

ORIGINAL

Decision No. 3957

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)
THE HANFORD WATER COMPANY for order) Application No. 2644.
authorizing issue of stock.)

F. N. Isaac for applicant.

BY THE COMMISSION:

O P I N I O N.

The Hanford Water Company asks authority to issue \$30,000 of its stock at par and of the proceeds use \$13,200 for improvements to its system, \$10,700 to reimburse its treasury for betterments paid from income, and \$6,100 to pay indebtedness.

Applicant has an authorized capital stock of \$200,000 divided into 20,000 shares of the par value of \$10 each, of which 16,350 shares have been issued. It now wishes to issue 3,000 additional shares to be sold at par to its stockholders in proportion to their present holdings of its stock, and use the proceeds for the purposes above mentioned.

Applicant heretofore created a bonded indebtedness of \$100,000 and issued \$60,000 par value of its bonds, which have heretofore been retired and canceled. The remaining \$40,000 of bonds are in its treasury unissued. In retiring said \$60,000 of bonds applicant's stockholders advanced \$47,000 and the Commission later authorized the issue of 4700 shares of applicant's stock at par on account thereof, by its Decision No. 829 of July 29, 1913.

(See Opinions and Orders of the Railroad Commission of California, Vol. 3, page 177.)

Applicant is engaged in the business of producing and distributing water for domestic and industrial uses to the inhabitants of Hanford, a city with an estimated population of 6500. Its business shows a steady, healthy increase, some 50 services having been added during the last year. It now serves 1462 consumers. For a number of years it has regularly paid dividends of 5% and 6%, beside earning a surplus.

The increasing demands upon applicant's system makes it necessary to replace 7200 feet of 3 inch mains and 600 feet of 4 inch mains with 2200 feet of 12 inch mains and 6400 feet of 8 inch mains, which with the necessary valves, fittings and labor of installation, it estimates will cost \$13,008. Its plans and estimates have been examined by the Commission's engineers and found satisfactory in their judgment.

The estimated original cost of pipe replaced is about \$2500. To this extent the proposed construction should be financed through a depreciation fund rather than through a stock issue, and the stock authorized will be reduced accordingly.

During the past five years applicant has installed betterments and extensions for which it has paid from income \$10,700, for which it wishes to now issue stock and reimburse its treasury. Vouchers for these expenditures have been checked and found satisfactory by the Commission's engineers.

By its Decision No. 2417 of May 24, 1915, the Commission authorized applicant to issue two notes to First National Bank of Hanford in the amounts of \$5850 and \$2250 respectively, each bearing interest at 8% per annum. (See Opinions and Orders of the Railroad

Commission of California, Vol. 6, page 1066.) On each of those notes \$1000 has been paid, leaving the balance due respectively \$4650 and \$1250; both of which notes applicant now wishes to pay from the proceeds of the proposed issue of stock.

O R D E R.

THE HANFORD WATER COMPANY having applied to the Railroad Commission for authority to issue 3000 shares of its capital stock at the par value of \$10 per share, and to use the proceeds thereof for the purpose of improving its facilities and service, for discharging its obligations, and for reimbursing its treasury for moneys expended from income, a public hearing having been held thereon, and the Commission being of the opinion that the money to be procured by the issue of stock herein authorized is reasonably required for the purposes specified, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that The Hanford Water Company be and it is hereby authorized to issue 2750 shares of its capital stock at the par value of \$10 per share and use the proceeds of the sale thereof for the following purposes and in the following amounts:

1. For the extension or improvement of its facilities or service, by laying 2200 feet of 12 inch mains and 6400 feet of 8 inch mains, with necessary valves and fittings. \$10,700.

2. For the reimbursement of its treasury for moneys expended from income for the extension or improvement of its facilities and service, \$10,700.

3. For the discharge of its obligations, \$6100, said obligations being evidenced by two notes with interest at 8% in favor of First National Bank of Hanford as payee, one dated November 15, 1915, for \$5850 on which \$1000 of principal has heretofore been paid, and one dated November 1, 1915, for \$2250, on which \$1000 of principal has heretofore been paid.

The authority hereby granted is upon the following conditions:

1. The stock herein authorized shall be issued at not less than the par value thereof net to applicant.

2. Applicant shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued, and on or before the twenty-fifth day of each month the company shall make a verified report to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale and the moneys realized therefrom, and the use and application of such moneys, all in accordance with the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

3. The authority hereby granted shall apply only to such capital stock as may have been issued on or before February 15, 1917.

Dated at San Francisco, California, this 26th day of December, 1916.

Max Thelen
H. D. Lasswell
Alexander
Edwin W. Edgerton
Frank R. Debie
Commissioners.