

LEM

Decision No. 22168.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
A. B. PERKINS, MARGUERITE PERKINS,)
JOSEPE D. O'BRIEN, and AGNES K.)
O'BRIEN, a co-partnership, and)
NEWHALL WATER COMPANY, a corporation,)
to purchase the water properties of)
the co-partnership, and for the co-)
partnership to sell its properties,)
and for the Newhall Water Company to)
issue its common stock.)

ORIGINAL

Application No. 16275.

Koenig and Brunton, by Victor Koenig,
for applicants.

BY THE COMMISSION:

O P I N I O N

A. B. Perkins, Marguerite E. Perkins, Joseph D. O'Brien and Agnes K. O'Brien, a co-partnership, existing under the laws of the State of California, and transacting business under the name of the Newhall Water System, hereinafter sometimes referred to as the co-partnership, ask permission to sell their public utility water properties to the Newhall Water Company, a corporation. The corporation asks authority to issue \$45,000.00 of its common capital stock and to assume indebtedness, all for the purposes hereafter stated.

The Newhall Water System serves the townsite of Newhall in Los Angeles County. This townsite is situated approximately 31 miles from Los Angeles in the Little Santa Clara Valley. There

are 287 active services on the water system. The operating revenues and expenses of the water system and other charges during the past three years have been reported to the Railroad Commission as follows:-

| ITEM | 1927 | 1928 | 1929 |
|------------------------------|------------|------------|------------|
| Operating revenues | \$5,931.42 | \$6,975.50 | \$7,320.47 |
| Operating expenses | 3,149.85 | 3,014.43 | 2,989.58 |
| Balance | 2,781.57 | 3,961.07 | 4,330.89 |
| Depreciation | 520.00 | 520.00 | 520.00 |
| Net operating revenue | 2,261.57 | 3,441.07 | 3,810.89 |
| DEDUCT: | | | |
| Interest | 1,717.54 | 1,620.30 | 1,600.00 |
| Miscellaneous | 26.95 | 85.55 | 88.20 |
| Total..... | \$1,744.49 | 1,705.85 | 1,688.20 |
| Profit for year..... | \$ 517.08 | \$1,735.22 | \$2,122.69 |
| Consumers | 246 | 266 | 285 |

It is of record that during the past year the water distribution system has been inadequate and that because of such inadequacy the co-partnership has not been able to meet the demand made upon it for water. It is primarily for the purpose of remedying this situation that the properties are to be transferred to the Newhall Water Company, a corporation. The corporation will issue stock in part payment for the properties and sell additional stock to pay for improvements. It was organized on August 12, 1929, with an authorized capital stock of \$75,000.00 divided into 750 shares of common stock having a par value of \$100.00 each.

In Exhibit "C" filed in this proceeding, the reproduction cost new of the Newhall Water System as of November 1, 1929 is reported at \$86,271.00, and the reproduction cost new depreciated at \$61,407.00. The original cost of the water system is reported at \$64,316.00 and the original cost less depreciation at \$50,919.00.

Depreciation is calculated in both instances on a six percent sinking fund basis.

It is proposed to install additions and betterments to the water system, the cost of which is estimated at \$16,275.00. A summary of the proposed additions follows:-

| | |
|--|--------------|
| Drilling one well in Railroad Canyon 14" in diameter- 500' deep | \$3,000.00 |
| Installation of 10" deep well turbine pump on new 14" Railroad Canyon well, including setting pump, foundation wiring and also including automatic electric starting devices | 2,500.00 |
| Pump House | 500.00 |
| Moving 320,700 gallon redwood tank to new location in Railroad Canyon, including hauling new lumber, foundation, clearing and grading at site, etc. | 2,500.00 |
| Laying 3500' of 8" Class 150 de Lavaud centrifugal cast iron pipe | 5,500.00 |
| Laying approximately 500' of 8" C.I. Class 150 centrifugal pipe to reservoir | 775.00 |
| Organization-including engineering, legal expense, accounting fees and other miscellaneous expenses | 1,500.00 |
| Total..... | \$ 16,275.00 |

The estimated depreciated original cost of the Newhall Water System, together with the proposed improvements, is reported at \$67,194.00. It appears to us that this amount should be reduced by \$1,300.00 because of a duplication in organization expense and credits that have to be made to fixed capital accounts, because of the moving of a tank.

The co-partnership, it seems, from the record in this proceeding, as of December 31, 1929, had outstanding notes payable amounting to \$21,483.79, and accounts payable of \$1,695.86. The indebtedness of the co-partnership is to be assumed by the corporation as of the date that the properties of the co-partnership will be acquired by the corporation. In addition to assuming such indebtedness, the corporation asks authority to issue to the co-

partnership as part payment for its properties, \$26,000.00 par value of its common capital stock. In addition, it asks authority to issue and sell at not less than 85 percent of its par value \$19,000.00 par value of its common capital stock for the purpose of raising the \$16,275.00 which it is estimated will be the cost of the proposed improvements.

It appears from the record in this proceeding that the transfer of the properties and the installation of the proposed improvements is in the public interest. We question, however, the propriety of the Newhall Water Company being authorized to issue \$19,000.00 of its stock at not less than 85 percent of its par value. It appears to us that this stock should be sold for not less than par value.

ORDER

The aforesaid co-partnership having applied to the Commission for permission to sell its public utility properties to the Newhall Water Company, a corporation, and said Newhall Water Company having asked authority to acquire said properties and to issue stock in the amount of \$45,000.00, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the \$42,300.00 of said stock is reasonably required by Newhall 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 this application, insofar as it involves the issue of \$2,700.00 of stock,

should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows:-

1. A. B. Perkins, Marguerite Perkins, Joseph D. O'Brien and Agnes K. O'Brien, a co-partnership, be, and they are hereby, authorized to sell, on or before June 30, 1930, the public utility water properties operated by them under the name of the Newhall Water System, and more particularly described in this application, to Newhall Water Company.

2. Newhall Water Company, a corporation, is hereby authorized to acquire said properties and assume the indebtedness of the aforesaid co-partnership and to issue in part payment for the properties of the co-partnership, \$26,000.00 par value of its common capital stock, such stock to be issued on or before June 30, 1930.

3. Newhall Water Company may issue and sell at not less than par, on or before December 31, 1930, \$16,300.00 par value of its common capital stock and use the proceeds for the purpose of paying for the improvements set forth in the foregoing opinion.

4. Within 60 days after acquiring the properties of the aforesaid co-partnership, Newhall Water Company shall file with the Commission a certified copy of the deed under which it acquires and holds title to the properties of the aforesaid co-partnership.

5. Newhall 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.

6. The authority herein granted will become effective ten days after the date hereof.

7. That, this application insofar as it involves the issue of \$2,700.00 par value of stock, be dismissed without prejudice.

DATED at San Francisco, California, this 27th day of February, 1930.

C. J. Scully

Thos. J. Loutch

M. J. Linn

Commissioners.