

LBM

Decision No. 21460.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
NOVATO UTILITIES COMPANY,)
a corporation, and of J. W. Cain,)
for an order of the Railroad Com-)
mission of the State of California)
authorizing the former to sell and)
convey to the latter, and the latter)
to purchase the properties referred)
to herein.)

ORIGINAL
Application No. 15720

C. P. Cutten and R. W. DuVal, by R. W. DuVal,
for Novato Utilities Company;

A. G. Cain, for J. W. Cain.

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 sell, for \$40,000.00, its telephone, water and certain non-operative properties to J. W. Cain.

Novato Utilities Company is a corporation organized during 1916 under the laws of the State of California and engaged as a public utility 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 corporation has outstanding \$50,000.00 of stock, all of which, except directors' shares, is held by Pacific Gas and Electric Company.

It now appears that Pacific Gas and Electric Company desires to merge the electric properties with its own electric properties, but does not care to enter into the telephone and water business. Arrangements, therefore, have been made, under date of June 11, 1929, to dispose of the telephone and water properties,

and certain non-operative properties, to J. W. Cain.

A copy of the agreement of June 11, 1929, between J. W. Cain and Novato Utilities Company, is filed herein as Exhibit "A". Under its terms, J. W. Cain has agreed to purchase and Novato Utilities Company to sell, all of the properties now used by the vendor in supplying telephone and water service, all properties used jointly in the telephone and water operations, and all appliances, wire, insulators, switches and other materials, supplies and accessories of the vendor in its electric merchandising, house wiring and electrical contracting business, all as of May 1, 1929. In making the agreement, the purchaser has agreed to pay for such properties the sum of \$40,000.00 in cash, subject to adjustments for additions and betterments made since May 1, 1929. At the hearing, however, it developed that in lieu of the cash payment it had been agreed that Mr. Cain could pay \$14,500.00 in cash and issue his note for \$25,500.00, payable December 31, 1932, with interest at the rate of six and one-half percent per annum, and secured by pledge of 1000 shares of the common capital stock of Pacific Gas and Electric Company. Following the hearing, the Commission was advised that Novato Utilities Company will accept J. W. Cain's one year note, instead of a note due December 31, 1932. It is therefore not necessary to authorize the issue of the note.

The record shows that the cost of the properties to be transferred, as shown on the books of Novato Utilities Company as of April 30, 1929, was \$55,046.35, consisting of \$20,993.13 for the telephone properties, \$23,679.46 for the water properties and \$10,373.76 for the non-operative properties. The testimony herein indicates that the properties are in good operating condition and that it will not be necessary for the purchaser to make any substantial expenditures at this time for repairs and maintenance. According to information on file with the Commission, the net operating

revenue, before depreciation, of the properties to be sold, amounted to \$4,037.19 in 1927, \$3,782.45 in 1928 and \$2,797.22 in the first six months of 1929.

Mr. J. W. Cain, the purchaser of the telephone and water properties, for some years was the president and principal stockholder of Novato Utilities Company prior to the acquisition of its stock in 1928 by Pacific Gas and Electric Company. Under all the circumstances disclosed in this proceeding, we believe that the purchase and operation of the properties by him will not be contrary to the public interest. An order accordingly will be entered.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of properties, 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,

IT IS HEREBY ORDERED that Novato Utilities Company be, and it hereby is, authorized to sell and convey to J. W. Cain, and J. W. Cain be, and he hereby is, authorized to purchase and acquire from Novato Utilities Company all of the telephone, water and other properties referred to in the foregoing opinion which Novato Utilities Company has agreed to sell to J. W. Cain under and in accordance with the terms and provisions of the agreement of June 11, 1929, as modified by the agreement filed on August 9, 1929.

IT IS HEREBY FURTHER ORDERED that Novato Utilities Company be, and it hereby is, authorized, upon the sale and conveyance of the telephone and water properties to J. W. Cain, to cease furnishing and supplying water and telephone service in and about the Town of Novato by means of the properties herein authorized to be sold and conveyed.

The authority herein granted is subject to the following

conditions:

1. The authority herein granted is not to be construed as a finding of value of the properties herein authorized to be transferred, nor is the proposed transfer price to be urged hereafter before this Commission or other public body or court as a measure of value of said properties for any purpose other than the transfer herein authorized.

2. Within thirty days after the transfer of the properties from Novato Utilities Company to J. W. Cain, as herein authorized, J. W. Cain shall file with the Commission a certified copy of the deed or other instrument of conveyance and a certified statement indicating the exact date upon which he acquired the control and took possession of the telephone and water properties.

3. Within thirty days after acquiring control and possession of the said telephone and water properties, J. W. Cain shall file with the Commission in his own name, in form satisfactory to the Commission, the rates, rules and regulations now on file in the name of Novato Utilities Company, a corporation, or shall adopt as his own the rates, rules and regulations of Novato Utilities Company.

DATED at San Francisco, California, this 16th day of August, 1929.

Thomas O. Lovitt

Chas. Seavey

Leon Whitell

W. J. [unclear]

Commissioners.