

ORIGINAL

Decision No. 1284

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of Niland Water Company for order
authorizing the issue by it of
common stock of the par value of
\$50,000 and bonds of the face
value of \$40,000.

Application No. 1284

James P. Clark for applicant

EDGERTON, Commissioner.

O P I N I O N

This is an application for a certificate of public convenience and necessity and for an order authorizing the issue of stocks and bonds.

Niland Water Company has been incorporated for the purpose of constructing a water system and furnishing the people of Niland and vicinity, in Imperial County, with water for domestic purposes.

The proposed plant of applicant has been estimated to cost approximately \$53,304. The land necessary to be used for the purpose of this plant in the immediate future has an estimated value of \$5,200. There has been filed with the Commission a letter from Imperial Valley Farm Lands Association, offering to sell 560 shares of stock in Imperial Water Company #3 for \$17.50 per share, or a total of \$9,800.

This shows a total plant value of \$48,304 against which applicant asks to be permitted to issue \$27,000 par value of stock and \$40,000 face value of bonds.

The land is to be donated to applicant, hence the immediate need of cash will be \$33,304 for construction of plant and \$9,800 for water stock, or a total of \$43,104.

Niland is unincorporated and is one of the new communities in Imperial Valley. Before people will settle in such a community a water supply is needed, and hence a project such as is here contemplated must pioneer. That is to say, investment must be made in the plant prior to the time when consumers are available sufficient to make it profitable.

As the prospective earnings of this plant are entirely speculative, and hence the ability to pay interest on bonds or dividends on stock is uncertain, I recommend that authority be given to issue \$25,000 face value of bonds and \$30,000 par value of stock, and that the bonds be sold to net applicant not less than 80 per cent of face value and the stock to net not less than 80 per cent of par. This will produce \$44,000, which, as above indicated, is sufficient for the present needs of applicant.

The franchise, a copy of which is on file herein, and under which applicant asks the certificate of public convenience and necessity, does not conform to the law. Applicant should obtain a valid franchise, from the Supervisors of Imperial County, and this order should be made subject to their obtaining such a franchise. Also, the order should be made subject to obtaining of the stock under which water will be obtained for this system.

Herewith a form of order:

O R D E R

Application having been made by Niland Water Company for an order authorizing the issue of \$27,000 par value of capital stock and of \$40,000 face value of bonds, and for a certificate that public convenience and necessity require and

will require the exercise of rights and privileges under a franchise alleged to have been granted by the County of Imperial, California, and a public hearing having been had and it appearing to the Commission that the proceeds from the sale of the stocks and the bonds hereinafter authorized, are reasonably required by applicant for the acquisition of property and for the construction of a water system, and that such proceeds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED AND DECLARED by the Railroad Commission of the State of California that public convenience and necessity require and will require the exercise of rights and privileges by Niland Water Company, under a franchise hereafter to be granted by the County of Imperial.

IT IS HEREBY FURTHER ORDERED by the Railroad Commission of the State of California that Niland Water Company is hereby authorized to issue \$25,000 face value of bonds, to draw interest at the rate of 6 per cent per annum, and said company is further authorized to issue \$30,000 par value of its common capital stock.

This order is made upon the following conditions, not otherwise:

1. Before this order shall become effective, there shall be filed, for the approval of this Commission, a franchise from the County of Imperial, granting to applicant the privilege of constructing, operating and maintaining a water plant and system in that territory described in the application and exhibits attached thereto.

2. Before this order shall become effective, applicant shall prove to the satisfaction of this Commission that it has obtained and owns water stock or other means of obtaining sufficient water for the purposes of this water system.

3. Before this order shall become effective, applicant shall file for the approval of this Commission, a trust deed or mortgage under which the bonds hereinabove authorized are to be issued.

4. The purposes for which the proceeds of the sale of the stocks and bonds herein authorized are to be used are: The acquisition, construction and installation of a water plant or system in and adjacent to Niland, Imperial County, California.

5. Before this order shall become effective, a complete description of the proposed water plant or system, together with the land which shall form a part thereof, shall be filed for the approval of this Commission.

6. The bonds herein authorized to be issued shall be sold so as to net applicant not less than 80 per cent of face value with accrued interest, and the stock herein authorized shall be sold so as to net applicant not less than 80 per cent of par value.

7. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the bonds and stock herein authorized to be issued, and on or before the 25th day of each month the company shall make verified reports to the Commission, stating the sale or sales of bonds and stock during the preceding month, the terms and conditions of such sale, the moneys derived therefrom and the use and application of such moneys, all as provided in this Commission's General Order No. 24.

8. This order, in so far as it authorizes the issue of bonds, shall not become effective until the fee prescribed in section 57 of the Public Utilities Act, as amended, has been paid.

9. The authority hereby given to issue bonds and stock shall apply only to bonds and stock issued prior to May 1, 1915.

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 $2\frac{1}{4}$ day of November, 1914.

W. H. Land
W. H. Land

Edwin O. Edgerton

Commissioners.