

Decision No. A 2864

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PACIFIC GAS AND ELECTRIC COMPANY, a )  
corporation, for an order authorizing )  
applicant to acquire, upon the terms )  
and conditions in this application )  
set forth, the shares of the common )  
capital stock of VALLEJO ELECTRIC )  
LIGHT AND POWER COMPANY set forth in )  
this application. )

Application  
No. 15974  
(First Supplemental)

Robert H. Gerdes, R. W. DuVal and Russel F. O'Hara, for applicant; Reginald L. Vaughan, for certain stockholders of Vallejo Electric Light and Power Company, in support of application; Lowell Nelson, for Vallejo and Solano County American Federation of Labor, interested party; Robert E. Knowlton, for Vallejo Labor Council, interested party; Rolland L. Pope, City Attorney of the City of Vallejo, interested party.

FIRST SUPPLEMENTAL OPINION

Pacific Gas and Electric Company asks the Commission, in its first supplemental application, for an order authorizing it to acquire from the stockholders of Vallejo Electric Light and Power Company, hereafter sometimes referred to as Vallejo Company, and to hold, 32,500 shares of that company's stock, such shares to be acquired under the terms and conditions of the agreement on file as Exhibit B in applicant's first supplemental application.

A public hearing was held on the first supplemental application on October 6 before Examiner Fankhauser, and an adjourned hearing on October 28.

Pursuant to the authority granted by Decision No. 21695, dated October 19, 1929, applicant acquired 4,583-1/3 shares (45.83-1/3%) of Vallejo Company's outstanding stock. In exchange for said shares of stock, applicant issued 9,166-2/3 shares (\$229,166.67 par value) of its common stock. In 1940, Vallejo Company capitalized a portion of its then surplus by issuing a stock dividend to its shareholders. By such action the 4,583-1/3 shares held by applicant were increased to 27,500 shares. Its proportionate share holding of the outstanding stock of Vallejo Company remained unchanged.

Vallejo Company reports, as of August 31, 1949, assets and liabilities as follows:

Assets

Fixed capital	\$1,825,663.52
Investments	50,846.53
Cash	88,407.44
Accounts receivable	36,434.73
Materials and supplies	59,842.24
Work in progress	143.12
Deferred charges	<u>4,680.93</u>
Total assets	<u>\$2,066,018.51</u>

Liabilities

Capital stock outstanding	\$ 600,000.00
Accounts payable	36,089.98
Accrued taxes	96,492.29
Income tax withholdings-employees	1,291.40
Customers' deposits	31,734.47
Accrued interest	13,074.10
Dividend declared payable Sept. 20, 1949	15,000.00
Due Alca Electric Company (subsidiary)	40,967.95
Employees' provident reserve--pensions	120,117.40
Depreciation reserve-5% sinking fund method	448,066.00
Supplemental depreciation reserve	247,878.59
Amortization reserve	<u>38,509.00</u>
Doubtful accounts reserve	3,236.41
Contributions in aid of construction	639.60
Earned surplus	<u>372,921.32</u>
Total liabilities	<u>\$2,066,018.51</u>

Vallejo Company's outstanding \$600,000 par value of stock is divided into 60,000 shares having a par value of \$10 per share.

The shares are owned by the following:

Pacific Gas and Electric Company	27,500
Irma Casper Silverstein	12,190
Matty C. Rosenberg	9,405
E. J. Casper	5,605
Jean Marie Wilson	1,900
Kenneth K. Casper	1,900
Matthew A. Woods	1,500

Applicant has agreed to pay \$41.54 per share for all of said shares of stock except those owned by E. J. Casper, for which shares it has agreed to pay \$50 per share, plus an amount equal to dividends at the rate of 25¢ per share per quarter from July 1, 1949, as to all shares being purchased, to the date of payment of the purchase price, less dividends, if any, for the same period paid to said persons by Vallejo Company. The payment of the 25¢ per share assures the Vallejo Company stockholders of a continuing dividend income until the date of the payment of the purchase price of the shares.

The testimony shows that applicant in 1929 was interested in acquiring all of the outstanding shares of stock of Vallejo Company. It made to all of the then stockholders the same offer. Since 1929 it has had intermittent negotiations for the purchase of the remaining shares. The agreement of August 26, 1949, filed with applicant's first supplemental application is the final outcome of such negotiations. The aggregate cost of acquiring the 32,500 shares will be \$1,397,468.30.

Applicant now sells gas in the City of Vallejo and vicinity. For many years it has sold and is now selling electricity at wholesale to Vallejo Company. It desires to enter into the

electric business in Vallejo directly rather than supply Vallejo and vicinity through an intermediate company. It intends to establish a central office in Vallejo where gas and electric users can pay their bills, make applications for service installations and service removals, and obtain information about their gas and electric service.

It is of record that after applicant acquires said 32,500 shares of stock, a petition will be filed as soon as possible with the Commission for authority to transfer the properties of Vallejo Company to applicant. The authority granted to applicant to acquire said shares of stock should not be construed as passing on the merits of an application involving the transfer of the Vallejo Company properties to applicant.

No change in the rates, rules and regulations of Vallejo Company is proposed by this first supplemental application.

The City Attorney of Vallejo appeared at the hearing, but did not protest the granting of this first supplemental application. He did advise the Commission that the City is investigating the matter of acquiring the Vallejo Company properties through an eminent domain proceeding.

The action taken herein shall not be construed to be a finding of the value of the shares of stock herein authorized to be acquired by applicant.

FIRST SUPPLEMENTAL ORDER

Pacific Gas and Electric Company having asked permission to acquire and hold 32,500 shares of the outstanding stock of Vallejo

Electric Light and Power Company, and the Commission having considered the evidence submitted at the hearings had on its first supplemental application and it being of the opinion that the granting of said application is not contrary to the public interest; therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company may acquire and hold 32,500 shares of the issued and outstanding stock of Vallejo Electric Light and Power Company, such acquisition to be made in accordance with the terms and conditions of the agreement on file as Exhibit B in this first supplemental application.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the acquisition of said shares of stock, or any part thereof, Pacific Gas and Electric Company shall file with the Commission a statement showing the number of shares of stock of Vallejo Electric Light and Power Company acquired, the names of the persons from whom said shares were acquired, and the consideration paid therefor.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 7th day of December, 1949.

*R. E. Dwyer*  
*Arthur J. Calver*  
*David F. Russell*  
*Samuel H. Patton*  
 Commissioners