

LEM

Decision No. 16566.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CARPINTERIA WATER COMPANY.)
a corporation, for an order author-)
izing the issue of stock.)

Application No. 12532

Schauer & Ryon,
by Harrison Ryon, for applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

In this application Carpinteria Water Company asks permission to issue and sell \$11,000.00 of its common capital stock for the purpose of paying indebtedness and of financing the cost of drilling and equipping a new well and of purchasing and installing additional pipe lines.

A public hearing in this matter was held before Examiner Williams on March 9, 1926. Since the hearing, additional information has been filed and the matter is now ready for decision.

Carpinteria Water Company is engaged in the business of supplying water for domestic purposes in and about the Town of Carpinteria, Santa Barbara County, supplying about two hundred consumers. During the eleven months ending November 30, 1925, the company reports operating revenues of \$4,704.61, operating expenses including depreciation, of \$3,530.98, dividends declared of \$1,065.98 and net revenue of \$107.65. Earthquake losses are reported at \$2,180.00, leaving a deficit at the close of the period of \$2,072.35. The assets and liabilities, as of November 30,

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1925, are reported as follows:-

ASSETS:

Fixed capital:

Real estate	\$5,000.00	
Pumping equipment	3,915.64	
Tanks and reservoirs	13,041.84	
Pipe lines	24,928.77	
Wells	<u>5,108.30</u>	\$51,964.55

Accounts receivable	1,502.50	
Cash	156.30	
Incorporation expenses	1,157.42	
Other debit balances	418.52	
Deficit	<u>2,072.35</u>	

Total assets \$57,271.64

LIABILITIES:

Capital stock	\$ 40,000.00	
Notes payable	2,000.00	
Loan-Atkinson and Stewart	700.00	
Accounts payable	2,052.32	
Advances for construction	7,589.52	
Deferred credit items	246.69	
Reserve for depreciation	<u>4,685.11</u>	

Total Liabilities \$57,271.64

The company has an authorized capital stock of \$150,000.00, divided into 1,500 shares of the par value of \$100. each, all common, of which \$40,000.00, as shown in the foregoing balance sheet, has been issued and is now outstanding. In making the present application to issue \$11,000.00 of stock, in addition, the company asks permission to sell it at not less than 93 percent of par value and to use the proceeds, which will amount to \$10,230.00 at this price, to pay indebtedness and to finance in part construction costs as follows:-

To drill another well, about	\$2,400.00	
To build a pump house	580.00	
To purchase pumping equipment	2,812.75	
To pay note due First National Bank, and \$17.50 representing interest accrued	2,017.50	
To pay money advanced by the partnership of Stewart and Atkinson, applicant's predecessors	700.00	
To pay Rincon Garage for pipe line extensions ac- cepted and used by applicant	1,262.70	
To pay back to the operating funds amounts paid Rincon Garage for pipe line extension	<u>700.00</u>	

Total..... \$ 10,472.95

Applicant reports that the present supply of water has been found inadequate to take care of the demand for service properly and it therefore has constructed at an estimated cost of \$2,400.00, a new sixteen inch well, 397 feet in depth, which, it is said, will produce sufficient water to meet the present demand and to take care of future business. The new well, it appears, will be equipped either with a 1510 Inuitwieler two-stroke pump and motor or an 18" overlapping double stroke, double geared, self-oiling Cook's deep well pump and motor, the former to cost, according to Exhibit "2", the sum of \$3,659.20, and the latter, according to Exhibit "3" \$2,812.75. At the hearing the company was unable to advise the Commission which pumping equipment it would purchase, so it therefore included the smaller amount in its estimate of expenditures.

As to the remaining items in the tabulation, it appears that the money borrowed on the note for \$2,000.00, the advances from Stewart and Atkinson of \$700., the amount due Rincon Garage of \$1,262.70, and the amount of \$700., heretofore paid Rincon Garage, represent moneys used for pipe line extensions, the four items aggregating \$4,662.70. As shown in some detail in Exhibit "4", the pipe lines installed through the expenditure of the \$4,662.70 include 150 feet of four inch black pipe, 10529 feet of two inch galvanized pipe, 523 feet of one inch galvanized pipe, and 100 feet of three quarter inch galvanized pipe.

We have given consideration to applicant's request and believe it should be granted, except that no proceeds from the sale of the stock may be used to pay the accrued interest of \$17.50 on the outstanding note, as this, in our opinion, is not an amount to be capitalized through the issue of stock.

O R D E R

Carpinteria Water Company having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense, or to income,

IT IS HEREBY ORDERED that Carpinteria Water Company be, and it is hereby, authorized to issue and sell, on or before December 31, 1926, at not less than 93 percent of par value, \$11,000.00 of its common capital stock and to use the proceeds to pay indebtedness and to finance in part the cost of additions and betterments as follows:-

Cost of new well, about	\$2,400.00
Cost of pump house, about	580.00
Cost of pumping equipment, about	2,812.75
Payment of outstanding note in favor of First National Bank, no interest to be paid with stock money	2,000.00
Payment of amounts due Stewart and Atkinson	700.00
Payment of amounts due Rincon Garage	1,262.70
Re-payment to operating funds of amounts heretofore paid Rincon Garage for pipe line extensions, provided that such amounts thereafter are used for additional pipe line extensions	700.00

IT IS HEREBY FURTHER ORDERED that any proceeds not used for the foregoing purposes may be expended only for such purposes as the Commission may hereafter authorize.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof and that applicant shall keep such record of the issue and sale 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.

DATED at San Francisco, California, this 26th day of April, 1926.

H. B. Brundage
C. Leamy

Leon A. Wall

Commissioners.