

ITEM

Decision No. 14645-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of
CARPINTERIA WATER COMPANY, a corpor-
ation, for an order authorizing the
issue of stock.

)
)
) Application No. 10731

Schauer and Ryon, by Harry A. Ryon,
for applicant.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Carpinteria Water Company to issue \$100,700. of its common stock in full payment for certain water properties, now owned by Frank L. Stewart and E. Stanley Atkinson, located in and about the Town of Carpinteria, Santa Barbara County.

For a brief description and history of the water system of Stewart and Atkinson and the rates charged for service, reference is made to the decision in Application No. 10514. In that proceeding, filed with the Commission on October 2, 1924, Carpinteria Water Company asked the Commission to make an order declaring that public convenience and necessity require and will require the operation of a water system by Carpinteria Water Company in the region indicated hereinabove. The Commission's decision granted the company's request but provided that the authority granted to operate a water system would not become effective until Carpinteria Water Company acquired from Frank L. Stewart and E. Stanley Atkinson the operative water properties, plant and distribution system owned by them.

This application, filed on January 14, 1925, is for permission to issue stock to acquire such properties. In Exhibits "B" and "C" attached to the petition, applicant reports the value of the properties, as of December 31, 1924, as \$100,729.50, which amount includes the following:

Real estate		\$5,000.00	
Machinery and equipment:			
Pumping equipment . . .	\$4,310.64		
Less depreciation	<u>247.09</u>	\$4,063.55	
Tanks & reservoirs . . .	15,511.84		
Less depreciation	<u>1,512.94</u>	13,998.90	18,062.45
Pipe Lines	12,721.49		
Less depreciation	<u>897.59</u>		11,823.90
Wells	5,018.30		
Less depreciation	<u>380.06</u>		4,638.24
Water in wells			
40 inches at \$1500. per inch			60,000.00
Organization expenses			
Incorporation	\$346.95		
Franchise	757.96		
Legal	<u>100.00</u>		1,204.91
			<u>\$100,729.50</u>

The record indicates that the amounts reported for the land and for the other properties and for organization represent actual expenditures made by Stewart and Atkinson. The item of \$60,000.00 urged for water rights is not supported by a sufficient amount of evidence. We believe that when an applicant in a proceeding before the Commission claims certain values for properties and rights, the burden of proof that such values are reasonable rests on the applicant. In this case it appears from the testimony that the alleged value of \$60,000. for water rights is based neither on the cost to Stewart and Atkinson in developing their water supply nor on recent sales of water rights in this region, but on the fact that during the dry weather in 1924 the wells belonging to Stewart and Atkinson produced a continuous flow of water, whereas other wells in the vicinity failed. For this reason a value of \$1500. an inch

for the 40 inches of water developed was considered reasonable by applicant. We do not believe that applicant has made a showing upon which we can base an order authorizing the issue of \$60,000. of stock in payment for water rights. We therefore will give consideration at this time to the values of the physical properties and to the actual expenditures for organization purposes. Deducting the \$60,000. from the reported total of \$100,729.50 leaves a balance of \$40,729.50.

In the decision in Application No. 10514 it is recited that an investigation of the water system and its methods of operation was made by William Stava and M. I. Reed, assistant engineers of the Commission, who submitted, in that proceeding, a report in which they estimated the original cost, undepreciated, of the used and useful property, exclusive of any allowance for water rights, at \$35,864., and of the nonoperative properties at \$7,951., making a total of \$43,815. However, it developed at the hearing held in this matter that Stewart and Atkinson do not intend to transfer to the corporation certain properties, consisting principally of wells located on land not being purchased by the corporation, which are said to have cost approximately \$4,315. and which are included in the total of \$43,815. Deducting this amount from the \$43,815. there is left a balance of \$39,500.

Five shares of stock will be issued to qualify directors. Adding these shares to the estimated original cost of the properties to be acquired by the corporation results in a total of \$40,000., which in our opinion is the amount of stock the company should be permitted to issue at this time.

O R D E R

Carpinteria Water Company having applied to the Railroad Commission for permission to issue \$100,700. of its common capital 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 through the issue of \$40,000. of stock is reasonably required by applicant for the purposes specified herein,

IT IS HEREBY ORDERED that Carpinteria Water Company be, and it is hereby, authorized to issue from and after the date hereof and on or before July 31, 1925, \$40,000. of its common capital stock, in full payment for the properties referred to in the foregoing opinion.

The authority herein granted is subject to the following conditions:-

1. Carpinteria Water Company shall keep such record of the issue 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, insofar as applicable, is made a part of this order.
2. The amount of stock which Carpinteria Water Company is herein authorized to issue in payment for the properties of Stewart and Atkinson is not to be considered as a measure of value of said properties for any purpose other than this proceeding.

IT IS HEREBY FURTHER ORDERED that the application insofar as it relates to the issue of \$60,700. of stock be, and it is hereby, dismissed without prejudice.

Dated at San Francisco, California, this 10th day of March, 1925.

H. N. Brandiff
C. Seaver
Egerton Shaw
George D. Squires
W. W. Lamb

Commissioners.