

ORIGINAL

Decision No. 13777

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 NORTH SACRAMENTO LIGHT AND WATER)
 COMPANY,)
 (a corporation) for authority to)
 sell the water system and proper-)
 ties operated by NORTH SACRAMENTO)
 LIGHT AND WATER COMPANY to PUBLIC)
 UTILITIES CALIFORNIA CORPORATION)
 (a corporation) and for authority)
 of PUBLIC UTILITIES CALIFORNIA)
 CORPORATION to buy said system and)
 properties and to issue shares of)
 its capital stock of the par value)
 of \$60,000.00 and its first)
 mortgage gold bonds of the face)
 amount of \$90,000.00.)

Application No. 14475.

Orrick, Palmer & Dahlquist,
 by Hillyer Brown for Public Utilities
 California Corporation.

J. M. Inman for North Sacramento Light and
 Water Company..

BY THE COMMISSION:

OPINION

In this application as amended on May 3., 1928, the Commission is asked to enter its order authorizing the North Sacramento Light and Water Company to transfer its business and properties to Public Utilities California Corporation, and authorizing Public Utilities California Corporation to acquire said business and properties. The Commission is also asked to authorize the Public Utilities California Corporation to issue at par in payment for said properties \$144,600.00 of its common capital stock.

The North Sacramento Light and Water Company is a corporation engaged in the business of supplying water for domestic and other uses in, and in the vicinity of the town/ of North Sacramento. The company has outstanding \$44,550.00 of stock, \$80,000.00 of bonds and on December 31, 1927, had current liabilities of \$41,320.85. Of the latter sum \$39,952.57 was due the North Sacramento Land Company which owns all of the outstanding stock, except directors' shares, of North Sacramento Light and Water Company. The company for the past two years has reported revenues and expenses as follows:-

<u>Item</u>	<u>1926</u>	<u>1927</u>
Operating revenues	\$17,313.11	\$17,675.21
Operating expenses, exclusive of depreciation	7,787.65	8,972.30
Balance	<u>9,525.46</u>	<u>8,703.01</u>
Less depreciation.	3,081.13	3,299.27
	<u>6,444.33</u>	<u>5,403.74</u>
Add non-operating revenue . .	297.33	322.50
Amount available for interest, dividends or surplus	<u>\$6,741.66</u>	<u>\$5,726.24</u>

During 1926 the company reported 736 consumers and 810 for 1927.

F. J. Keys, appearing as a witness for the Public Utilities California Corporation, estimates the operating revenues for 1928 at \$18,000.00 and the operating expenses, including \$1,500.00 for depreciation, at \$9,500.00 leaving \$8,500.00 available for interest, dividends or surplus. The reduction in operating expenses is brought about by consolidating the operation of the properties with the water properties at Roseville and adjusting the depreciation charges.

A detailed description of the properties which the North Sacramento Light and Water Company asks permission to sell is contained in Exhibit "C" which is a report and analysis in the matter of the appraisal of the properties of the company prepared by the Loveland Engineers, Inc. In this report the Loveland Engineers

submit the following figures:-

Reproduction cost new	\$174,145.00
Reproduction cost new less depreciation	155,042.00
Estimated original cost	149,063.00
Estimated original cost less accrued depreciation reserve.	136,832.00

The above figures include the following allowances for intangible capital:-

Item	Reproduction Cost	Original Cost
Organization & preliminary expenses	\$3,000.00	\$3,000.00
Franchises	1,500.00	500.00
Water rights	1,000.00	-
Cost of acquisition of land and title searches.	1,504.00	1,504.00
Going concern value.	<u>12,500.00</u>	<u>12,500.00</u>
Total	<u>\$19,504.00</u>	<u>\$17,504.00</u>

In Exhibit 9 prepared by R. E. Savage, an assistant engineer for the Commission, the estimated original cost of the properties, exclusive of intangible capital and organization expenses, is reported at \$119,863.00. This figure is based upon an appraisal of the properties of the North Sacramento Light and Water Company submitted in connection with Application No. 11201. In that proceeding the estimated historical cost of the North Sacramento Light and Water Company as of January 1, 1925, was estimated at \$79,071.00. This, however, included \$16,224.00 representing non-operative property. Mr. Savage adjusted the appraisal submitted in connection with Application No. 11201 so as to reflect the cost of property retired and then added the cost of additions and betterments and the present value of lands. His figure of \$119,863.00 does not include any allowance for organization or franchises or rights which the company has to occupy streets in North Sacramento, nor street improvement assessments which the purchaser has assumed to pay. We believe that an allowance for organization expenses, franchises and street assessments should be added to the \$119,863.00.

Giving consideration to these items and the record in this proceeding, we find the estimated original cost of the properties for the purpose of this application to be \$130,000.00. Deducting from this the reserve for accrued depreciation of \$12,231.00 leaves a balance of \$117,769.00 against which the order herein will authorize the issue of \$117,800.00 of stock.

O R D E R

North Sacramento Light and Water Company having asked permission to sell its properties to the Public Utilities California Corporation, and Public Utilities California Corporation having asked permission to acquire such properties and issue in payment therefor \$144,600.00 of its common capital stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the transfer of the properties is in the public interest and that Public Utilities California Corporation should be permitted to issue in payment for such properties not exceeding \$117,800.00 of its common capital stock, that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required by said company and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income, and that this application should be granted as herein provided and not otherwise, therefore,

IT IS HEREBY ORDERED as follows:-

1. North Sacramento Light and Water Company may sell to the Public Utilities California Corporation its business and properties more particularly des-

cribed in Exhibit "C" filed in this proceeding.

2. Public Utilities California Corporation may acquire the aforesaid properties and issue in payment therefor not exceeding \$117,800.00 of its common capital stock.
3. This application insofar as it involves the issue of \$26,800.00 of common stock be, and the same is hereby, dismissed without prejudice.
4. Public Utilities California Corporation, if it acquires the aforesaid properties, may not charge to its fixed capital account more than \$130,000.00. If it pays for the properties more than the \$117,800.00 of common stock, it must charge the difference between the \$117,800.00 and the price paid, to its corporate surplus account.
5. Public Utilities California Corporation shall file with the Railroad Commission reports such as are required by the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
6. Within thirty (30) days after the acquisition of the properties herein referred to, Public Utilities California Corporation shall file with the Railroad Commission a certified copy of the deed under which it acquires and holds title to said properties and shall also file with the Commission a statement showing the date on which it acquired the properties and the date on which it took possession of the same.

DATED at San Francisco, California, this 18
day of May, 1928.

Leon Whitwell
Chas. H. Sawyer
Thos. D. Lawrence
Wm. H. Paine
5. Commissioners.