to sell and convey, for \$682,634.50, subject to the existing indebtedness and liabilities, all of its properties more particularly described in Exhibit "A", attached hereto, and SOUTHERN CALIFORNIA EDISON COMPANY be, and it is hereby, authorized to acquire for \$682,634.50 said properties and to assume the payment of all the indebtedness and liabilities of Santa Barbara Electric Company, such transfer of property to be subject to the terms and conditions set forth in this application.

IT IS HEREBY FURTHER ORDERED, that SOUTHERN CALIFORNIA EDISON COMPANY be, and it is hereby, authorized to enter into an agreement, substantially in the same form as the agreement filed November 9, 1920, in this proceeding, ^{which} in agreement the Southern California Edison Company agrees to pay to Santa Barbara Electric Company the sum of \$682,634.50 on or before July 1, 1941, with interest at the rate of 7.04 per cent. per annum.

IT IS HEREBY FURTHER ORDERED, that SOUTHERN CALIFORNIA EDISON COMPANY be, and it is hereby, authorized to purchase 636 shares of the common stock of the Santa Barbara Electric Company for not more than \$70.50 a share.

The authority herein granted is subject to the following conditions:--

- 1.--The price at which the properties of Santa Barbara Electric Company are transferred to Southern California Edison Company shall not be binding on this Commission or upon any other public body as representing the value of said

properties for rate making or any purpose other than the transfer herein authorized.

2.--Within thirty days after the transfer of the properties herein authorized, Southern California Edison Company shall advise the Commission of the exact date of the transfer and shall file with the Commission a verified copy of the deed under which it obtains title to the properties.

3.--The authority herein granted will not become effective until Southern California Edison Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

4.--The authority herein granted will apply only to such transfer of properties as shall be made on or before March 1, 1922.

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 17th day of November, 1921.

H. B. Benedict
H. H. Howard
James Martin
L. J. Remond
Commissioners.

The fee demanded has been nullified
by Sup. Dec. 9927 dated Dec 23, 1921.

J. H. Mathews
Sec.

EXHIBIT A

The properties which Santa Barbara Electric Company (party of the first part) is authorized to sell to Southern California Edison Company (party of the second part) consists of the following-- (Description from Exhibit B filed in Application No. 7240)

All of those certain lots, pieces and parcels of land, situate, lying and being in the County of Santa Barbara, State of California, more particularly described as follows:-

SANTA BARBARA STEAM PLANT

PARCEL NO. 1

That part of Block 309 $\frac{1}{2}$ of the City of Santa Barbara, as shown upon the Haley and Wackenreuder Maps of said City on file in the office of the City Clerk of said City, described as follows:-

Beginning at the most easterly corner of said Block 309 $\frac{1}{2}$, thence northwesterly along the southwesterly line of Castillo Street 200 feet; thence southwesterly parallel with the northwesterly line of Mason Street 450 feet to the northeasterly line of Rancheria Street; thence southeasterly along said northeasterly line of Rancheria Street 200 feet to the most southerly corner of said Block 309 $\frac{1}{2}$; thence northeasterly along said northwesterly line of Mason Street 450 feet to point of beginning.

Excepting that portion of said Block 309 $\frac{1}{2}$ described as follows:-

Beginning at the most easterly corner of said Block 309 $\frac{1}{2}$; thence northwesterly along the southwesterly line of Castillo Street 175 feet; thence southwesterly parallel with the northwesterly line of Mason Street 125 feet to a point which is the point of beginning of the boundary of the tract herein described; thence northeasterly parallel with said northwesterly line of Mason Street 125 feet to said southwesterly line of Castillo Street; thence northwesterly along said southwesterly line of Castillo Street 25 feet; thence southwesterly parallel with said northwesterly line of Mason Street 450 feet to the northeasterly line of Rancheria Street; thence southeasterly along said northeasterly line of Rancheria Street 200 feet to the most southerly corner of said Block 309 $\frac{1}{2}$; thence northeasterly along said northwesterly line of Mason Street 145 feet; thence northwesterly parallel with said northeasterly line of Rancheria Street 83 feet; thence northerly in a straight line 202.15 feet; more or less, to said last mentioned point of beginning.

WAREHOUSE AND GARAGE

PARCEL NO. 2:

That portion of Block 173 and of Block 191 of the City of Santa Barbara and of the street known as De la Guerra Street, as the same are shown on map of survey made by Salisbury Haley, and the map of said City prepared by Vitus Wackenreuder, both of which maps are on file in the office of the City Clerk of said City, described as follows:-

Beginning at the most northerly corner of Block 191 as shown on said maps; thence southeasterly along the southwesterly line of Santa Barbara Street 165 feet; thence at right angles southwesterly and parallel with De la Guerra Street 175 feet; thence at right angles northwesterly and parallel with Santa Barbara Street 165 feet to the northwesterly line of Block 191 as shown on said maps; thence northeasterly along said northwesterly line of Block 191, 75 feet to a point distant 100 feet southwesterly from the point of beginning; thence northwesterly crossing said De la Guerra Street and into said Block 173 on a course parallel with the southwesterly line of Santa Barbara Street 82 feet more or less, to a point on the southeasterly line of New De la Guerra Street in said City, as established and located upon the ground, which point is distant 100 feet southwesterly along said line from the southwesterly side of Santa Barbara Street; thence northeasterly along said southeasterly line of New De la Guerra Street 100 feet to its intersection with said southwesterly line of Santa Barbara Street; thence southeasterly along said line of Santa Barbara Street and its prolongation 82 feet, more or less, to the place of beginning.

Also that portion of Block 173 and of Old De la Guerra Street, as said Street and Block are shown on the Wackenreuder Map of the Town of Santa Barbara (now City of Santa Barbara), and filed in the office of the City Clerk of said City of Santa Barbara, and now being a portion of Block No. 191, as shown upon the official map of said City, described as follows:-

Commencing at a point on the southeasterly line of New De la Guerra Street, distant thereon 100 feet southwesterly from the southwesterly line of Santa Barbara Street, as said streets are now shown and delineated upon the official map of said City; thence running southwesterly along said southeasterly line of New De la Guerra Street 58.31 feet; thence at right angles southeasterly 82 feet; thence at right angles northeasterly 58.3 feet; thence at right angles northwesterly 82 feet to the said southeasterly line of New De la Guerra Street, the point of beginning.

PLANING MILL AND VACANT LOTS

PARCEL NO. 3.

All of Lots 11, 25 and 30, and those portions of Lots 8 and 10 of the subdivision of Block 304 of said City of Santa Barbara, made December 16th, 1872, by J.L. Barker, Town Surveyor, filed December 28th, 1872, in the office of the Recorder of said County, and now of record in Book 1, page 3 of Maps and Surveys, in the office of said Recorder, which lie northerly of the northerly line of the right of way of the Southern Pacific Railway Company across said Block 304 as said right of way was conveyed to said Company by deed from William E. McCaleb, recorded in Book 100, page 111 of Deeds, records of said County of Santa Barbara.

CARPENTERIA SUBSTATION

PARCEL NO. 4

All of that certain lot in the County of Santa Barbara, and bounded and particularly described as follows:-

Beginning at a point in the middle line of a lane or road at the most westerly corner of the tract of land described in the deed from Albert Espinosa to Jose Jesus Cota, recorded March 23rd, 1876, in Book "2" at page 493 of Deeds, records of said County; thence along the middle line of said lane or road south $26-3/4^{\circ}$ west, 1.20 chains; thence south $63-3/4^{\circ}$ east, 4.17 chains; more or less; to the easterly line of Survey No. 64, made for Albert Espinosa on September 23rd, 1857, according to the field notes thereof on file in the office of the County Surveyor of said County; thence along said easterly line north $22-1/4^{\circ}$ east, 1.50 chains, more or less, to the most southerly corner of the tract described in the deed to Jose Jesus Cota above mentioned; and thence north $63-1/4^{\circ}$ west, 4.05 chains, more or less, to the point of beginning.

FRANCHISES

Also the following franchise to use and occupy public streets, highways, and other public places, for the purpose of distributing electrical energy;

1. That certain franchise of the right, for a period of fifty years, to erect and maintain poles upon and to run wires over and along the public streets, alleys and highways within the County of Santa Barbara, in the State of California; also to construct and maintain upon said streets, alleys and highways, underground conduits for the purpose of carrying, furnishing and distributing electricity and electrical energy and for lighting, motive power, engines, motors, elevators and for any other purpose for which electricity can be used; which franchise was by the Board of Supervisors of said Santa Barbara County, by its ordinance ^{adopted} adopted on the third

day of July, 1900, granted unto the United Electric Gas and Power Company.

2. All rights of party of the first part, arising under and by virtue of Section 19, Article XI of the Constitution of the State of California, as adopted November 4, 1884, to use all public streets and thoroughfares of the City of Santa Barbara for the business of distributing electric energy as a public utility, for the purpose of introducing into and supplying said City and its inhabitants electric energy to be used for the purpose of illumination.

Together with all appurtenances of all of the hereinbefore described property, all power houses, distributing stations, substations, transformer stations, lightning arresters, houses, repair shops and other buildings; all conduits and other transmission and distributing lines and systems; all boilers, engines, pumps, generators, dynamos, transformers, regulators, exciters, switchboards, poles, wires, insulators, cross-arms, meters, pipes, and other apparatus, machinery, appliances, tools, furniture and other personal property used or acquired or held for use in connection with the generating plants, transmission lines or distributing systems of the party of the first part, or any thereof; including horses, wagons and automobiles; all tolls, revenues, earnings, income, rents, issues and profits; and also all of the estate, rights, title, interest, property, possession, claim and demand whatsoever, as well in law as in equity, of the party of the first part, of, in and to the above described premises, properties, interests and rights and every part and parcel thereof, with the appurtenances, and the franchises appertaining thereto; also all bonds, shares of stock, notes, securities and other obligations owned by the party of the first part; also all rights and contracts to sell or furnish electric light and power, business and good will, and all rights and consents to construct and maintain electric lines, mains, wires, subways and conduits for conveying electricity for power, lighting and other purposes, through, under and over public streets, public highways or public places, held, owned or enjoyed by party of the first part; and all franchises, ordinances, licenses, agreements, contracts, rights, easements, rights of way, leases and leasehold interests, grants, privileges and immunities, and all other property wheresoever situated, real, personal, and mixed, of every kind, nature and description owned, held, possessed or enjoyed by, or in any manner conferred upon, or appertaining to the party of the first part; and the reversion and reversions, remainder and remainders, rents, issues and profits thereof; it being the intention hereby to convey, and this indenture does convey, the business, franchises and property of the party of the first part, as a whole, of all kinds and wheresoever situated, to the party of the second part.

All of the properties hereinabove described, however, are sold and conveyed to said party of the second part subject to the lien of that certain first mortgage dated July 1, 1916, executed by the party of the first part, (then known as Santa Barbara Gas & Electric Company), to Los Angeles Trust and Savings Bank, Trustee, which said mortgage is recorded in Book 79, page 331 of Mortgages, in the office of the County Recorder of Santa Barbara County. All indebtedness for which said first mortgage is security, is hereby assumed by said party of the second part, and said party of the second part hereby agrees to make due and punctual payment of the same and every part thereof, and the principal and interest of all the bonds secured by said first mortgage, according to their tenor, and to make due and punctual performance of all of the covenants and conditions of said first mortgage to be kept and performed by said party of the first part herein. Said properties are also conveyed subject to all outstanding debts and liabilities of the party of the first part, which debts and liabilities are hereby assumed by the party of the second part.