

ORIGINAL

Decision No. 12503

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
 the PETALUMA POWER AND WATER COMPANY,)
 a corporation, for permission to) Application No. 9254
 issue one hundred thousand (\$100,000.00))
 dollars of preferred stock.)

A. B. Hill, for Applicant.

SEAVEY, Commissioner:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Petaluma Power and Water Company to issue \$100,000 of its 7% cumulative preferred stock and to sell, at this time, \$50,000 of such stock at par for the purpose of obtaining funds to pay outstanding indebtedness and to finance the cost of extensions, additions and betterments to its plants and properties.

Petaluma Power and Water Company was organized on or about January 12, 1900, with an authorized capital stock of \$300,000, divided into 3000 shares of the par value of \$100 each, all shares being common. It appears that recently applicant's Articles of Incorporation have been amended so as to provide for an authorized capital stock of \$400,000.00 divided into \$300,000 of common stock and \$100,000 of preferred.

The preferred stock bears cumulative dividends at the rate of 7% per annum, has a preference over the common stock as to dividends and assets, and is redeemable at the option of the company upon any dividend payment date at 102% of par value plus accrued dividends.

All of applicant's common stock was issued prior to March 23, 1912, the effective date of the Public Utilities Act. It now desires to issue and sell \$60,000 of the preferred stock at not less than par to pay indebtedness and to provide the cost of capital additions. It is of record that during and since 1920, applicant to obtain an adequate supply of water found it necessary to purchase and develop additional water bearing lands at a cost of \$37,500.00, which money the company borrowed upon its 6% demand notes. Both R. M. Hill, applicant's president, and F. D. Ellsworth, its general manager, testified that in their opinion the acquisition and development of the additional source of water supply was necessary in order for applicant to render satisfactory service.

The application shows that the growth of the City of Petaluma will make it necessary for the company to extend its pipe lines and to make some improvements by replacing existing lines with new and larger pipe. These additions and improvements are described in some detail in Exhibit "B", which is attached to the petition, and are estimated to cost \$17,691.22. It is to obtain moneys to pay the outstanding liabilities of \$37,500.00 and to finance the cost of the additions and improvements of \$17,691.22, that this application is made.

Petaluma Power and Water Company is engaged in supplying water for domestic, manufacturing and public purposes in and about the City of Petaluma, Sonoma County, supplying about 2,100 consumers. The company reports gross revenues for 1921 as \$40,942.54, for 1922 as \$47,026.02 and for the five months period

ending May 31, 1923, as \$20,100.16. After paying operating expenses, including taxes and depreciation, it reports its gross corporate income as \$16,861.97 for 1921, as \$21,387.23 for 1922 and as \$6,190.42 for the first five months of 1923. Its net profit, after paying interest and making other deductions from income, is reported as \$10,428.01 in 1921, \$15,073.93 in 1922 and \$3,163.33 for the period from January 1, 1923 to May 31, 1923.

I believe the application should be granted as herein provided and herewith submit the following form of Order.

O R D E R

PETALUMA POWER AND WATER COMPANY having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that this application should be granted as herein provided, and that the expenditures herein authorized are reasonably required by applicant;

IT IS HEREBY ORDERED, that Petaluma Power and Water Company be, and it is hereby, authorized to issue \$100,000 of its 7% cumulative preferred stock.

The authority herein granted is subject to the following conditions:

1. Of the stock herein authorized to be issued, \$50,000 may be sold at not less than par and the proceeds used to refund the indebtedness and to finance the cost of the additions and improvements referred to in the foregoing opinion and in this application. Any proceeds not needed for such purposes shall be placed by appli-

- cant in a special bank account and expended only as authorized by the Commission in supplemental orders.
2. The remaining \$40,000 of stock may be sold only when, and at such price and for such purposes as the Commission may authorize in subsequent orders.
 3. Applicant shall keep such record of the issue, sale, and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
 4. The authority herein granted will become effective upon the date hereof. The authority to issue stock will expire on April 30, 1924.

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, California, this 18th day of August, 1923.

C. Shaver

Irving Masterson
Ernest Shore

J. T. Whittelsey
Commissioners.