

Decision No. 37674

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY and NORTHERN LIGHT AND POWER COMPANY for an order (a) authorizing Pacific to purchase, upon the terms and conditions herein set forth, shares of the preferred and common capital stock of Northern Light and Power Company, (b) approving the agreements attached hereto as Exhibits "B" and "C" and authorizing the consummation thereof fully in accordance with their terms, and (c) issuing to Pacific a certificate of public convenience and necessity to construct, operate and maintain the electric transmission and/or distribution line and related facilities herein described.

ORIGINAL

Application
No. 25747

R. W. DuVal, for Pacific Gas and Electric Company.

A. L. Hammill, for Northern Light and Power Company
and Hammill & Company.

Burtis W. Benbow, for Benbow Hotel Company.

Louis Bartlett, Louis Gorrin and Frank Thompson,
for Redwood Electric Cooperative, Inc.,
Protestant.

SACHSE, COMMISSIONER:

O P I N I O N

In this application, Pacific Gas and Electric Company, sometimes referred to herein as Pacific, asks permission

to acquire, for the consideration hereafter mentioned, all of the outstanding stock of Northern Light and Power Company. Pacific also asks the Commission to grant it a certificate of public convenience and necessity authorizing it to construct a tie line connecting the properties of Northern Light and Power Company and the electric system of Charles East.

In Application No. 25746, Charles East asks permission to sell his electric system to Pacific Gas and Electric Company. The construction of the tie line is dependent upon the granting of Application No. 25746 and the acquisition of the East properties by Pacific. Because of pending litigation a decision in said application has been deferred. At the hearing had on January 22, 1945, on Application No. 26497,⁽¹⁾ Counsel for Pacific stipulated that the Commission may postpone making an order on that portion of Application No. 25747 which relates to the construction of the tie line until such time as it renders its decision in Application No. 25746. He joined in the request of Counsel for Northern Light and Power Company and Benbow Hotel Company that the Commission now pass upon the request of Pacific to purchase the stock of Northern Light and Power Company.

(1) In this application, filed December 18, 1944, Redwood Electric Cooperative, Inc. asks the Commission to deny Application No. 25746 and authorize East to sell his electric properties to Redwood Electric Cooperative, Inc.

Northern Light and Power Company, hereinafter sometimes referred to as Northern, is a corporation organized on or about April 5, 1937, under the laws of California. It acquired the properties formerly owned and operated by Benbow Power Company, who defaulted in the payment of interest on its bonds. A committee representing the bondholders caused Northern to be organized.

Northern is engaged in selling electricity in Garberville and vicinity. The electricity which it sells is produced at its 250 KW hydro-electric plant on the South Fork of the Eel River, and at its 165 KW diesel generating plants in Garberville. For 1943 it reports operating revenues of \$19,673.81, and operating expenses, including depreciation and taxes, of \$19,967.42. As of May 31, 1943, Northern reports assets and liabilities as follows:

<u>Assets</u>		
UTILITY PLANT		\$186,559.61
Due from Benbow Water Co.		1,705.94
CURRENT AND ACCRUED ASSETS:		10,389.82
Cash	\$ 321.30	
Notes receivable	802.17	
Accounts receivable	6,857.09	
Materials and supplies	945.52	
Prepayments	728.51	
Other	735.23	
CAPITAL STOCK DISCOUNT AND EXPENSE		462.50
TOTAL ASSETS		<u>\$199,117.87</u>

Liabilities

CAPITAL STOCKS:		\$ 82,625.00
Common, outstanding	\$39,000.00	
Preferred, outstanding	43,625.00	
CURRENT AND ACCRUED LIABILITIES:		20,329.25
Notes Payable	12,400.00	
Accounts Payable	4,720.46	
Customers' deposits	708.55	
Taxes accrued	2,000.24	
Other	500.00	
RESERVES:		25,851.85
For depreciation	24,831.85	
For uncollectible accounts	1,000.00	
SURPLUS:		70,331.77
Capital	63,859.15	
Earned	6,472.62	
TOTAL LIABILITIES		<u>\$199,117.87</u>

Northern has outstanding 1,745 shares (par value \$25.00) of 6% cumulative preferred stock of the aggregate par value of \$43,625, and 3,900 shares of no par value common stock reported at a stated value of \$39,000. The preferred stock is callable at \$27.50 per share.

Pacific has entered into two agreements covering the purchase of the outstanding stock of Northern. One agreement (Exhibit "B") is with Hammill & Company, and the other agreement (Exhibit "C") is with Benbow Hotel Company and Northern. Under the agreement with Hammill & Company, Pacific agrees to purchase from Hammill & Company, at \$10.00 per share, not less than 1,000 shares of outstanding common stock of Northern, or voting trust certificates representing such common stock, and at \$25.75 a share not less than 1,500 shares of the outstanding preferred stock of Northern, or voting trust certificates

representing such shares. Under the agreement filed as Exhibit "C" Pacific agrees to buy from Benbow Hotel Company at \$10.00 per share 2,180 shares of common stock of Northern, or voting trust certificates representing such shares, plus each and all the properties, rights, privileges and ownership confirmed to and/or granted to the Benbow Hotel Company, by the agreement, plus each and all of the promises and agreements of Pacific and/or Northern contained in the agreement. The testimony shows that at the time of the hearing 1,475 shares of common stock and 1,673 shares of preferred stock of Northern were deposited with American Trust Company in escrow under the Hammill & Company agreement. The testimony further shows that Pacific will, at the prices stated, acquire all of the outstanding stock of Northern, or voting trust certificates representing such stock. If Pacific acquires all the stock, it will pay therefor the sum of \$83,933.75, segregated as follows:

Common, 3,900 shares at \$10.00 per share	\$39,000.00
Preferred, 1,745 shares at \$25.75 per share	<u>44,933.75</u>
Total	83,933.75

Pacific intends to dissolve Northern as soon as it acquires all of its outstanding stock.

The agreement between Pacific, Benbow Hotel Company and Northern provides that if Pacific or Northern cease to operate the hydro-electric plant, or for a period of 30 days operates the plant in contravention of the terms of the agreement, the title to the dam and hydro-electric plant and certain

other properties passes to the Benbow Hotel Company. The agreement undertakes to regulate the elevation of the lake from May 30 to October 1 annually, so that the lake can be used by Benbow Hotel Company for recreational purposes. In Exhibit six the cost of all Northern properties is reported at \$186,560.00, and the cost of the hydro-electric plant, including land, the dam, the power plant and roads at \$113,399.00. The exhibit shows an allocation of \$109,525 of the total cost of \$186,500 to electric service. The amounts represent undepreciated cost figures.

Protestant contends Pacific is paying too high a price for the stock of Northern, particularly in view of the fact that if it abandons the use of the hydro-electric plant or operates the same contrary to the provisions of the agreement it loses title to properties costing about \$113,399. Exhibit six shows \$36,364 of the \$113,399 allocated to electric service. There is nothing in the record that warrants the conclusion that Pacific or Northern will abandon the hydro-electric plant or operate it in such a manner that either of them will lose title to the dam and the plant. If for any reason either of them loses title to the properties, its undepreciated investment therein will be charged to surplus and does not become a burden upon the rate payer. Furthermore, in a rate proceeding a determination will be made of the portion of the investment in the dam that should be included in a rate base.

I believe that the acquisition of the stock of Northern by Pacific Gas and Electric is in the public interest and therefore submit the following form of Order.

O R D E R

The Commission having considered the record in this application and it being of the opinion that Pacific Gas and Electric Company should be authorized to acquire all of the outstanding stock of Northern Light and Power Company, therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may acquire and hold all of the outstanding and issued shares of capital stock of Northern Light and Power Company, or voting trust certificates evidencing or representing shares of said capital stock; 2180 shares of said common capital stock to be acquired from Benbow Hotel Company under and in accordance with the provisions of the agreement filed in this application as Exhibit "C" and the remainder of the outstanding shares of said common stock and all of the outstanding shares of the preferred stock to be acquired from Hammill & Company or others, under and in accordance with the provisions of the agreement on file in this application as Exhibit "B."

2. Pacific Gas and Electric Company may execute and consummate the agreement on file in this application as Exhibit "B."

3. Pacific Gas and Electric Company and Northern Light and Power Company may execute and consummate the agreement on file in this application as Exhibit "C."

4. Pacific Gas and Electric Company shall, if it exercises the authority herein granted, file quarterly reports showing the following:

a. The number of shares of each class of stock of Northern Light and Power Company acquired during the quarter and the aggregate cash consideration paid therefore.

b. The names of the stockholders of Northern Light and Power Company whose stock it acquired.

The first report shall be filed on or before June 30, 1945, and shall be for the period ending May 31, 1945. Subsequent reports shall be filed within thirty (30) days after the close of the three month period to which they relate.

5. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

6. The authority herein granted will become effective fifteen (15) days after the date hereof.

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 9th day of February, 1945.

Harold C. Quinn
Justin J. Casper
Richard Laehle
Francis J. Lewis
Frank J. Powell
Commissioners