

LRA

Decision No. 20395

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
J. W. CAIN, A. J. CAIN, M. CAIN, R.)
E. TRUMBULL, A. D. SCOTT and F. J.)
SILVA, and of PACIFIC GAS AND ELEC-)
TRIC COMPANY, a corporation, for an)
order of the Railroad Commission of)
the State of California authorizing)
the former to sell and the latter)
to purchase and acquire, upon the)
terms and conditions in this appli-)
cation set forth, all of the)
authorized and issued shares of the)
capital stock of the NOVATO)
UTILITIES COMPANY.)

ORIGINAL

Application No. 15105.

C. P. Cutten, for Pacific Gas and Electric Company.

J. W. Cain, for Novato Utilities Company.

BY THE COMMISSION:

OPINION

The Railroad Commission has been asked to make an order authorizing Pacific Gas and Electric Company to purchase and acquire the outstanding capital stock of Novato Utilities Company and to issue, in payment therefor, 4,000 shares of its common capital stock of the par value of \$25.00 each and of the aggregate par value of \$100,000.00.

The application shows that Novato Utilities Company is a public utility engaged in the business of distributing and selling electric energy for light, heat and power purposes, and of furnishing and supplying water and telephone service in the Town of

Novato, Marin County, and in territory immediately adjacent thereto, the sale of electric energy constituting the bulk of its business. The company has an authorized issue of capital stock of 5,000 shares of the par value of \$10.00 each, all common, all of which shares, having an aggregate par value of \$50,000.00, are now issued and outstanding. In addition it reports, as of September 30, 1928, notes payable in the hands of the public of \$22,500.00, accounts payable of \$3,674.01, consumers' advances of \$5,023.84 and other current liabilities of \$197.17. Current assets are reported at about \$6,300.00.

It is reported that under date of September 25, 1928, the present holders of the outstanding stock of Novato Utilities Company entered into an agreement with Pacific Gas and Electric Company whereby they agreed to sell to Pacific Gas and Electric Company all of the outstanding stock of Novato Utilities Company in exchange for 4,000 shares of the common capital stock of Pacific Gas and Electric Company of the aggregate par value of \$100,000.00. A copy of the agreement is filed with the application as Exhibit "A".

In support of the application it is alleged that the reproduction cost new of the properties of Novato Utilities Company, as of October 12, 1928, is \$171,520.00 and the historical reproduction cost is \$145,936.55. The credit balance in the reserve for accrued depreciation is reported at about \$28,000.00. The estimated historical cost of the properties, less the balance in the reserve, approximates \$118,000.00. Adding the current assets of \$6,300.00 brings the total up to about \$124,300.00.

Pacific Gas and Electric Company does not, at this time, propose to acquire the physical properties of Novato Utilities Company; it merely seeks permission to acquire the outstanding stock. Inasmuch as this transaction does not involve the transfer of any utility properties no part of the purchase price to be paid by Pacific Gas and Electric Company should, of course, be charged by

it to its fixed capital accounts. While we are willing to grant this application such action is not to be construed as a finding of the value of the physical properties of Novato Utilities Company. In making this order the Commission reserves the right to determine in the future what amount may be charged to fixed capital accounts by the Pacific Gas and Electric Company if it acquires the properties of Novato Utilities Company.

The testimony in this matter shows that it is the intention of Pacific Gas and Electric Company, upon acquiring control of the affairs of Novato Utilities Company, to put into effect, in the place of the rates now charged for electric service, its own rates which are said to be lower for all classes of service than the rates now charged by Novato Utilities Company.

ORDER

Application having been made to the Railroad Commission for an order authorizing Pacific Gas and Electric Company to purchase and acquire the outstanding stock of Novato Utilities Company and to issue 4,000 shares of its common capital stock of the aggregate par value of \$100,000.00, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the issue of the stock is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be, and it is hereby, authorized to purchase, acquire and

hold all of the outstanding stock of Novato Utilities Company, in accordance with the terms and conditions of the agreement of September 25, 1928, and to issue, in payment therefor, 4,000 shares of its common capital stock of the aggregate par value of \$100,000.00.

The authority herein granted is subject to the following conditions:-

1. Pacific Gas and Electric Company shall keep such record of the issue of the stock herein authorized as will enable it to file, within thirty (30) days after such issue, 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.
2. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 27th
day of October, 1928.

Leon Whiskey
Chairman
Paul Smith

Commissioners.