

ORIGINAL

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of BAKERSFIELD WATER COMPANY for an order authorizing the issue of a promissory note for \$8,000.00.) Application No. 2272.

E. I. Foster for applicant.

BY THE COMMISSION.

O P I N I O N.

Under this application in its original form Bakersfield Water Company, a corporation engaged in the business of furnishing water to the inhabitants of that portion of the City of Bakersfield commonly known as East Bakersfield, applied to this Commission for authority to issue a promissory note to "Williams Brothers" for the purpose of refunding a note dated May 27, 1914, which applicant attempted to issue without obtaining the authority from this Commission and which said Williams Brothers had in turn assigned to the First Bank of Kern.

A public hearing was held in Bakersfield on June 2, 1916. From the evidence it appears that applicant's articles of incorporation provide for a total capital stock of the par value of \$100,000.00, of which a total of \$60,000.00 par value is issued and outstanding. All of the outstanding stock is owned by the following five stockholders: J. R. Williams, Duval Williams, Fairfax Williams, Thomas C. Williams, hereinafter referred to as Williams Brothers, and A. Thorand.

It further appears that in 1912 and again in 1913 appli-

cant had to raise a total of \$8,000.00, of which sum \$5,059.10 was applied upon the purchase price of cast iron pipe installed in applicant's plant and the balance upon the settlement of a bill for electric energy. In order to procure this money for applicant the Williams Brothers in May, 1913, had the company issue to them its note for \$8,000.00 and they in turn gave their personal note to the First Bank of Kern for a similar amount. The bank thereupon loaned the \$8,000.00, which was duly credited to applicant's account. Applicant attempted to renew this note to Williams Brothers by issuing a new note for the same amount on May 27, 1914. While this renewal note is void, owing to the fact that applicant did not obtain the authority of this Commission to issue the same, there is no question in our minds but that applicant acted in good faith and that its officers failed to realize that they were violating the law in attempting to renew said note.

The Commission suggested at the hearing that it would be preferable to have applicant execute its new note directly to the First Bank of Kern and for the bank to protect itself by having the note endorsed by the Williams brothers. Mr. Arthur S. Crites, Vice-President and Manager of the First Bank of Kern, stated that such a course would be acceptable to his bank, and, accordingly, Bakersfield Water Company asked leave and was granted permission to amend its application by requesting authority to issue its new note directly to the First Bank of Kern.

All the notes above referred to bear interest at the rate of 8% per annum and according to the testimony of Mr. Crites, this is the prevailing interest in Bakersfield for loans of all kinds.

While, as above mentioned, only \$5,059.10 of the proceeds of the original \$8,000.00 note was used for capital expenditures,

according to the testimony of applicant's president, Mr. J. R. Williams, it has during the year 1915 devoted from its earnings to the acquisition of property and to the construction, extension and improvement of its facilities and service the sum of \$10,672.63.

O R D E R.

BAKERSFIELD WATER COMPANY having applied for an order authorizing the issue of its promissory notes to the First Bank of Kern for \$8,000.00 for the purpose of refunding its note of like amount to "Williams Brothers", and it appearing that the purposes for which said note or the proceeds thereof were used were not in whole or in part reasonably chargeable to operating expenses or to income excepting as to \$2,940.90 thereof, which though applied to operating expenses represents less than the sum which has been expended by applicant for capital purposes, for which it is now entitled to reimbursement, and that the application should be granted,

IT IS HEREBY ORDERED that Bakersfield Water Company be and the same is hereby authorized to issue its promissory note to the First Bank of Kern for \$8,000.00 for a term not exceeding two years from June 15, 1916, said note to bear interest at a rate not in excess of 8% per annum.

The authority herein granted is granted subject to the following conditions and not otherwise:

1. Bakersfield Water Company shall issue said note so as to net not less than the face value thereof.
2. The note herein authorized shall be issued solely for the purpose of refunding applicant's note to Williams Brothers, bearing the date of May 27, 1914,

3. The note herein authorized shall not be issued until said alleged note of applicant's to Williams Brothers for \$8,000.00 bearing the date of May 27, 1913, shall have been surrendered to applicant and shall have been cancelled by it.

4. Bakersfield Water Company is hereby authorized during the period of eighteen (18) months from the date of this Order to renew the note herein authorized upon the same terms and conditions, provided that the combined terms of the note hereby authorized and the note issued in renewal thereof shall not exceed two years from the date of this order.

5. Bakersfield Water Company shall keep a true and accurate record of the issue of the note herein authorized and shall on or before the 25th day of the month following the issue of the same, make a verified report to this Commission, setting forth the fact and date of issue, the face value of said note, the rate of interest and the application of the proceeds, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

6. This order shall not become effective until the fee specified in Section 57 of the Public Utilities Act has been paid.

Dated at San Francisco, California, this 5th day of June, 1916.

Railroad Commission State of California

100-1572
JUN 8 1916
A. V. Washburn
Assistant Secretary

H. Howard
Alex. Gordon
Edwin W. Edgerton
Francis R. DeWitt
Commissioners.