

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 1165

In the matter of the application
of PASADENA CONSOLIDATED WATER
COMPANY for authority to issue 129
shares of capital stock and promissory
notes in the sum of \$7700.00.

Application No. 884.

J. B. Coulston for applicant.

THELEN, Commissioner.

O P I N I O N.

This is an application for an order authorizing applicant to issue 129 shares of its capital stock and its promissory notes in the sum of \$7700.00 for the purposes hereinafter specified.

Applicant is a public utility water corporation supplying water for irrigating and domestic purposes to certain lands specifically described in its amended articles of incorporation, lying east of the city of Pasadena, and containing something over one thousand acres. On March 5, 1912, applicant's board of directors adopted a resolution authorizing the issue of capital stock in the amounts therein designated for the purposes specifically enumerated. Among other provisions, the resolution recited "then when an inventory of the pipe lines referred to in the contracts between the various parties hereto shall have been taken and said pipe lines shall have been measured and appraised, there shall be issued to J. B. Coulston such a number of shares of stock of this corporation as shall represent the value of said pipe lines." These pipe lines were water pipes lying in various portions of the tracts which applicant proposed to serve with water. An inventory of these pipe lines was thereafter prepared, showing the cost of replacing the pipe lines less depreciation. None of the pipe lines had been laid for a period in excess of two years. A copy of the inventory is attached to the petition herein

and shows an appraised value of \$11,973.27.

The board of directors also authorized the payment of \$15 per share for all shares of Precipice Canon Water stock which could be purchased at that price. Mr. Coulston thereafter bought 67 shares of the stock of this company at \$15 per share and transferred ^{it} to applicant.

Thereafter, on December 31, 1912, applicant purported to issue 129 shares of its capital stock, at par, to Mr. Coulston in payment for said pipe lines and said Precipice Canon Water stock. This issue was made without the prior order of this Commission, as provided by Section 52 of the Public Utilities Act, and is consequently void. The issue was made in ignorance of the provisions of the Public Utilities Act in this respect, and with no intentions to violate its provisions. Applicant now asks authority to issue 129 shares of its capital stock in lieu of those illegally issued. I find that the purposes for which it is desired to issue the stock are not reasonably chargeable to operating expenses or to income, and recommend that this portion of the application be granted.

Applicant has heretofore purported to issue the following promissory notes, ^{all} bearing interest at the rate of 7% per annum, and payable to Crown City National Bank:

Note dated June 24, 1912, for \$2500.00 - payable on demand - proceeds used to meet current expenses.

Note dated February 2, 1913, for \$5000.00, payable on demand - proceeds used to install a new well.

Note dated April 18, 1913, for \$1500.00, payable two months after date - partial payment of \$300.00 made - proceeds used to meet current expenses.

Applicant's revenues accrue mostly from water sold for irrigation and are principally derived during the summer months. Hence it is necessary at times to borrow money during the other months to meet operating expenses. Mr. Coulston testified that applicant's revenues would soon materially increase and that

the company expected to be able before long to pay off the notes issued to meet current expenses. At the present time, applicant is being called upon to incur considerable expenditures for extending its system.

The foregoing notes were all issued without a prior order of this Commission authorizing their issue. The last note was an original note for a definite period of less than twelve months. This Commission's consent accordingly was not necessary to its issue. The other two notes, however, are demand notes on which it might be that demand would not be made until the expiration of more than twelve months. Hence, under the provisions of Section 52 of the Public Utilities Act, these notes are void. Applicant now asks authority to issue three new promissory notes, all payable on demand, in lieu of the foregoing three notes. Under all the circumstances, I recommend that this portion of the application be also granted.

I submit herewith the following form of order:

O R D E R.

PASADENA CONSOLIDATED WATER COMPANY having applied to the Railroad Commission for an order authorizing the issue of 129 shares of its capital stock and its promissory notes of the aggregate face value of \$7,700.00, for the purposes hereinafter specified, and a public hearing having been held upon said application, and the Commission finding that the purposes for which the Commission is asked to authorize the issue of the capital stock are not reasonably chargeable to operating expenses or to income and that authority should be granted to issue the promissory notes hereinafter authorized to be issued,

IT IS HEREBY ORDERED as follows:

1. Pasadena Consolidated Water Company is hereby authorized to issue 129 shares of its capital stock, of the par value of \$100.00 each, to J. S. Coulston in payment for the water pipe lines and appurtenances and the 67 shares of Precipice Canon Water stock, which are

specifically set forth in the statement which is attached to the petition in this application, on condition that applicant shall call in and cancel the 129 shares of its capital stock which it heretofore purported to issue without the authority of this Commission.

2. Pasadena Consolidated Water Company is hereby authorized to issue its three promissory notes, payable on demand, bearing interest at not to exceed 7 per cent per annum, payable to Crown City National Bank, in the amounts of \$1500.00, \$5000.00 and \$1200.00 respectively, in lieu of the three notes referred to in the opinion which precedes this order, on the condition that it call in and cancel said three promissory notes heretofore issued or purported to be issued.

3. Pasadena Consolidated Water Company shall report to the Railroad Commission the fact and terms of the issue of the capital stock and promissory notes hereby authorized to be issued.

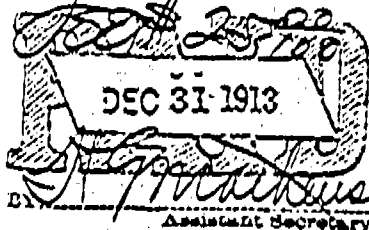
4. This order shall not become effective in so far as it authorizes the issue of promissory notes until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

5. This order shall apply only to capital stock and promissory notes issued prior to February 1, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of December, 1913.

Railroad Commission State of California



John W. Cochran
W. D. ...
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Commissioners.