

Decision No. 18192

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }  
NOVATO UTILITIES COMPANY }  
for authority to issue notes. }

Application No. 13608.

Thomas B. Boyd, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to make an order authorizing Novato Utilities Company to issue \$30,000.00 of its five year 6-1/2 percent unsecured notes for the purposes hereinafter indicated.

Novato Utilities Company is engaged in the business of supplying electricity for light, heat and power purposes, and water for domestic purposes and of giving local telephone service in the Township of Novato, Marin County. The company was organized on or about February 10, 1916, and at present has outstanding \$20,000.00 of stock. It has no bonded debt, but, as of December 31, 1926, it had outstanding \$14,800.00 of notes and \$4,271.56 of other current liabilities. It has reported its revenues and expenses for the last three calendar years as

follows:-

ITEM	1924	1925	1926
<b>OPERATING REVENUES:</b>			
Electric	\$13,024.02	\$15,507.41	\$18,714.88
Telephone	5,067.82	5,535.22	6,012.57
Water	2,449.52	2,244.23	2,430.44
Total .....	<u>\$20,541.36</u>	<u>\$23,286.86</u>	<u>\$27,157.89</u>
<b>OPERATING EXPENSES:</b>			
Electric	9,155.97	9,899.23	12,466.98
Telephone	4,185.52	4,526.23	5,270.84
Water	1,790.68	1,775.36	1,676.04
Total .....	<u>\$15,132.17</u>	<u>\$16,200.82</u>	<u>\$19,413.86</u>
Net operating revenues	5,409.19	7,086.04	7,744.03
Non-operating income	657.12	868.18	999.84
Gross income.....	<u>\$6,066.31</u>	<u>\$7,954.22</u>	<u>\$8,743.87</u>
<b>DEDUCTIONS:</b>			
Uncollectible bills	113.46	180.12	368.90
Interest	720.00	760.90	749.22
Total .....	<u>\$833.46</u>	<u>\$941.02</u>	<u>\$1,118.12</u>
Net income for year	<u>\$5,232.85</u>	<u>\$7,013.20</u>	<u>\$7,625.75</u>

In making the present request to issue additional notes, applicant reports that it desires to use the proceeds for the purpose of obtaining money with which to acquire additional property, to make improvements in its properties and equipment, to pay outstanding obligations and to reimburse itself for moneys paid for permanent improvements out of its annual income and for such other purposes as may be necessary for the improvement of its facilities. It is of record, however, that applicant proposes to use the proceeds as follows:-

To pay indebtedness . . . . .	\$14,800.
To purchase real property . . . . .	1,900.
To erect a substation . . . . .	1,000.
To purchase transformers and equipment.	8,150.
To make proposed line extensions. . . .	<u>4,150.</u>
Total . . . . .	<u>\$30,000.</u>

The indebtedness applicant proposes to liquidate includes its entire note indebtedness outstanding on December 31, 1926. The notes are listed in applicant's petition.

The testimony of A. J. Cain, applicant's secretary and treasurer, indicates that the moneys obtained through the issue of the notes were used for additions to, betterments and extensions of the company's properties.

Referring to the use of the remaining proceeds to be received through the issue of the notes, applicant reports that the growth in business, particularly in the electric portion of its operations, as indicated in the foregoing statement of revenues and expenses and in the testimony herein, necessitates the expenditure of such proceeds for additional property and equipment to meet increasing demands for service. To this end it has arranged to purchase, for \$1,400.00, lots 26, 27, 28 and 29 of Block "L" of the Township of Novato, upon which it is constructing a new sub-station building at an estimated cost of \$1,000.00, and installing necessary transformers and switchboard apparatus, at an estimated cost of \$8,150.00. Miscellaneous line extensions necessary are estimated at \$4,150.00.

In addition to the real property to be purchased for the site of the new substation, applicant also proposes, and has made arrangements, to purchase, for \$500.00, a piece of land about 100 feet square, located in Lot "A", which at present is used on a rental basis as a reservoir site in connection with its water operations, it being thought advantageous to purchase the property at this time.

#### ORDER

Novato Utilities Company having applied to the Railroad Commission for permission to issue notes, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission

being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expense or to income,

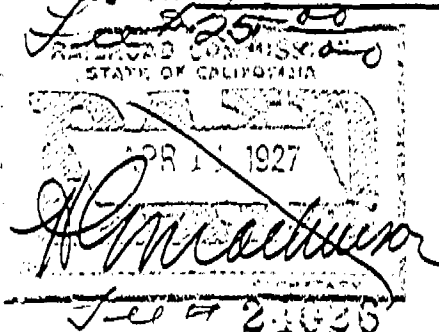
IT IS HEREBY ORDERED that Novato Utilities Company be, and it hereby is, authorized to issue, on or before December 31, 1927, \$30,000.00 of its unsecured promissory notes, payable on or before five (5) years after date of issue with interest at not exceeding 6-1/2 percent per annum for the purpose of liquidating indebtedness and of financing the cost of additions to and betterments and extensions of its plants and properties as outlined in the opinion preceding this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.

IT IS HEREBY FURTHER ORDERED that applicant shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 7<sup>th</sup>

day of April 1927.



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Commissioners.