

Decision No. 13780.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
the PALM VALLEY WATER COMPANY for) Application Number 9804
an order authorizing the sale of)
treasury stock)

F. M. Wickizer, for Applicant.

BY THE COMMISSION :

OPINION

In this application Palm Valley Water Company asks permission to issue and sell 500 shares of its capital stock of the aggregate par value of \$10,000.00, for the purpose of paying indebtedness and of financing the cost of additions and betterments.

Palm Valley Water Company is engaged in supplying water for domestic uses in and about Palm Springs in Riverside County. The company has an authorized capital stock of 2,500 shares of the par value of \$20.00 each, or a total par value of \$50,000.00, of which \$36,157.50 is reported outstanding at present. Applicant has no bonded debt, but reports outstanding approximately \$4,000.00 of current indebtedness, of which \$2,000.00 represents moneys advanced to provide for the improvement and maintenance of applicant's service and for the repair and replacement of lines, reservoirs and ditches, and approximately \$2,000.00 represents moneys advanced by consumers to pay for service extensions.

Applicant asks permission to issue and sell the \$10,000.00 of stock at \$15.00 a share, or on a basis of 75 per cent of par value. It proposes to use \$4,000.00 of the proceeds to pay the indebtedness to which reference is herein made, and to use the remaining \$3,500.00 of proceeds to pay the cost of constructing a

storage and pressure reservoir and of installing approximately 1,000 feet of 6 inch steel pipe. The proposed reservoir will be built of concrete and rock foundation and walls with steel roof, intake settling compartment, drainage gate and outlet pipe for the main line of 6 inch rivetted steel pipe to connect with the present 4 inch steel pipe. The reservoir will be 50' X 50' X 9' in dimension and will have a capacity of not less than 150,000 gallons.

Applicant reports that the construction of the reservoir will enable it to maintain a more regular pressure and that it will be necessary, on account of drouth conditions, to hold and conserve the flow of water in order to meet the demand during the summer months. The company is of the opinion that \$3,500.00 will be adequate to provide for the construction of the reservoir and the installation of the pipe line.

F. M. Wickizer, applicant's President, testified that arrangements had been made to sell the \$10,000.00 of stock herein applied for at 75 per cent of par value. Ordinarily this Commission does not look with favor upon the issue of stock at a price as low as that proposed by applicant. Reports filed by Palm Valley Water Company indicate that the company's operations have been conducted at a loss, that no dividends have been paid on the outstanding stock and that up to December 31, 1923 assessments of \$16,544.75 had been levied and paid. It appears that the present sale of stock will be made to residents and landowners of Palm Valley who apparently are familiar with applicant's operations and who are willing to buy stock to enable applicant to give more adequate service. Under these circumstances we are willing to authorize the issue of stock at this price, it being understood, however, that the granting of the application is not to be considered as binding this Commission to authorize hereafter the issue of stock by applicant, or by any other company, at such price.

ORDER

Palm Valley Water Company, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held before Examiner Williams and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted as herein provided, therefore;

IT IS HEREBY ORDERED that PALM VALLEY WATER COMPANY be, and it is hereby, authorized to issue and sell at not less than \$15.00 per share, 500 shares of its common capital stock of the aggregate par value of \$10,000.00 and to use the proceeds for the purpose of paying the outstanding indebtedness and of financing the cost of additions and betterments to which reference is made in the Opinion which precedes this order.

The authority herein granted is subject to further conditions as follows :-

1. Palm Valley Water Company 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 Number 24, which order in so far as applicable, is made a part of this order.

2. The authority herein granted to issue stock
will become effective upon the date of this
order but will expire on December 31, 1924.

DATED at San Francisco, California, this 19th day of
March, 1924.

W. A. Rorer
H. C. ...
Erving Martin

Commissioners.