

Decision No. _____

ORIGINAL

Decision No. 3215

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of C. S. S. Forney, for an order preliminary under Section 50 of the Public Utilities Act, that an order will hereafter issue finding that public convenience and necessity require the exercise of such right or privilege to furnish the inhabitants of Newman, Stanislaus County, California, with gas for light, heat and power, as may hereinafter be obtained by C. S. S. Forney, or by a corporation to be formed by C. S. S. Forney.

Application No. 2107.

Daniel A. Ryan and C. S. S. Forney
for applicant.

GORDON, Commissioner.

O P I N I O N

In this application C. S. S. Forney asks for an order preliminary to the issue of a certificate that public convenience and necessity require the exercise of the rights and privileges of a franchise which he contemplates securing for the construction of a gas plant and the sale and distribution of gas in the town of Newman, Stanislaus County,

On July 16, 1915, a similar application was dismissed by this Commission without prejudice. (Volume 7, Opinions and Orders of the Railroad Commission of California, Page 674.) Applicant had failed to file data requested by the Commission bearing upon the cost of the property, an estimate of the business available and a plan of financing.

At the hearing upon the application now under consideration, held at Newman on March 24, applicant filed a re-

port compiled by himself and Mr. H. W. Burkhart, an engineer, estimating the "value for the whole system when completed" at \$50,350. This estimate was based upon the purchase of the existing gas properties in Newman for \$2,500 with necessary additions and betterments of new materials. At the hearing it was disclosed through the examination by the Commissioner, that it was applicant's intention to use the second hand material now at Newman and to complete the plant as far as possible with other second-hand material which it was proposed to purchase from the property at Coram, Shasta County. Included in this estimate of \$50,350 is also an item of \$14,000 described as "intangible capital including incorporation, organization, development and other intangible property."

Applicant later modified his submission by stating that the plant could probably be built for \$36,350; subsequently admitted that this would be reduced if second-hand material were used as he planned; and finally proposed to use the estimate of Mr. Hammond, of the Commission's engineering department, of \$36,278.

Mr. Hammond's estimate consists of an analysis of Mr. Forney's figures and his representation that much of the material would be new.

It is clear that this applicant submitted a highly inflated estimate, based largely on new materials, when he had in mind the use of second-hand equipment which could be purchased at lower prices.

The applicant has no franchise nor has he taken steps to obtain one. He has outlined a meager plan of financing his project through stock at par, stating that he will borrow the money to purchase this stock. It developed at the hearing that he contemplated the organization of a

corporation to be known as the Newman Gas Company.

Although the applicant offered to rely upon Mr. Hammond's report, it appears that Mr. Hammond has estimated that the venture as organized and proposed by Mr. Forney could not be successful.

It may be that a gas company, properly organized and honestly built and administered, could be made useful and profitable in Newman.

There appears in the present instance, however, to have been an effort to bring about the construction of an inferior plant of second-hand material at an inflated valuation as the basis for a future stock issue.

It is better that the people of Newman should wait for a time for a properly built and administered gas company than to have the present company taken over and capitalized at an unjustifiable figure.

The applicant has not yet submitted to this Commission fully what he actually intends to do, nor has he shown his financial ability to carry out this project at Newman.

Accordingly I recommend the following form of order:

O R D E R

C. S. S. Forney having made application to this Commission for an order preliminary to the issue of a certificate that public convenience and necessity will require

CORRECTION

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

corporation to be known as the Newman Gas Company.

Although the applicant offered to rely upon Mr. Hammond's report, it appears that Mr. Hammond has estimated that the venture as organized and proposed by Mr. Forney could not be successful.

It may be that a gas company, properly organized and honestly built and administered, could be made useful and profitable in Newman.

There appears in the present instance, however, to have been an effort to bring about the construction of an inferior plant of second-hand material at an inflated valuation as the basis for a future stock issue.

It is better that the people of Newman should wait for a time for a properly built and administered gas company than to have the present company taken over and capitalized at an unjustifiable figure.

The applicant has not yet submitted to this Commission fully what he actually intends to do, nor has he shown his financial ability to carry out this project at Newman.

Accordingly I recommend the following form of order:

O R D E R

C. S. S. Forney having made application to this Commission for an order preliminary to the issue of a certificate that public convenience and necessity will require

the exercise by him of rights and privileges of a franchise for the construction of a gas plant and the sale of gas in Newman, Stanislaus County.

And a hearing having been held and the Commission being fully advised in the premises, for the reasons set out in the foregoing opinion,

IT IS HEREBY ORDERED that the same be and it is hereby denied.

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 30th day of March, 1916.

Max Thelen

H. H. K. K. K. K. K.

W. L. G. G. G. G. G.

Commissioners.