

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application  
of NAPA VALLEY ELECTRIC COMPANY  
for permission to issue bonds,  
stock and promissory notes.

Application No. 725.

Wilton T. U'Ren for applicant.

THELEN, Commissioner.

O P I N I O N.

This is an application for authority to issue certain bonds, capital stock and promissory notes in the amounts and for the purposes which will hereinafter be specified in greater detail.

Applicant, among other business, supplies electric energy to the Napa valley, in Napa county, California, between a point some 4 miles south of Yountville and what is known as Bale Station, on the line of the Southern Pacific Company between St. Helena and Calistoga. Applicant ~~also~~ purchases its electric energy from the Snow Mountain Water and Power Company and, besides serving its own customers, resells to Calistoga Electric Company for distribution in and about Calistoga.

Applicant's authorized capital stock consists of \$200,000, divided into 2,000 shares, of the par value of \$100 each. Of the stock so authorized, applicant has issued stock of the par value of \$50,000.

Applicant has authorized a bond issue of the face value of \$50,000, consisting of 100 bonds of the face value of \$500 each. Of the bonds so authorized, bonds of the face value of \$29,500 have been issued.

Applicant has outstanding notes of the face value of some \$9,000, of which it asks authority to renew three notes of the total face value of \$5,000, as will hereinafter appear. Applicant on June 1, 1913, had accounts payable amounting to \$4,145.50.

Applicant has prepared an appraisal of the present value of its property, which appraisement shows the total sum of \$48,500. No appraisement has been made by this Commission.

Applicant's annual report for the year ending December 31, 1912, on file with this Commission, shows a net profit for the year amounting to \$3,623.27. Applicant has some 450 customers.

Applicant now desires to issue bonds, capital stock and notes as follows:

(a) Bonds of the face value of \$20,500, to be sold at par, and the proceeds thereof to be applied to the following purposes:

- |     |   |                    |
|-----|---|--------------------|
| (1) | To apply on purchase price of property of Calistoga Electric Company, | \$2,500.00         |
| (2) | Remodelling and reconstruction of applicant's plant at St. Helena,    | 2,600.00           |
| (3) | Reimbursement of patrons for money expended for laterals,             | 3,600.00           |
| (4) | Extension and construction of new laterals and lines,                 | 11,800.00          |
|     | Total,  | <u>\$20,500.00</u> |

(b) Capital stock of the face value of \$15,300, of which amount stock of the face value of \$6,500 is to be paid, together with \$2,500 in cash, for the property of the Calistoga Electric Company and stock of the par value of \$8,800 is to be issued in lieu of capital stock of the same amount which applicant purported to issue on March 15, 1913, without having first secured the consent of this Commission, as demanded by Section 52 of the Public Utilities Act.

(c) Notes of the total face value of \$5,000, to renew three outstanding notes of the same total face value.

I shall now consider these matters somewhat more in detail.

As hereinbefore indicated, it is proposed to pay for the property of the Calistoga Electric Company \$2,500 in cash, being the proceeds of bonds of the same face value, and capital stock of the

par value of \$6,500. The Calistoga Electric Company was incorporated on September 14, 1911, and serves Calistoga and vicinity with electric energy. The company has some 140 customers. It is impossible from the report of this company on file with this Commission, to secure an accurate knowledge of the company's financial condition. The report gives the cost of plant, buildings and land as \$13,168.19, and of equipment as \$124,58. The amount of capital stock outstanding is \$13,500. The application in this proceeding alleges that the present value of the physical property of the company alone is \$5,962. Testimony at the hearing shows that the amount of money invested in the property, not including organization expenses or labor of promoters, is in the vicinity of \$7,384.61.

Calistoga Electric Company has not made any application to this Commission to sell its property, as is required by Section 51 of the Public Utilities Act. Testimony at the hearing shows that no definite agreement has been reached for the sale and purchase of this property, but that applicant is of the opinion that it will be able to buy it for the cash and stock hereinbefore specified. The rates charged for electricity by the Calistoga Electric Company are in excess of those charged or to be charged by the applicant. Applicant intends soon to reduce its rates for electric energy, and if it acquires the property of the Calistoga Electric Company, it will extend its rates to the customers of that company. I recommend that this portion of the application be granted, subject to a formal application by the Calistoga Electric Company as required by the Public Utilities Act, for authority to sell its property to the applicant in this proceeding.

Applicant has heretofore made arrangements with certain intending customers by which they have paid for the extensions to serve their property, the amounts so paid being reimbursed from time to time on the basis of a certain percentage of the bill month by month. It appears that some \$3,600 is still due to such customers under these arrangements. Applicant claims title to the extensions and desires to

repay to the customers the moneys which they have so expended.

Referring to the item of bond moneys to be expended for extensions and the construction of new laterals, it appears that applicant desires to make some 17 extensions to serve new customers in the territory served by it. These extensions are designated on a map which was filed with the application and which is marked "Exhibit D." Applicant testified that, in its opinion, these extensions will be justified from a revenue standpoint.

Applicant has made no contract for the sale of its bonds, but expects to be able to sell them at par. In view of applicant's opinion that it will be possible to secure par for these bonds, the order will provide that they shall be sold at not less than par.

On March 15, 1913, applicant found itself with a surplus from undivided profits amounting to a sum in excess of \$8,800. Applicant has never declared any dividends but has put back profits into the plant. Instead of declaring a cash dividend amounting to \$8,800, applicant on said day issued its capital stock in the amount of \$8,800 against an equivalent amount of undistributed profits. As this Commission's consent was not secured prior to the issue of this stock, the issue, under the provisions of Section 52 of the Public Utilities Act, is absolutely void. Applicant will now cancel the certificates which it purported to issue and asks authority to issue new certificates in lieu thereof. I recommend that this portion of the application be granted.

Applicant now has outstanding, among other promissory notes, three notes in the amount of \$3,000, \$500 and \$1,500, respectively, each payable to the Bank of St. Helena and bearing interest at the rate of 7 per cent per annum, and each now overdue. Applicant asks authority to issue new notes, each payable one day after date and bearing interest at the rate of 7 per cent per annum, in lieu of the outstanding notes. The proceeds from these notes were all used in making extensions to applicant's plant. I recommend that this portion of the application be granted.

I find that the proceeds of the bonds, stock and notes which applicant desires to issue are not properly chargeable to operating expenses or to income and recommend that the application be granted.

I submit herewith the following form of order:

O R D E R.

NAPA VALLEY ELECTRIC COMPANY having applied to this Commission for authority to issue bonds of the face value of twenty thousand and five hundred dollars (\$20,500), and its capital stock of the par value of fifteen thousand and three hundred dollars (\$15,300), and its promissory notes of the face value of five thousand dollars (\$5000), and to use the proceeds thereof for the purposes hereinafter specified, and a public hearing having been held upon said application, and the Commission finding that the purposes for which the proceeds of said bonds, stock and promissory notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Napa Valley Electric Company is hereby authorized to issue twenty thousand and five hundred dollars (\$20,500), face value, of principal of bonds of said company, or so much thereof as may be necessary for the purposes hereinafter specified, respectively, maturing the first day of January, 1931, bearing interest at the rate of six (6) per cent per annum, payable semi-annually, on the first day of January and the first day of July of each year, under and in pursuance of deed of trust or mortgage heretofore on the 12th day of November, 1910, executed by Napa Valley Electric Company to Bank of Napa, Trustees, on the following conditions and not otherwise, to-wit:

(a) Napa Valley Electric Company shall sell said bonds so as to net said company not less than par.

(b) The proceeds of said bonds shall be used only for the following purposes:

(1) To apply on the purchase price of the property of the Calistoga Electric Company, in case said company hereafter secures

the consent of this Commission to sell its property, not to exceed two thousand and five hundred dollars (\$2,500).

(2) For remodelling and reconstructing applicant's plant at St. Helena, not to exceed two thousand and six hundred dollars (\$2,600).

(3) To reimburse patrons for moneys expended for laterals, not to exceed three thousand and six hundred dollars (\$3,600).

(4) For the extension and construction of new laterals and lines, as per map filed with the application herein and marked "Exhibit D," not to exceed eleven thousand and eight hundred dollars (\$11,800).

2. Napa Valley Electric Company is hereby authorized to issue its capital stock to the amount of fifteen thousand and three hundred dollars (\$15,300), par value, on the following conditions and not otherwise, to-wit:

(a) Capital stock of the par value of six thousand and five hundred dollars (\$6,500) may be issued in part payment for the property of the Calistoga Electric Company when said company has secured the authority of this Commission for the sale of its property to applicant.

(b) Capital stock of the par value of eight thousand and eight hundred dollars (\$8,800) may be issued in lieu of capital stock of the same par value which applicant purported to issue on or about March 15, 1913, without the authority of this Commission, to the following persons and in the following amounts:

H. J. Lewelling,-----	26 shares
F. M. Wyatt,-----	1 "
Florence Brown,-----	22 "
D. L. Beard,-----	22 "
Emma L. Conner,-----	17 "

3. Napa Valley Electric Company is hereby authorized to issue its one-day promissory notes, bearing interest at the rate of seven (7) per cent per annum, and payable to the Bank of St. Helena, in the same amounts as the following notes and in renewal thereof:

✓ (1) Promissory note for three thousand dollars (\$3000), dated June 29, 1909, due one (date) after date and payable to the Bank of St. Helena.

(2) Promissory note for five hundred dollars (\$500), dated August 16, 1909, due one day after date and payable to the Bank of St. Helena.

(3) Promissory note for fifteen hundred dollars (\$1500), dated November 15, 1909, due one day after date and payable to the Bank of St. Helena.

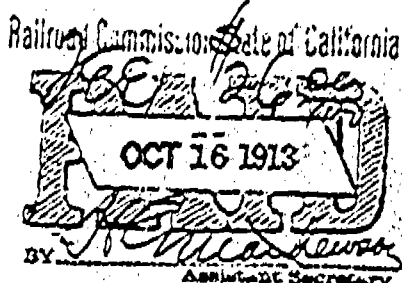
4. Napa Valley Electric Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale or disposal of the bonds, stock and notes hereby authorized to be issued, and on or before the 25th day of each month, the company shall make a verified report to the Commission stating the sale or sales or other disposition of said bonds, stock and notes during the previous month, the terms and conditions of sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. This order shall not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, as amended.

6. This order shall apply only to bonds, stock and notes executed prior to October 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, this 14th day of October, 1913.



John W. Kestelman  
A. D. LeVelle  
Max Thelander  
Edwin O. Egan  
Commissioners.