

LRA

Decision No. 18947

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LA HABRA DOMESTIC WATER COMPANY,)
a corporation, for a certificate)
authorizing the issuance and sale)
of its capital stock.)

Application No. 14102.

Albert Launer, for applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

La Habra Domestic Water Company asks permission to issue and sell \$10,000.00 of its seven percent preferred stock and \$10,000.00 of its common stock and use the proceeds obtained from the sale of such stock for the purposes hereinafter mentioned. It also asks permission to issue \$20,000.00 of its common stock for the purpose of reimbursing its treasury and thereafter distribute such stock as a dividend to its present stockholders.

Applicant has an authorized stock issue of \$100,000.00 divided into 2,000 shares of the par value of \$50.00 each and consisting of \$40,000.00 of seven percent preferred stock and \$60,000.00 of common stock. At present it reports \$30,000.00 of the preferred and \$30,000.00 of the common stock outstanding.

As of January 1, 1927, it reports assets and liabilities as follows:-

ASSETS:

Fixed Capital Installed	\$99,881.58
Franchise.....	\$344.98
Real Estate	8,000.00
Buildings	5,160.10
Well	5,058.00
Pumping equipment	8,112.51
Distribution mains	48,708.64
Reservoir	6,668.69
Service lines	2,137.50
Meters	14,043.38
Office equipment	631.57
Shop "	516.57
Garage "	<u>499.66</u>
Cash in bank.	983.00
Deposit (City of La Habra).	25.00
Notes Receivable.	4,074.91
Accounts Receivable	2,165.70
La Habra Water Co. Stock.	9,256.87
Tools & Supplies.	<u>847.48</u>
Total Assets	<u>\$117,234.54</u>

LIABILITIES:

Capital Stock	\$ 60,000.00
Notes Payable	9,729.00
Accounts Payable.	5,669.34
Consumers Deposits.	438.25
Donations in Aid of Construction.	3,402.62
Depreciation Reserve.	14,617.51
Surplus	<u>23,377.82</u>
Total Liabilities	<u>\$117,234.54</u>

As of September 1, 1927, applicant reports \$17,700.00 of notes outstanding. These notes were issued to obtain funds to pay construction expenses.

Applicant intends to sell the \$20,000.00 of stock referred to herein for cash at par. It asks permission to use for the purpose of paying commissions and expenses incident to the sale of the stock an amount equal to not exceeding five percent of the par value of the stock sold. It further asks permission to

sell the stock on the installment plan under which plan the purchaser would be required to pay ten percent of the subscription price at the time of subscription and the remaining ninety percent in not less than nine succeeding equal monthly payments, the deferred payments to bear interest at the rate of seven percent per annum. It intends to use the proceeds other than the five percent to pay outstanding notes which have been issued for the purpose of paying for additions and betterments, and install additional improvements. In this connection it reports that it will be called upon to expend during the next succeeding eight months the sum of \$9,000.00 for the purpose of acquiring and installing 3,000 feet 12" cast iron distributing mains, 1,000 feet of 6" cast iron distributing mains and 2,000 feet of 4" cast iron distributing mains together with all gates and fittings necessary for the completion thereof.

As of January 1, 1927, applicant reports an accumulated surplus of \$23,377.82. An analysis of this surplus was made by a representative of the Commission's Department of Finance and Accounts. His report shows that the surplus includes \$3,984.87 of donations and that \$4,336.92 was credited to surplus as a result of the revaluation of applicant's properties. In our opinion neither of the two amounts are proper credits to unappropriated surplus. The Commission has heretofore held that neither donations, nor an increase in the asset accounts, due to a revaluation of properties, results in surplus profits available for dividends. (Vol. 25, Opinions and Orders of the Railroad Commission of California, page 858). The amount of stock which applicant may issue to reimburse its treasury and pay a stock dividend should, in our opinion, not exceed \$15,000.00.

O R D E R

La Habra Domestic Water Company having asked permission to issue \$10,000.00 of its seven percent preferred stock and \$30,000.00 of common stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the company should be permitted to issue said preferred stock and \$25,000.00 of common stock and 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 properly chargeable to operating expenses or to income and that this application should be granted as herein provided, therefore

IT IS HEREBY ORDERED as follows:-

1. La Habra Domestic Water Company may issue \$15,000.00 of its common capital stock for the purpose of reimbursing its treasury on account of income expended for additions and betterments and thereafter distribute such stock in accordance with law as a stock dividend.

2. La Habra Domestic Water Company may issue and sell at not less than par \$10,000.00 of its seven percent preferred stock and \$10,000.00 of its common stock and may expend, if necessary, of the proceeds realized from the sale of such stock an amount of not exceeding five percent of the par value of the stock sold to pay commissions and other expenses incident to the sale of the stock and use the remainder of the proceeds together with such portion of the five percent not needed for the aforesaid purposes to pay indebtedness and to pay the cost of additions and betterments

referred to in this application.

3. La Habra Domestic 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 No. 24, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective upon the date hereof.

5. This application insofar as it involves the issue of \$5,000.00 of common stock be and the same is hereby, dismissed without prejudice.

DATED at San Francisco, California, this 25th
day of October, 1927.

Edmund
Clancy
Thos. S. L...
M. A. C...
Commissioners