

Decision No. 27455

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LASSEN ELECTRIC COMPANY
for an order authorizing it to sell
and convey to California Utilities
Company the electrical distribution
system owned by it serving Lassen and
Plumas Counties; and the Application
of BENICIA WATER COMPANY for an order
authorizing it to sell and convey to
said California Utilities Company
the water system owned by it serving
the City of Benicia and vicinity; and
the Application of CALIFORNIA UTILITIES
COMPANY for an order authorizing it to
issue stock.

ORIGINAL

Application No. 19581

Orrick, Palmer & Dahlquist, by T. W. Dahlquist,
for applicants.

BY THE COMMISSION:

O P I N I O N

In this application, as amended, Lassen Electric Company asks permission to sell its properties to the California Utilities Company for \$295,700.00, payable as follows:-

Common stock	\$88,500.00
Unsecured 6½% demand note	207,200.00

Benicia Water Company in this application, as amended, asks permission to sell its properties to California Utilities Company for \$284,000.00 payable as follows:-

Common stock	\$85,200.00
Unsecured 6½% demand note	198,800.00

The California Utilities Company, Lassen Electric Company and Benicia Water Company are all through stock ownership controlled by the Republic Electric Power Corporation. It is alleged that the transfer of the properties of Benicia Water Company and Lassen Elec-

tric Company to California Utilities Company will result in more efficient and economical operation and management of the properties and will benefit the communities served. There will be no actual change in the management of the properties. Upon the transfer of the properties of Lassen Electric Company and Benicia Water Company, those two corporations will be dissolved and the stock and demand notes issued to them in payment for their properties will become the property of Republic Electric Power Corporation. The California Utilities Company will assume all the liabilities of the Lassen Electric Company except the liabilities under two agreements referred to in the order, and Benicia Water Company.

The issue of the demand notes which California Utilities Company will deliver in part payment for the properties of Benicia Water Company and Lassen Electric Company need not be authorized by the Commission.

It is the intention of the purchasing company to record on its books the same charges to fixed capital accounts as appear on the books of the vendor companies at the time they transfer their properties. The current assets and liabilities and the reserves will also be transferred in toto. The difference between the depreciated fixed capital, the net current assets and the stock and the \$406,000.00 of demand notes issued by the purchasing company, should be credited to capital surplus, an account which California Utilities Company is herein authorized to establish. To this account should from time to time be charged retirements that are not covered by the depreciation reserve. Under no circumstances should the amount credited to capital surplus be used as a basis for the declaration of dividends nor for the retirement of property acquired subsequent to the date of the acquisition of the properties of Benicia Water Company and Lassen Electric Company.

O R D E R

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized, is reasonably required by applicant California Utilities Company for the purpose herein stated, and that the expenditures for such purpose, are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Lassen Electric Company may transfer on or before December 31, 1934 all of its properties (saving and excepting, however, the rights and interest of said Lassen Electric Company under that certain agreement dated June 18, 1930, between Sherritt & Co., Inc., a corporation, and Red River Lumber Company, a corporation, and under that certain agreement dated June 18, 1930 between said Sherritt & Co., Inc., and said Lassen Electric Company) to California Utilities Company, for the following considerations, viz.:-

(a) The sum of \$295,700.00 payable as follows:-

(i) \$207,200. in cash and/or an unsecured demand note of said California Utilities Company bearing interest at the rate of 6½% per annum;

(ii) Common stock of said California Utilities Company in the aggregate par value of \$88,500. consisting of 885 shares of the par value of \$100. each; and

(b) The assumption by said California Utilities Company of all indebtedness of said Lassen Electric Company, saving and excepting the liability of said Lassen Electric Company under said agreement dated June 18, 1930 between said Sherritt & Co., Inc., a corporation, and

said Red River Lumber Company, a corporation, and under said agreement dated June 18, 1930 between said Sherritt & Co., Inc., and said Lassen Electric Company.

2. Benicia Water Company may transfer all of its properties to California Utilities Company on or before December 31, 1934 for the following consideration, viz.:-

(a) \$284,000.00 payable as follows:-

(i) \$198,800.00 in cash and/or an unsecured demand note of said California Utilities Company bearing interest at a rate not to exceed 6½% per annum;

(ii) Common capital stock of said California Utilities Company in the aggregate par value of \$85,200., consisting of 852 shares of the par value of \$100. each; and

(b) The assumption of said California Utilities Company of all the indebtedness of said Benicia Water Company.

3. California Utilities Company may issue on or before December 31, 1934 at not less than par \$173,700.00 par value of its common capital stock, consisting of 1737 shares of the par value of \$100. each, as follows:- 885 shares to Lassen Electric Company, and 852 shares to Benicia Water Company, said stock to be issued to said companies in part payment for their properties.

4. The California Utilities Company is hereby authorized to establish a balance sheet account designated as capital surplus, and directed to credit to such account the difference between the amounts charged to fixed capital and other asset accounts, by Benicia Water Company and Lassen Electric Company, to be transferred to the books of said California Utilities Company, and the stocks and notes issued by said California Utilities Company, and liabilities, including reserves assumed by it, in payment for the properties of said Lassen Electric Company and Benicia Water Company.

5. The consideration paid by the California Utilities Company for the properties of Benicia Water Company and Lassen Electric Company shall not be urged before this Commission as determining the value of said properties for any purpose other than the transfer herein authorized.

6. California Utilities Company shall within thirty (30) days after acquiring the properties of Lassen Electric Company and Benicia Water Company file with the Commission a verified copy of each and every instrument under which it acquires and holds title to the properties of said Lassen Electric Company and Benicia Water Company.

7. Within thirty (30) days ^{after} the acquisition of the aforesaid properties, said California Utilities Company shall file with the Commission a report under the Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 22nd day of October, 1934.

Leon A. White

W. J. Linn

M. B. Harris

W. H. Brown

Frank R. Delem

Commissioners.