

LBM

Decision No. 21500.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CARNELIAN BAY WATER CO.)
for permission to purchase, and J.E.)
HORGAN, F. J. SHAIR, A.P.CEANDER,) Application No. 15835
Trustees, for permission to sell)
water system at Carnelian Bay, Cal.)

F. J. Shair, for Applicants, Horgan et al.

J. Humiston, for Carnelian Bay Water Company.

BY THE COMMISSION:

OPINION

Applicants herein seek approval of the transfer of the public utility water system, now supplying, in season, the residents at Carnelian Bay, Lake Tahoe, from J.E.Horgan, A. P. Ceander and F.J. Shair to a California corporation, Carnelian Bay Water Company, and authority for the last named applicant to issue stock in payment therefor.

A public hearing was conducted by Examiner Williams at Tahoe Tavern, August 30, 1929.

The utility herein was acquired by Horgan, Ceander and Shair from W. L. Govan for a consideration of \$2,350.00 by authority of Decision No. 18823, dated September 20, 1927, in which the history of the utility was stated. In the instant application, Horgan, Ceander and Shair apply as Trustees. At the hearing applicants explained that they, as co-partners, had purchased from Govan, and moved to strike out the word "Trustees." They explained, however, that the purchase was really a moral trust, as they did so to form a company, as nearly

mutual as possible, and that this present purpose is to carry out that plan. Heretofore, each of the seventeen consumers, including Horgan, Ceander and Shair, paid \$100.00 to aid in financing the utility. It is the plan to issue to each of these persons four shares of stock, par value \$25.00 each. As all the consumers (about thirty) could not be brought into a mutual company, a public utility water corporation-- Carnelian Bay Water Company-- was organized, in which the certain seventeen consumers named in the Articles have equal interest. The company is capitalized at \$20,000.00, divided into 800 shares of \$25.00 each.

The corporation is to purchase the property at a valuation of \$2,450.00, which is the price referred to in Decision No. 18823, plus \$100.00 attorney's fees. The present value of the plant is fixed by applicants at \$3,500.00, which includes the purchase price plus a new dam in Rock Creek, where the utility has a right to one-third cubic foot of water, and extensions, all made in 1928. The original cost of the system was estimated by D. E. Harroun, assistant engineer of this Commission, at \$5,146.00 as of April 1, 1926. No allowance was made for water rights. This valuation, plus additions and betterments since 1926, would aggregate \$6,196.00 approximately, without depreciation. As the system was constructed in 1910, mostly of second-hand materials, it now requires extension replacements.

Applicant corporation proposes to issue 400 shares, of the aggregate par value of \$10,000.00, of which 68 shares, or \$1,700.00 of stock, are to be delivered to the seventeen persons having equity interests of \$100.00 each, \$950.00 to be sold at par to discharge the remainder due W. L. Govan as purchase price, and \$1,000.00 to be sold at par to provide funds to install a pump, pipe lines and storage tank. It made no definite showing in support of its request to issue stock in addition to these amounts. The utility has no outstanding debt or lien except that due Govan. Under the present management its net operating revenue in 1927 was \$454.00, and in 1928, \$373.00.

It has approximately thirty consumers and expects to maintain the ratio of profit without rate changes.

We believe the corporation should be authorized at this time to issue 146 shares of stock, of the aggregate par value of \$3,650.00, for the purposes named above. The request to issue the remainder will be held in abeyance until such time as the corporation can advise the Commission definitely of the purposes for which the proceeds will be used.

C R D E R

J. E. Horgan, F. J. Shair and A. P. Ceander, having applied to the Railroad Commission for permission to sell their property, a public utility water system, at Carnelian Bay, to Carnelian Bay Water Company, a corporation, and to discontinue public utility business, and Carnelian Bay Water Company having asked permission to purchase such properties and to issue and sell \$10,000.00 of common stock, and the Commission being of the opinion that the issue of \$3,650.00 of stock is reasonably required by Carnelian Bay Water Company, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted as herein provided; therefore,

IT IS HEREBY ORDERED:

1. J. E. Horgan, F. J. Shair and A. P. Ceander may, after the effective date of the authority herein granted and on or before January 1, 1930, sell all of their property aforesaid to Carnelian Bay Water Company, which company is hereby authorized to acquire the same. Upon the purchase of said properties by Carnelian Bay Water Company and the assumption of public utility service by said company, J. E. Horgan, F. J. Shair and A. P. Ceander may discontinue their public utility service.

2. Carnelian Bay Water Company may, after the effective date of the authority herein granted and on or before January 1, 1930, issue at par \$3,650.00 of its common stock and use such stock, or the proceeds from such stock, for the following purposes;-

- (a) To pay in full the balance due W. L. Govan \$950.00
- (b) To finance the purchase and construction of a pump, pipe line and storage tank for the betterment of said utility 1,000.00
- (c) To pay amounts advanced by the persons named in the applicant corporation's Articles of Incorporation..... 1,700.00

3. Applicant corporation 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. Within sixty (60) days after the transfer of the properties herein authorized, Carnelian Bay Water Company shall file a certified copy of the deed under which it acquires title to said properties, also a statement showing the date when it acquired same.

5. The authority herein granted is not to be urged before this Commission or other court or public body as a measure of value of the said water system for the purpose of fixing rates or for any purpose other than the transfer and stock issue herein authorized.

6. Carnelian Bay Water Company, in setting up ledger accounts, may debit to fixed capital accounts not more than \$6,196.00, plus the cost of additions, betterments and extensions. It shall credit the excess of such amounts over the capital stock to be issued

in payment therefor, to a reserve for accrued depreciation account.

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

DATED at San Francisco, California, this 21st day of September, 1929.

Thos D. Lott

C. L. Loney

W. J. Linn

Commissioners.