

Decision No. 28518

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SIERRA AND SAN FRANCISCO POWER COM-)
PANY to distribute and transfer, in)
the course of its proceedings for)
winding up and dissolution, all of)
its assets to PACIFIC GAS AND ELEC-)
TRIC COMPANY, and of the latter to)
assume and agree to pay all of the)
debts and perform all of the exist-)
ing obligations of said SIERRA AND)
SAN FRANCISCO POWER COMPANY.)

ORIGINAL

Application No. 20117

William B. Bosley, C. P. Cutten and R.W.DuVal,
for applicants.
Vernon F. Gant, for Modesto Irrigation District.
Bert Fernhoff, City Attorney of Oakland, for
the Cities of Oakland, Sacramento, Berkeley
and Alameda.
John J. O'Toole and Dion R. Holm, for City and
County of San Francisco.
Fred C. Hutchinson, City Attorney, for the City
of Berkeley.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its
order:-

1. Granting and conferring upon Sierra and San Francisco Power Company all necessary permission and authority to distribute and transfer to Pacific Gas and Electric Company, in the course of its proceedings for winding up and dissolution, all of the residue and remainder of its properties and assets of every kind remaining after the payment of all its known debts and liabilities, or the making of adequate provision for such payment.

2. Granting and conferring upon Sierra and San Francisco Power Company all necessary permission and authority, upon the distribution and transfer to Pacific Gas and Electric Company of its said properties and assets, as provided in the petition filed in this proceeding, to cease furnishing and supplying service as a public utility, and finding and declaring that said company is relieved of the duties and functions of a public utility corporation in the territory in which it now is or may be furnishing public utility service by means of the properties to be distributed and transferred, as aforesaid.

3. Granting and conferring upon Pacific Gas and Electric Company all necessary permission and authority to assume and agree to pay all of the debts of said Sierra and San Francisco Power Company, to perform all of the latter's existing obligations, and to discharge and satisfy all of the latter's liabilities and all existing claims and causes of action against it, and releasing all of Pacific Gas and Electric Company's claims, demands and causes of action against said Sierra and San Francisco Power Company in connection with the latter's winding up and dissolution.

4. Granting and conferring upon Pacific Gas and Electric Company all necessary permission and authority, upon acquiring the properties of Sierra and San Francisco Power Company, to record the cost of acquisition of said properties constituting its fixed capital in service and under construction upon its books by charging to its fixed capital accounts the full consideration which Pacific Gas and Electric Company shall have given therefor, as and in the manner stated in Paragraph V of the petition filed in this proceeding.

5. Granting and conferring upon Pacific Gas and Electric Company all necessary permission and authority to record the cost of acquisition of the properties of Western States Gas and Electric Company (California), including properties acquired from El Dorado Power Company, and the properties of Coast Valleys Gas and Electric Company and Del Monte Light and Power Company, constituting their fixed capital in service and under construction, upon its books by charging to fixed capital accounts the full consideration which Pacific Gas and Electric Company paid therefor, as and in the manner stated in Paragraph V of the petition filed in this proceeding.

The application shows that Sierra and San Francisco Power Company is the owner of certain properties used in the generation, transmission and distribution of electric energy located in the Counties of Tuolumne, Calaveras, Stanislaus, San Joaquin, Contra Costa, Alameda, Santa Clara, San Mateo and San Benito and the City and County of San Francisco, and in the distribution of water in Sonora and other communities and rural territory in Tuolumne County. Since January 1, 1920 its properties have been leased to and operated by Pacific Gas and Electric Company pursuant to authority granted by the Commission by Decision No. 7032, dated January 17,

1920, (Vol. 17, C.R.C. page 689) and by Decision No. 27720, dated February 4, 1935. From January 1, 1920 to date Pacific Gas and Electric Company has maintained the properties of Sierra and San Francisco Power Company and has advanced to it moneys to finance the cost of additions, betterments, extensions and improvements, and to retire some of its outstanding bonds. Some of the advances have been paid from time to time.

The company's annual report for the year ending December 31, 1934 shows its assets and liabilities as of the close of 1934, as follows:-

<u>ASSETS</u>	
Fixed capital in service:	
Electric	\$45,302,755.56
Water	1,123,742.80
Miscellaneous	25,366.97
Fixed capital under construction	193,630.85
Total fixed capital	<u>\$46,645,496.18</u>
Miscellaneous investments	192.50
Special deposits	36,505.00
Accounts receivable	166,307.49
Unamortized debt discount and expense	257,201.10
Prepayments	650.00
Miscellaneous deferred debits	37,779.66
Total	<u>\$47,144,131.93</u>

<u>LIABILITIES</u>	
Capital stock-Common	\$20,000,000.00
Long term debt:	
First Mortgage 5% bonds, due Aug.1,1949	12,000,000.00
Second mortgage 5% bonds, due Jan.1,1949	8,465,000.00
Advances from Pacific Gas and Electric Company	4,471,439.38
Current and accrued liabilities	534,111.12
Miscellaneous deferred credits	172,909.30
Reserve for depreciation	893,536.76
Profit and loss balance	587,135.37
Total	<u>\$47,144,131.93</u>

The second mortgage bonds were redeemed on July 1, 1935 with moneys also advanced by Pacific Gas and Electric Company.

Under the authority granted by Decision No. 18567 dated June 30, 1927 in Application No. 13805 (Vol.30, C.R.C. page 111), the Pacific Gas and Electric Company acquired the following capital

stock:-

Common stock of Sierra and San Francisco Power Company	\$20,000,000.
Common stock of Western States Gas and Electric Company, of California	751,500.
Common stock of Western States Gas and Electric Company, of Delaware	3,253,200.
Common stock of Coast Valleys Gas and Electric Company	3,000,000.
Common stock of Del Monte Light and Power Company	25,000.

In payment for the stock, Pacific Gas and Electric Company issued \$6,500,000. of its common stock and paid \$1,535,000. in cash. The purchase price was not segregated to the various stocks acquired.

Western States Gas and Electric Company of Delaware was the holding company of Western States Gas and Electric Company of California, which company, in turn, held the outstanding stock of El Dorado Power Company. Subsequent to the date of the acquisition by Pacific Gas and Electric Company of the above stocks, El Dorado Power Company transferred its properties to Western States Gas and Electric Company and Del Monte Light and Power Company transferred its holdings to Coast Valleys Gas and Electric Company. As of June 30, 1928, pursuant to authority granted by Decision No. 19590, dated April 13, 1928, in Applications Nos. 14520 and 14521 (Vol. 31, C.R.C. Page 516) the properties of Western States Gas and Electric Company and Coast Valleys Gas and Electric Company were transferred to Pacific Gas and Electric Company and the several companies dissolved. Sierra and San Francisco Power Company has retained the ownership of its properties.

The present application shows that at a meeting of the Executive Committee of the Board of Directors of Pacific Gas and Electric Company held on August 6, 1935 a resolution was adopted wherein it was declared, among other things, that it was the purpose and intention of Pacific Gas and Electric Company, as the holder of all the stock of Sierra and San Francisco Power Company, to bring about a

dissolution of that company and to effect the acquisition of its properties by Pacific Gas and Electric Company. The resolution also authorized the officers of Pacific Gas and Electric Company, for and on behalf and in its name, to execute a proper instrument whereby Pacific Gas and Electric Company will assume and agree to pay all the debts of Sierra and San Francisco Power Company and to perform all its existing obligations and to release all its claims, demands and causes of action against Sierra and San Francisco Power Company. During the course of the hearing counsel for Pacific Gas and Electric Company stated that the company would assume and agree to perform all obligations, existing or contingent, arising out of any contract, tort or franchise agreement.

The application further shows that the Board of Directors of Sierra and San Francisco Power Company at a meeting held on August 12, 1935 adopted a resolution wherein it appears, among other things, that it is the purpose and intention of Sierra and San Francisco Power Company to proceed immediately to wind up its affairs and to effect its voluntary dissolution and to cease to carry on business except to such extent as may be necessary for the beneficial winding up of its affairs. To that end the company proposes to distribute and transfer to Pacific Gas and Electric Company in the course of its proceedings for winding up and dissolution, all of the residue and remainder of its properties and assets of every kind remaining after the payment of all its known debts and liabilities or the making of adequate provision for such payment.

In support of the authorization sought, applicants alleged, among other things, that the transfer as herein proposed will result in a more effective conduct of business and more efficient and economical operation and maintenance of the properties and will make

possible the unification and simplification of the accounting practice, the preparation and filing of rate schedules and of income and other tax returns.

In connection with the petition for an order authorizing the transfer of the Sierra and San Francisco Power Company's properties, the request is made by Pacific Gas and Electric Company for permission to charge to its fixed capital accounts the cost to it of acquiring such properties and also the cost of acquiring the properties of Western States Gas and Electric Company and Coast Valleys Gas and Electric Company, which cost to date has not been segregated by Pacific Gas and Electric Company to primary accounts. There has been filed as Exhibit "D" a statement purporting to show the original cost of fixed capital in service and under construction, less reserve for depreciation, of Sierra and San Francisco Power Company as of December 31, 1934 and of Western States Gas and Electric Company and Coast Valleys Gas and Electric Company, including their subsidiaries, as of June 30, 1928, the date they were transferred to Pacific Gas and Electric Company, which statement shows the total reported original cost of the properties, less reserve for depreciation, at \$76,892,143.16. There has been filed as Exhibit "E" a statement showing the reported cost to Pacific Gas and Electric Company of acquiring the properties at \$61,201,518.86. The figures on the two exhibits may be summarized as follows:-

SIERRA AND SAN FRANCISCO POWER COMPANY:

Fixed capital installed prior to Jan. 1, 1913.....	\$32,164,624.42
Fixed capital installed since Dec. 31, 1912:	
Electric department	13,138,151.14
Water department	1,123,742.80
Miscellaneous fixed capital	25,366.97
Fixed capital under construction	193,630.85
Total.....	<u>\$46,845,496.18</u>
Reserve for depreciation	893,536.76
Net after depreciation	<u>45,751,959.42</u>
Cost of acquisition	<u>\$30,726,965.39</u>

WESTERN STATES GAS AND ELECTRIC COMPANY:

Fixed capital installed prior to Jan. 1, 1913.	\$ 1,505,999.62
Fixed capital installed since Dec. 31, 1912:	
Electric department	\$14,960,417.43
Gas department	2,083,876.87
Miscellaneous fixed capital	7,851,146.16
Fixed capital under construction	1,021,195.56
Total	\$27,422,635.64
Reserve for depreciation	1,148,634.00
Net after depreciation	\$26,274,001.64
Cost of acquisition	<u>\$24,766,773.15</u>

COAST VALLEYS GAS AND ELECTRIC COMPANY:

Fixed capital installed prior to Jan. 1, 1913	\$ 1,021,965.76
Fixed capital installed since Dec. 31, 1912:	
Electric department	\$ 3,217,031.35
Gas department	633,775.13
Water department	221,773.12
Miscellaneous fixed capital	15,865.06
Fixed capital under construction	213,168.71
Total	\$ 5,323,577.13
Reserve for depreciation	457,395.03
Net after depreciation	\$ 4,866,182.10
Cost of acquisition	<u>\$ 5,707,780.32</u>

SUMMARY:

Total fixed capital:	
Installed prior to January 1, 1913.....	\$34,692,589.80
Installed subsequent to December 31, 1912:	
Electric department	\$31,315,579.92
Gas department	2,717,652.00
Water department	1,345,515.92
Miscellaneous fixed capital	7,892,376.19
Fixed capital under construction	1,427,995.12
Total	\$79,391,708.95
Total reserves for depreciation	2,499,565.79
Balance	\$76,892,143.16
Total reported cost to Pacific Gas and Electric Company.....	<u>\$61,201,518.86</u>

The reported original cost figures are the same as the Sierra and San Francisco Power Company, Western States Gas and Electric Company and Coast Valleys Gas and Electric Company show in their annual reports filed with the Commission. The tabulation shows that in acquiring the properties Pacific Gas and Electric Company is reported to have paid \$15,690,624.30 less for the properties of the three companies than the cost of the properties, as recorded on the books of the companies less the reserve for accrued depreciation.

However, as will appear hereafter, the cash expended by the companies for properties is less than their reported original cost of the properties.

In Paragraph V of the petition Pacific Gas and Electric Company sets forth that in recording on its books the cost of acquisition of the properties of the three companies, it desires to charge to its fixed capital account the original cost figures appearing on Exhibit D, with the exception that there would be deducted the aforesaid difference of \$15,690,624.30, which action would result in a total net figure appearing on the books of Pacific Gas and Electric Company for the three properties, of \$61,201,518.86, equivalent to the reported cost to the purchaser.

For the purpose of this proceeding we have no objection to the transfer to the purchaser's fixed capital accounts of the items referred to in Exhibit D, representing fixed capital installed since December 31, 1912, during which time the various classifications of accounts prescribed by the Commission have been in effect and which items are segregated to the primary accounts set up in such classifications.

Further, it appears that the figures in Exhibit D for Coast Valleys Gas and Electric Company, as of June 30, 1928, are not unreasonable and accordingly that Pacific Gas and Electric Company may be authorized to transfer such figures, aggregating \$5,323,577.13 before deduction for the reserve for depreciation, to its fixed capital accounts.

However, in connection with the fixed capital installed prior to January 1, 1913 by Sierra and San Francisco Power Company and the miscellaneous fixed capital of Western States Gas and Electric Company, which are not segregated to primary accounts, it appears from Exhibit "7", submitted by Mr. E. W. Hodges, Comptroller, that there

has been included in the original cost of fixed capital of Sierra and San Francisco Power Company the amount of \$20,657,572.45 representing the excess of cost to that company over the cost of properties acquired from one of its predecessor companies, and in the original cost of fixed capital of Western States Gas and Electric Company the sum of \$3,959,293.13 representing a similar excess cost, the two items aggregating \$24,616,865.58. The following figures appear in Exhibit "7":-

AMOUNTS INCLUDED IN ORIGINAL COST OF FIXED CAPITAL IN SERVICE AND UNDER CONSTRUCTION, AS SHOWN BY EXHIBIT "D" APPLICATION #20117, IN EXCESS OF COST TO PREDECESSOR OWNERS OF PROPERTIES ACQUIRED.

Consideration paid by Sierra & San Francisco Power Company for the properties of the Stanislaus Electric Power Company:	
Common capital stock	\$20,000,000.00
Second mortgage bonds	6,000,000.00
Liabilities assumed other than bonds	<u>1,899,693.51</u>
Sub-total.....	\$27,899,693.51
Cost of properties and assets as shown by books of Stanislaus Electric Power Co. (See C.R.C. Auditing Dept, Report dated Jan. 15, 1914).....	<u>7,242,121.06</u>
Excess of cost of acquisition over cost to predecessor owner	\$ 20,657,572.45
Consideration paid by Western States Gas & Electric Company for the properties of the Humboldt Gas & Electric Co, Stockton Gas & Electric Corp., American River Electric Co. and Richmond Light & Power Corporation:	
Preferred capital stock.....	\$ 1,500,000.00
Common capital stock	1,500,000.00
6% Coupon notes	2,000,000.00
Bonds of acquired companies assumed	<u>2,586,000.00</u>
Sub-total.....	\$ 7,586,000.00
Cost of properties as shown by the books of the acquired companies.	\$ 6,126,706.87
Deduct: Amount carried on books of American River Electric Co. as cost of water rights representing amount of original stock issue.	<u>2,500,000.00</u>
Sub-total.....	\$ <u>3,626,706.87</u>
Excess of cost of acquisition over cost to predecessor owners	<u>3,959,293.13</u>
Total excess of original cost over cost to predecessor owners of properties acquired.....	<u>\$24,616,865.58</u>

It appears to us that Pacific Gas and Electric Company, in recording the acquisition of the properties of the three companies, should exclude from its fixed capital accounts the \$24,616,865.58. This exclusion would result in placing in Pacific Gas and Electric Company's fixed capital and depreciation reserve account the following:-

For Coast Valleys Gas and Electric Company, as of June 30, 1928 (Exhibit D)	\$5,323,577.13
For Western States Gas and Electric Company, as of June 30, 1928. (Exhibit D less adjustment of \$3,959,293.13)	23,463,342.51
For Sierra and San Francisco Power Company, as of December 31, 1934. (Exhibit D less adjustment of \$20,657,572.45)	25,987,923.73
Sub-total.....	<u>\$54,774,843.37</u>
<u>LESS</u> Reserves for depreciation (Exhibit D)	2,499,565.79
Balance	<u><u>\$52,275,277.58</u></u>

The Pacific Gas and Electric Company, as indicated above, proposes to write the \$76,892,143.16 down to \$61,201,518.86, which is \$8,926,241.28 in excess of the \$52,275,277.58 just mentioned. In Exhibit "7" the \$8,926,241.28 is said to represent "consideration paid for water rights, going concern value and other intangibles". It further proposes to write off the sum of \$3,122,188.75 now appearing in its capital surplus account, and thereby reduce the \$8,926,241.28 to \$5,804,052.53. In effect, then, the Pacific Gas and Electric Company requests that it be permitted to carry into its fixed capital the sum of \$58,079,330.11. This sum includes said \$5,804,052.53 which should not be charged to fixed capital accounts. There is no evidence before us that the \$5,804,152.53 represents actual expenditures. The said \$5,804,152.53 should be charged to Account 137, and carried in such account until it is written off by charges to profit and loss accounts.

The \$54,774,843.37 which may be charged to fixed capital accounts and the \$2,499,565.79 credited to the depreciation reserve will of course have to be adjusted because of the cost of additions and betterments to the properties of Sierra and San Francisco Power Company from January 1, 1935 to the date of the transfer of such properties and because of debits and credits to the depreciation reserve during that period.

In authorizing the purchaser to charge to its fixed capital accounts the items making up the \$54,774,843.37, referred to in a preceding paragraph, the Commission is not making a finding of the value of the properties for rate fixing or other purposes, nor is it passing upon the adequacy of the reserves for depreciation. The Commission reserves the right to inquire at any subsequent date into said charges to capital accounts, as well as into the credits to the depreciation reserve, and to order such adjustments as may appear to be reasonable and proper.

Mr. Vernon F. Cant, representing Modesto Irrigation District, appeared at the hearing had on August 26th and requested on behalf of the District that he be given a reasonable time to study this application and to file such written objections as he felt justified in filing. This opportunity was accorded the District in that further hearings were had on this application on September 3, September 11 and October 7. No objections were filed by the District.

Representatives of the cities who entered appearances in the proceeding introduced no testimony nor offered any objection to

the granting of the application.

Some reference should be made also to certain requests informally presented by members of the Senate Committee appointed to investigate the feasibility of state ownership of those public utilities developing water and power. The apprehension is expressed that should the state or any political subdivision thereof decide to acquire the properties of one of the utilities here involved, after their consolidation, the claimed compensation in the way of severance damages might be materially increased. Hence, they urge that should permission to consolidate be granted, the Commission should provide that applicants first grant a five year option permitting any public body to acquire the properties without payment of severance damages.

We do not understand, however, that in thus requesting the Commission to impose some condition protecting the public bodies against possible claims of severance damages in the event of condemnation, these parties are seeking to foreclose either of the applicants from claiming compensation for such damage as may result from the condemnation of a part only of its existing utility system. The right to compensation for any such damage would depend upon conditions surrounding the facilities and business of each utility as they exist today before unification, and the Commission would be without power to deprive them of this right or to compel either applicant to extend an option of purchase without right to demand just compensation.

We take it, rather, that the real apprehension entertained by these public officials is that in the event of condemnation of part or all of one of the properties now held in separate ownership, the surviving utility may claim special severance damages because of

the fact that the Commission has in this proceeding authorized their consolidation. We believe the public interest requires that we should provide some reasonable safeguard against possible claims for compensation based merely upon the fact that a consolidation of the two systems is now authorized. Accordingly, our order herein will be so conditioned.

O R D E R

Application having been made to the Railroad Commission for an order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and being of the opinion that the application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. Sierra and San Francisco Power Company may, after the effective date of this order and on or before June 30, 1936, distribute and transfer to Pacific Gas and Electric Company, in the course of its proceedings for winding up and dissolution, all of the residue and remainder of its properties and assets of every kind remaining after the payment of all its known debts, liabilities and obligations, or the making of adequate provision for such payment and for the payment of its contingent liabilities.
2. Sierra and San Francisco Power Company may, upon the distribution and transfer of its properties and assets to Pacific Gas and Electric Company, as permitted herein, cease furnishing and supplying service as a public utility, and it hereby is relieved, upon such distribution

and transfer, of the duties and functions of a public utility corporation in the territory in which it is or may be furnishing public utility service by means of said properties and assets to be distributed and transferred.

3. Pacific Gas and Electric Company upon acquiring the properties and assets of Sierra and San Francisco Power Company may and shall assume and agree to pay all the debts and liabilities and perform all the obligations of Sierra and San Francisco Power Company and shall satisfy all of that company's liabilities and obligations, existing and contingent, and all claims, demands and causes of action arising out of any contract, lease, tort, franchise, arrangement, or otherwise, as provided in the contract referred to herein.
4. Pacific Gas and Electric Company may advance to Sierra and San Francisco Power Company all sums of money which may be required for the payment of its debts and liabilities and may release all its claims, demands and causes of action against Sierra and San Francisco Power Company in connection with the latter's winding up and dissolution.
5. The authority herein granted applicants is subject to the condition that Pacific Gas and Electric Company will charge to fixed capital accounts and credit to depreciation reserve account, in connection with the acquisition of the properties and assets of Sierra and San Francisco Power Company, Western States Gas and Electric Company, including El Dorado Power Company, and Coast Valleys Gas and Electric Company, including Del Monte

Light and Power Company, the following figures:-

Charges to fixed capital accounts:	
For Coast Valleys Gas and Electric Company	\$5,323,577.13
For Western States Gas and Electric Company	23,463,342.51
For Sierra and San Francisco Power Company	25,987,923.73
Sub-total.....	<u>\$54,774,843.37</u>
Credits to depreciation reserve account.	2,499,565.79
Balance.....	<u>\$52,275,277.58</u>

plus or minus the actual net additions and betterments by the said Sierra and San Francisco Power Company from January 1, 1935 to the date of the acquisition of the properties of said Sierra and San Francisco Power Company by Pacific Gas and Electric Company, provided that the Commission reserves the right to inquire into said charges to said fixed capital accounts and into the credits to the said depreciation reserve and to require said Pacific Gas and Electric Company to make such adjustments in said charges to said fixed capital accounts and to the credits to said depreciation reserve as may appear reasonable and proper; said authority is subject to the further condition that any sum paid by the Pacific Gas and Electric Company for the aforesaid properties in excess of the net amount which it is by this order permitted to charge to fixed capital accounts shall be written off by a charge of about ~~\$3,122,188.75~~ \$3,122,188.75 to its capital surplus account and the balance shall be charged to Account 137-Miscellaneous Deferred Debits, and carried in that account until it is written off by charges to profit and loss.

6. The authority herein granted is subject to the further condition that the consideration paid by Pacific Gas and Elec-

tric Company for the properties and assets of Sierra and San Francisco Power Company, Western States Gas and Electric Company and Coast Valleys Gas and Electric Company, and the amount which said Pacific Gas and Electric Company is herein authorized to charge to its fixed capital accounts shall not be construed as a determination of the value of said properties and assets for the purpose of fixing rates or any purpose other than the transfer herein or herebefore authorized.

7. Pacific Gas and Electric Company, if it exercises the authority herein granted, shall file with the Commission on or before June 30, 1936, a copy of each book entry used to record on its books the acquisition of the properties and assets of Sierra and San Francisco Power Company and the distribution thereof, and of the properties of Western States Gas and Electric Company and Coast Valleys Gas and Electric Company, to primary accounts, and also a copy of each deed or other instrument of conveyance by which it receives title to the properties of Sierra and San Francisco Power Company.
8. The authority herein granted will become effective twenty(20) days after the date hereof; and when Pacific Gas and Electric Company has filed with the Commission in satisfactory form a stipulation duly authorized by its Board of Directors and by the Board of Directors of Sierra and San Francisco Power Company in which said applicants agree that neither they, nor their successors and assigns will in the event that some public body or public bodies seek to condemn all or part of their properties, claim severance damage because of the fact that the Commission in this pro-

ceeding authorized the said Sierra and San Francisco Power Company to transfer its properties to said Pacific Gas and Electric Company, and when Pacific Gas and Electric Company has filed with the Commission a copy of the contract executed by it and Sierra and San Francisco Power Company whereby it agrees, among other things, to pay the latter company's debts and liabilities and to assume its obligations, which contract shall be substantially in the same form as that filed in Application No. 20116 as Exhibit No. 10.

DATED at San Francisco, California, this 20th day of

January 1936.

M. B. Harris
Leon Whitehead
H. H. ...
W. H. ...
Frank R. ...

Commissioners.