

IRA

Decision No. 15386.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SONOMA VALLEY WATER LIGHT AND POWER)
COMPANY, SONOMA CITY WATER WORKS)
and SONOMA VISTA WATER COMPANY for)
permission to sell certain proper-)
ties to the Sonoma Water and)
Irrigation Company)
and)

In the Matter of the Application of)
SONOMA WATER AND IRRIGATION COMPANY)
for permission to purchase said pro-)
perties and to issue \$100,000. of)
its preferred stock and \$50,000. of)
its common stock for the purpose of)
acquiring said properties; to con-)
solidate the distributing systems of)
the three properties and to put in a)
concrete bottom in the reservoir now)
owned by Sonoma Valley Water Light)
and Power Company.)

Application No. 6637

Leon C. Osteyee, for Sonoma Water and
Irrigation Company
L. V. Emparan, for Sonoma City Water Works
A. E. Joscelyn, for Sonoma Vista Water Company
E. A. Postlethwaite, City Attorney, for
City of Sonoma, Protestant.

BY THE COMMISSION:

THIRD SUPPLEMENTAL OPINION

On August 11, 1925 Sonoma Water and Irrigation Company asked the Commission to extend the time within which such company may issue and sell the \$100,000. of preferred stock, the issue of

which the Commission authorized by Decision No. 9683 dated October 31, 1921. The time within which the company was authorized to issue, sell and deliver the stock expired January 1, 1924. Up to that time the company had issued, according to the record, \$3,600. par value of such stock.

By its order of August 15, 1925 the above entitled proceeding was re-opened for further hearing and determination. Such hearing was held before Examiner Fankhauser on August 27th at Sonoma.

By Decision No. 9683 dated October 31, 1921 the Railroad Commission authorized the Sonoma Valley Water Light and Power Company, the Sonoma City Water Works and Sonoma Vista Water Company to sell their properties described in Schedules 1, 2 and 3 attached to such decision, to Sonoma Water and Irrigation Company and authorized the Sonoma Water and Irrigation Company to issue in part payment therefor \$40,000. of common stock, and to issue and sell at not less than 80 percent of its par value \$100,000. of eight percent cumulative preferred stock.

The Commission's decision provides that the common stock shall be delivered to the Sonoma Valley Water Light and Power Company in part payment for the properties of that company, which properties the Sonoma Water and Irrigation Company may purchase subject to an indebtedness of \$10,000. The properties of the Sonoma Valley Water, Light and Power Company have been acquired by Sonoma Water and Irrigation Company.

At the hearing had on August 27th Mrs. L. V. Emparan one of the partners owning the city water works at Sonoma and A. E. Joscelyn, owning the Sonoma Vista Water Company, testified that they were willing to sell their properties to the Sonoma Water and Irrigation Company. Mrs. Emparan testified that they

would sell their properties for \$30,000. cash and that the properties they proposed to sell were substantially the same as the properties described in Schedule 2 annexed to Decision No. 9683. A. E. Joscelyn of the Sonoma Vista Water Company, testified that he was willing to sell his water works system to Sonoma Water and Irrigation Company for \$10,650. and that the properties which he was proposing to sell were substantially the same as the properties in Schedule 3, annexed to Decision No. 9683, excepting that Lots 3 and 4 would not be transferred. He is of the opinion that the additions and betterments installed since 1921 more than offset the value of Lots 3 and 4 which he does not now propose to transfer.

At former hearings it was contemplated that the Sonoma Water and Irrigation Company and its predecessor, Sonoma Valley Water, Light and Power Company, would exercise an option to purchase the O'Brien Ranch consisting of approximately 1,100 acres and pay for such ranch, \$50,000. It has since been concluded to purchase the O'Brien Ranch at a cost of \$40,000., \$10,000. to be paid in cash, and the balance within five years, the payment of such balance to be secured by a mortgage on the properties. The reason for desiring to acquire the O'Brien Ranch is to secure an additional water supply. The testimony offered at the hearing on August 27th, as well as the testimony submitted at former hearings in this proceeding indicate that the ownership of the O'Brien Ranch is essential and necessary for securing to the communities served by the several water systems an adequate water supply. It should be stated in this connection that Sonoma Water and Irrigation Company cannot execute a mortgage to secure the payment of the balance due on

the O'Brien Ranch without the consent of the Commission. A copy of the proposed mortgage should be filed with the Commission as well as a supplemental petition for permission to execute the mortgage and issue a note or notes or other evidence of indebtedness to represent the balance due on the O'Brien Ranch.

It is the purpose of Sonoma Water and Irrigation Company, if its request is granted, to endeavor to sell its preferred stock and use the proceeds to acquire the properties of the Sonoma City Water Works, Sonoma Vista Water Company and the O'Brien Ranch and consolidate such water systems with that now owned and operated by Sonoma Water and Irrigation Company. The secretary of the Sonoma Water and Irrigation Company has submitted a statement showing that such company should expend approximately \$79,000. for the following purposes:-

W. Chester a/c indebtedness due on purchase of properties of Sonoma Valley Water Light and Power Company	\$10,000.00
O'Brien Ranch a/c purchase.	10,000.00
Purchase Sonoma City Water Company plant.	30,000.00
Purchase Sonoma Vista Water Company, plant operative properties.	10,000.00
Reservoir repairs	4,000.00
2,600 ft. 8" pipe (laid) @ 82¢ from reservoir to gate	2,132.00
3,900 ft. 8" pipe (laid) @ 82¢ from reservoir to Creek intake	3,198.00
5,200 ft. 6" pipe (laid) @ 66¢ Sonoma Vista plant	3,432.00
1,000 ft. 4" pipe connecting spring	480.00
Labor, extensions, etc.	5,758.00
	<u>\$79,000.00</u>

The money necessary to pay for the properties to which reference has been made and to make the improvements is to be obtained from the sale of eight percent cumulative preferred stock. A statement has been submitted estimating the

revenues from the consolidated and extended properties as follows:-

Sonoma City Water Works	\$5,860.00
Sonoma Valley Water Company	1,400.00
El Verano System.	400.00
Revenue from sales of water for irrigation.	<u>7,200.00</u>
Total.....	<u>\$14,860.00</u>

Representatives of the City of Sonoma appeared at this hearing and protested against granting the request of the company and permitting the consolidation of the water systems. They protest the granting of the application, first, for the reason that the consolidation of the properties and the issue of the preferred stock may result in an increase in the rates; second, that the water from the plant of Sonoma City Water Works might be diverted to serve the demands of consumers on other systems, and that the consolidation of the systems may result in the City of Sonoma being furnished with water inferior in quality to that now being supplied by the Sonoma City Water Works.

We have considered the protest of representatives of the City of Sonoma and feel that they do not justify a denial of applicant's request. Any one or all of the present owners of the utilities to be consolidated may file an application for permission to increase rates. Were the properties consolidated and the applications filed by Sonoma Water and Irrigation Company, the Commission would as in the case of the separate applications, give primary consideration to the value of the properties used and useful in rendering public service. At no time has the Commission considered dividends or even interest on indebtedness as an operating expense. The Secretary of Sonoma Water and Irrigation Company testified that there would be

no diversion of Sonoma City Water Works water to other communities for the reason among others that such diversion would increase operating expenses. The management will endeavor to reduce rather than increase operating expenses and it is with that end in view that it proposes to interconnect the three public utility water systems. The evidence before us does not show that the water now sold by Sonoma Water and Irrigation Company, or that which it intends to sell in the future, is unfit for human consumption. Should the water become unsuitable for domestic use, this Commission and the State Board of Health have sufficient authority to require the utility to remedy the situation.

While we have recited the purposes for which the Sonoma Water and Irrigation Company intends to expend the proceeds from the sale of the preferred stock, the Commission will not at this time modify Condition 3 of the order in said decision No. 9683 reading:

"Of the proceeds realized from the sale of preferred stock, the company may expend for commission or brokerage fees and organization expenses, an amount equal to 20 per cent of the par value of the stock, assuming that the stock is sold at par or more. If the stock is sold for less than par, the amount that may be expended for commission or brokerage fees and organization expenses shall be limited to the difference between the selling price of the stock and 80. Commission or brokerage fees may be paid only in proportion to the amount of cash actually paid by stock subscribers. All proceeds, other than the amount which is herein permitted to be expended, must be deposited by the Sonoma Water and Irrigation Company in a bank or banks and not expended for any purpose other than that hereafter authorized by the Railroad Commission. All expenses, such as the cost of advertising, traveling expenses, printing prospectuses, etc., incident to the sale of the stock, as well as the usual organization expenses, must be paid out of the allowances for commissions or brokerage fees or organization expenses."

SIXTH SUPPLEMENTAL ORDER.

Sonoma Water and Irrigation Company having asked the Railroad Commission to modify its order in Decision No. 9683 dated October 31, 1921 so as to grant the company additional time within which to sell its preferred stock authorized to be issued by said decision, a public hearing having been held and the Railroad Commission being of the opinion that the request of the company should be granted and that the order in said decision should be modified in other respects as herein provided, therefore,

IT IS HEREBY ORDERED that the time within which Sonoma Water and Irrigation Company may issue, sell and deliver the stock authorized by the order in Decision No. 9683 dated October 31, 1921, as amended, be, and it is hereby, extended to and including June 30, 1926, and that said order be, and it is hereby, further modified so as to permit Sonoma City Water Works and Sonoma Vista Water Company to sell their properties, to which reference is made in the Opinion preceding this order, to Sonoma Water and Irrigation Company, which company is hereby authorized to purchase said properties and the O'Brien Ranch and pay therefor the sums indicated in said Opinion when authorized by a supplemental order or orders of this Commission provided that the authority herein granted to purchase the O'Brien Ranch will not become effective until the Commission by a supplemental order or orders has authorized Sonoma Water and Irrigation Company to execute a mortgage to secure the payment of the \$30,000. to which reference is made in said Opinion, nor until Sonoma Water and Irrigation Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$30.00.

