

ORIGINAL

Decision No. 54346

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
PACIFIC GAS AND ELECTRIC COMPANY,
PINOLE LIGHT AND POWER COMPANY,
EDWARD M. DOWNER, JR., HAZEL DOWNER
THORNTON, GEORGE A. DUTRA AND IDA E.
POINSETT, for an order of the
Commission authorizing PACIFIC GAS
AND ELECTRIC COMPANY to issue, as
fully paid, shares of its common
capital stock in exchange for the
outstanding shares of the common
capital stock of PINOLE LIGHT AND
POWER COMPANY.

Application No. 38558

F. T. Searls, John C. Morrissey, William E. Johns,
and John A. Sproul, by William E. Johns and John
A. Sproul, for Pacific Gas and Electric Company;
Carlson, Collins, Gordon and Bold, by Frederick
Bold, Jr., for Pinole Light and Power Company,
Edward M. Downer, Jr., Hazel Downer Thornton,
George A. Dutra and Ida E. Poinsett; 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 authorizing Pacific Gas and Electric Company to acquire the outstanding shares of stock of Pinole Light and Power Company and to issue 7,000 shares (\$175,000 par value) of its common stock in exchange, and approving the terms and conditions of said exchange:

The application was filed on November 7, 1956. A public hearing, after due notice, was held before Examiner Coleman in San Francisco, on December 14, 1956, at which time

the matter was taken under submission. The Commission has received no protests in this proceeding.

Pinole Light and Power Company is a California corporation, organized in 1903. It purchases electric energy from Pacific Gas and Electric Company and distributes it to approximately 2,150 consumers, primarily residential, in and about Pinole and Rodeo in Contra Costa County. The extent of its operations and its volume of business during the last three years are indicated in the following tabulation:

<u>Year</u>	<u>Fixed Capital</u>	<u>Gross Revenues</u>	<u>Net Income</u>	<u>Equity Capital</u>	<u>Earnings on Equity</u>
1954	\$222,603	\$134,551	\$14,110	\$170,890	8.3%
1955	240,318	151,158	22,237	190,128	11.6
1956 (10 mos.)	262,173	137,583	23,021	208,949	11.0

The following statement indicates the company's financial position as of September 30, 1956, and shows the source of the funds it has invested in its plant:

<u>Assets</u>		
Fixed capital -		
Total	\$262,173	
Less: depreciation reserve	<u>54,807</u>	
Net		\$207,366
Current assets		<u>7,612</u>
Total		<u>\$214,978</u>
<u>Liabilities and Capital</u>		
Current liabilities		\$ 6,028
Equity capital -		
Common stock	\$ 2,000	
Earned surplus	<u>206,950</u>	
Total equity		<u>208,950</u>
Total		<u>\$214,978</u>

The outstanding shares of stock of Pinole Light and Power Company, consisting of 200 shares of the par value of \$10 each, are held by Edward M. Downer, Jr., Hazel Downer Thornton, George A. Dutra and Ida E. Poinsett, all of whom, along with Pinole Light and Power Company, have joined in the application.

The record shows that Pinole Light and Power Company is faced with the problem of financing an increase in its investment in plant to meet the growing demands for service. Because of this problem and for other reasons, its shareholders have concluded to dispose of their holdings in the corporation and have entered into an agreement to sell their shares of stock to Pacific Gas and Electric Company in exchange for 7,000 shares of common stock of Pacific Gas and Electric Company of the par value of \$25 and having an aggregate par value of \$175,000.^{1/}

From a review of the evidence, it appears that the net earnings of Pinole Light and Power Company are substantially in excess of the annual dividends Pacific Gas and Electric Company will pay at the present rate on the shares of stock it proposes to issue. Moreover, the testimony shows that substantial economies in the operation of Pinole Light and Power Company's properties can be effected through joint operation of the electric business of Pinole Light and Power Company with Pacific Gas and Electric Company's present gas business in the same area and through reductions in general and administrative expenses.

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At the time the parties entered into the agreement for the sale of the shares of stock, the market price of common stock of Pacific Gas and Electric Company was 48-5/8. Presently, Pacific Gas and Electric Company is paying annual dividends of \$2.40.

We have given consideration to this matter and, on the record as developed at the hearing, we are of the opinion, and so find: -

1. That the acquisition by Pacific Gas and Electric Company of the shares of stock of Pinole Light and Power Company will not be adverse to the public interest;

2. That the terms and conditions of the issue and exchange of stock, as proposed, are fair;

3. That the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings, we hereby approve the terms and conditions of the exchange of stock and we will enter an order granting the application. The approval thus indicated is not to be construed to be a finding of the value of the properties of Pinole Light and Power Company nor as indicative of the amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

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. Pacific Gas and Electric Company may acquire and hold the outstanding shares of stock of Pinole Light and Power Company.
2. Pacific Gas and Electric Company may issue not exceeding 7,000 shares of its common capital stock in exchange for the outstanding shares of common capital stock of Pinole Light and Power Company in accordance with the terms and conditions of the agreement dated September 27, 1956, filed in this proceeding as Exhibit F.
3. Pacific Gas and Electric Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 8th
day of JANUARY, 1957.

John E. Butler
President
Walter L. ...
...
R. ...
C. ...
Commissioners