

Decision No. 30857

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

VALLEJO, NAPA & CALISTOGA
TRANSPORT CO.

for a Permit Authorizing it to Sell
and Issue its Securities.

Application No. 23934

ORIGINAL

BY THE COMMISSION:

O P I N I O N

Vallejo, Napa & Calistoga Transport Co. asks permission to issue and sell at \$50 per share, 592-1/2 shares of common stock, without par value, for the purpose of acquiring properties now owned by San Francisco and Napa Valley Railroad and provide itself with working capital.

In Application No. 23933, San Francisco and Napa Valley Railroad asks permission to sell to Vallejo, Napa & Calistoga Transport Co., assignee of Webb Richards, one G.M.C. Tractor, two Utility Trailers, and one Utility Dolly, for \$4,625, and operative rights referred to in such application for \$20,000. The Commission has entered its order in that proceeding.

Vallejo, Napa & Calistoga Transport Co. is a corporation organized under the laws of the State of California. It has an authorized stock issue of 2,500 shares without par value. It now asks permission to issue to Webb Richards at

\$50 per share, 492-1/2 shares of stock to acquire the aforesaid properties of San Francisco and Napa Valley Railroad and to issue to him at \$50 per share, 100 shares of stock for working capital.

Section 52 of the Public Utilities Act reads, in part, as follows:

"The commission shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right * * * *"

Moreover, this Commission for many years past, when granting a certificate of public convenience and necessity to a common carrier, has placed such carrier upon notice that operative rights do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates.

San Francisco and Napa Railroad filed a statement showing that it expended \$8,592.73 to prepare applications and conduct hearings before the Railroad Commission pertaining to the operative rights granted by Decision No. 30086, as amended, which rights it has agreed to sell to applicant. We have examined this statement. In our opinion, it cannot be said that the company expended said sum for the purposes indicated. The \$8,592.73 is one-third of the railroad's expenditures incident to the refinancing of its properties and to the prosecution of applications for certificates of public convenience and necessity to operate passenger stages and motor trucks. If applicant files with the Commission within sixty (60) days after the date hereof, a statement which in our opinion

shows the expenditures of the railroad to obtain the operative rights for which applicant has agreed to issue 400 shares of stock at \$50 per share, we will enter a supplemental order indicating how many shares of stock, if any, applicant may issue to acquire said operative rights. In the meantime, applicant may issue 192-1/2 shares of common stock at \$50 per share to acquire the equipment herein mentioned and provide itself with working capital. The operative rights to which reference has been made may presently be acquired by applicant but it is not now authorized to issue any stock because of their acquisition.

O R D E R

The Commission having considered applicant's request for permission to issue stock, and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of 192-1/2 shares of stock herein authorized is reasonably required by applicant for the purposes herein stated, that the expenditures for said purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income, and that this application should at this time be granted to the extent indicated in this order, therefore

IT IS HEREBY ORDERED as follows:

1. Vallejo, Napa & Calistoga Transport Co. may, on or before April 1, 1941, issue and sell at not less than \$50 per share not exceeding 192-1/2 shares of its no par capital stock for the purpose of acquiring from San Francisco and Napa Valley

Railroad or Webb Richards, motor truck equipment to which reference is made in the foregoing opinion, and to provide itself with working capital in the amount of \$5,000.

2. Vallejo, Napa & Calistoga Transport Co. shall file with the Railroad Commission reports as required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

Dated at San Francisco, California, this 23rd day of January, 1941.

[Signature]
[Signature]
[Signature]
Justus J. Grewer
Frank R. Havens
Commissioners.