

LEM

Decision No. 25038

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the)
CASITAS ROAD WATER COMPANY)
for permission to issue capital stock) Application No. 18275
and to purchase utility.)

Schauer, Ryon & Goux, for applicant.

BY THE COMMISSION:

ORIGINAL

OPINION

In this application the Railroad Commission is asked to make an order authorizing the transfer of the public utility water system of George R. Bliss to Casitas Road Water Company, and the issue by Casitas Road Water Company of \$15,600.00 of common capital stock.

George R. Bliss is engaged in the business of distributing and selling water for irrigation purposes to certain lands located near Carpinteria, Santa Barbara County. His water system includes two twelve inch wells from which water is pumped directly into the irrigation mains, which consist of slightly more than 12,000 feet of six inch, eight inch and ten inch concrete and standard screw pipe, and distributed to approximately 200 acres of land. His gross operating revenues were reported at \$2,548.80 in 1929, at \$2,697.62 in 1930 and at \$2,908.68 in 1931, while his net operating revenues are shown at \$56.73 in 1929 and at \$541.55 in 1930 and his net operating loss at \$186.74 in 1931.

It appears that George Bliss has concluded to transfer his water business and properties to a corporation and to that end has caused the organization, on or about January 21, 1932, of Casitas Road Water Company. It is proposed that the corporation acquire the properties and issue to Mr. Bliss \$11,200.00 of stock, in part payment thereof, and issue in addition \$4,400.00 of stock to pay short term note indebtedness now outstanding against the water system.

In connection with a rate proceeding heretofore brought before the Commission, Application No. 16526, inquiry was made into the original cost of the George R. Bliss water properties. In that proceeding the Commission's Engineering Department estimated the original cost, as of May 31, 1930, at \$12,224.00, as compared with \$13,013.00 claimed by the company. For the purpose of fixing rates, the Commission in its decision used as a base the sum of \$12,500.00. (Decision No. 22628, dated July 3, 1930, Vol. 34, Opinions and Orders of the Railroad Commission of California, page 856.)

Since the former proceeding it appears that George R. Bliss has installed an additional well and pumping facilities and made extensions to his mains. In Exhibit B, now filed, the original cost of the properties comprising the system as of April 6, 1932, is reported at \$21,062.24, and the estimated accrued depreciation at \$4,996.19. The net assets to be transferred to the corporation are reported at \$11,126.89 as follows:-

<u>A S S E T S</u>	
<u>FIXED CAPITAL:</u>	
Organization.....	\$ 62.70
Engineering and superintendence.....	600.00
Land	500.00
Pumping station building and fixtures	150.35
Wells.....	8,065.34
Pumping equipment.....	5,797.72
Distribution mains	5,737.93
Meters and measuring devices.....	148.20
	\$21,062.24
LESS: Reserve for depreciation.....	4,996.19
	<u>16,066.05</u>
Prepaid taxes	23.20
Materials and supplies.....	52.25
	<u>\$16,141.50</u>
	Total assets.....

LIABILITIES

Notes payable	\$ 4,400.00
Consumers' advances for construction	614.61
Total liabilities.....	<u>5,014.61</u>
Net assets to be transferred.....	<u>\$11,126.89</u>

In addition Mr. Bliss has advanced \$125.85 to the corporation to pay organization and incorporation expenses, for which he is willing to accept stock of the corporation. The \$125.85 and the \$11,126.89 make a total of \$11,252.74 which will be liquidated through the issue of \$11,200.00 par value of stock and the cash payment of \$52.74.

It appears to be the intention of the corporation to assume the outstanding liabilities of \$5,014.61 and thereafter to issue \$4,400.00 par value of stock to the holders of the \$4,400.00 of notes in satisfaction of their claims, so that at the outset of its operations the corporation will have outstanding capital stock of \$15,600.00 and liabilities, consumers' advances for construction, of only \$614.61.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of properties and the issue of \$15,600.00 of stock, the Commission being of the opinion that this is not a matter in which a public hearing is necessary, ^{and} that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that George R. Bliss be, and he hereby is, authorized to sell and transfer his public utility water properties, referred to in the foregoing opinion, to Casitas Road Water Company, a corporation, and Casitas Road Water Company be, and it hereby is, authorized to purchase and acquire such properties, provided it assumes the payment of outstanding liabilities of \$5,014.61, consisting of \$614.61 of consumers' advances for construction and \$4,400.00 of notes payable, which liabilities it is hereby authorized so to assume.

IT IS HEREBY FURTHER ORDERED, that Casitas Road Water Company be, and it hereby is, authorized to issue, on or before December 31, 1932, \$15,600.00 of common capital stock and to deliver \$11,200.00 thereof to George R. Bliss in part payment for the water properties herein authorized to be transferred and for organization and incorporation expenses, and to deliver the remaining \$4,400.00 in payment of the \$4,400.00 of notes payable it is herein authorized to assume.

The authority herein granted is subject to the following conditions:-

1. The consideration for the transfer herein authorized shall not be urged before this Commission or any other public body as a finding of value for rate fixing or any other purpose.
2. Within thirty(30) days after the transfer of the properties, Casitas Road Water Company shall file with the Commission a copy of the deed or deeds of conveyance by which it receives title to the properties, and a statement showing the exact date upon which it acquired control and possession of such properties.

3. Casitas Road Water Company shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the twenty-fifth 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 fifteen (15) days after the date hereof.

DATED at San Francisco, California, this 8th day of August, 1932.

C. C. Deane
Leon Caldwell
W. B. Lewis
Fred G. Stewart

COMMISSIONERS.