

Decision No. 50366

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of	)	
PACIFIC GAS AND ELECTRIC COMPANY and	:	Application
COAST COUNTIES GAS AND ELECTRIC COMPANY	)	No. 35541
for authority to merge.	)	
-----	)	

Robert E. Gerdes, F. T. Searls and J. C. Morrissey,  
 for Pacific Gas and Electric Company; W. E. Johns,  
 for Coast Counties Gas and Electric Company;  
 Dion R. Holm, City Attorney, and Paul L. Beck, Chief  
 Valuation and Rate Engineer, by Paul L. Beck, for the  
 City and County of San Francisco, interested party;  
W. D. MacKay, for Gentry Division of Consolidated  
 Grocers' Corporation, interested party; Walter E.  
Wessells and John F. Donovan, for the staff of the  
 Commission.

O P I N I O N

This is an application for an order of the Commission  
 (1) authorizing Pacific Gas and Electric Company and Coast Counties  
 Gas and Electric Company<sup>1/</sup> to merge, (2) authorizing Pacific to enter  
 into an indenture whereby it shall assume the payment of the out-  
 standing bonds of Coast Counties and the performance of the covenants  
 and conditions of the latter company's first mortgage indenture, as  
 supplemented and amended, and to exercise rights and privileges under  
 franchises heretofore granted Coast Counties, and (3) approving  
 journal entries to record the merger.

The application was filed with the Commission on June 24,  
 1954. A public hearing was held before Examiner Coleman in San  
 Francisco on August 4, 1954, at which time the matter was taken under

---

<sup>1/</sup> In this decision Pacific Gas and Electric Company will be re-  
 ferred to as Pacific and Coast Counties Gas and Electric Company as  
 Coast Counties.

submission. The Commission has received no protests in the proceeding.

Applicants are engaged primarily in the electric and gas utility business in California. The service areas of the one are contiguous with those of the other and the systems of the two are interconnected. Coast Counties receives all the electric energy it distributes and a substantial part of its supply of gas, by purchase or exchange, from Pacific.

Under authorization heretofore granted by the Commission, Pacific has acquired the controlling interest in the shares of stock of Coast Counties at a recorded cost as of March 31, 1954, of \$13,597,448.32.<sup>2/</sup> The outstanding stock of the latter company was reported held on July 31, 1954, as follows:

	<u>Amount Outstanding</u>	<u>Held by Pacific</u>	
		<u>Amount</u>	<u>Pct. of Total</u>
Preferred -			
Series A, 4%	\$ 3,100,000	\$ 2,940,750	94.9%
Series B, 4.80%	<u>1,875,000</u>	<u>1,741,350</u>	<u>92.9</u>
Total preferred	4,975,000	4,682,100	94.1
Common	<u>7,712,000</u>	<u>7,712,000</u>	<u>100.0</u>
Totals	<u>\$12,687,000</u>	<u>\$12,394,100</u>	<u>97.7%</u>

Pacific now desires to acquire the properties of its subsidiary and it proposes to accomplish this objective by means of a merger whereby the separate existence of Coast Counties will cease and Pacific, as the surviving corporation, will succeed to and become the owner of all the assets subject to all the outstanding

<sup>2/</sup>

According to Exhibit D, the reported investment consists of the following:

Par value of Coast Counties common stock	\$ 7,712,000.00
Par value of shares of preferred stock of Coast Counties held by Pacific	4,669,975.00
Balance in surplus account of Coast Counties, as adjusted	<u>1,215,473.32</u>
Total	<u>\$13,597,448.32</u>

liabilities and obligations. Pacific reports that the outstanding shares of preferred stock of Coast Counties which are not held by it have been called for redemption and that it expects to exchange or pay the outstanding bonds of Coast Counties, which bonds are in the aggregate principal amount of \$14,295,000. Pending the payment or exchange, however, Pacific will assume the payment of the bonds and it proposes to execute a supplemental indenture whereby it covenants to do so. A copy of the indenture has been filed in this proceeding as Exhibit 3.

Among the assets to be acquired by the surviving corporation are certain franchises now held by Coast Counties, a list of which, exclusive of constitutional franchises, is attached to the application as Exhibit C. Although Pacific, upon the consummation of the merger, will succeed to all the operative rights of Coast Counties, whether prescriptive or certificated, it nevertheless requests the Commission to authorize it to exercise the rights and privileges under the franchises heretofore granted to Coast Counties in the event question might arise in the future as to its operations thereunder.

Upon the merger becoming effective, the filed tariff schedules of Coast Counties will become the effective tariff schedules of Pacific for service rendered within Coast Counties' service areas. Pacific reports that by advice letter it will refile the rate schedules and such rules as may be necessary, and that the only changes which will be made in the filed rules and regulations will be of a minor nature in order to make them consistent with the effective schedules of Pacific. No increases in rates charged for electric, gas or water service will be effected by the merger and by the proposed refiling of the tariff schedules. At the hearing a suggestion was made that the Commission in its order should require Pacific to make a study

looking toward the integration of the rates of the two companies.

However, the matter of rates is not an issue in this proceeding. Pacific will succeed to the present tariff requirements of Coast Counties and to its obligations in connection therewith. The order herein will require Pacific to adopt or refile the present schedules of Coast Counties and to continue the same in effect unless and until hereafter changed under authorization granted by the Commission in appropriate proceedings which may be brought before it.

In recording the transaction on its books, Pacific intends to take over the present book balances in the plant, reserve, contribution and other accounts, except for one adjustment which decreases the recorded cost of Coast Counties' proportionate share of its investment in Standard Pacific Gas Lines Incorporated, as set forth in Exhibit D. There will be no entries in the acquisition adjustment accounts as a result of the merger.

The present application is the last of a series of four proceedings whereby Pacific acquired the holdings and became the successor to the operations of Pacific Public Service Company. The records in the former proceedings, which by reference are incorporated into this proceeding, clearly show that the ultimate merger of Coast Counties with Pacific will make possible the operation and administration of the business of the two companies by a single organization and personnel with resultant savings in expense.

From a review of the record we are of the opinion that the proposed merger will not be adverse to the public interest. Accordingly, we will enter an order granting applicants' requests. The action taken herein shall not be construed to be a finding of the value of the properties of Coast Counties.

ORDER

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Coast Counties Gas and Electric Company may merge with Pacific Gas and Electric Company, with the latter being designated as the surviving corporation, pursuant to the provisions of the Corporations Code, Section 4124.
2. Pacific Gas and Electric Company may execute an indenture, substantially in the same form as that filed in this proceeding as Exhibit 3, whereby it shall assume the due and punctual payment of the outstanding bonds of Coast Counties Gas and Electric Company and the performance of all covenants and conditions of that company's first mortgage indenture dated July 1, 1941, as supplemented and amended.
3. Pacific Gas and Electric Company is authorized to exercise the rights and privileges under franchises heretofore granted to Coast Counties Gas and Electric Company and now being exercised by that company.
4. Pacific Gas and Electric Company may record the merger on its books in the manner outlined in this application.
5. The rates, rules and regulations of Coast Counties Gas and Electric Company now on file with the Commission shall be refiled within 30 days after the date of merger under the name of Pacific Gas

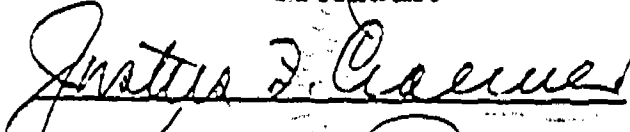
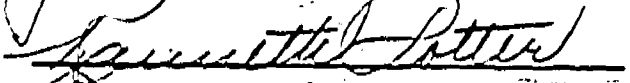

and Electric Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refileing, Pacific Gas and Electric Company may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the present rates shall be made unless authorized by the Commission.

6. Pacific Gas and Electric Company shall file with the Commission for approval a copy of the journal entries used to record said merger on its books, such filing to be made within 60 days after the date of such entries.

7. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of August, 1954.

  
President

Commissioners