

Decision No. 6493

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
RIVER BEND GAS AND WATER COMPANY to)
issue and sell bonds and stock.)

Application No. 4648.

Chaffee E. Hall for applicant.

BRUNDIGE, Commissioner.

O P I N I O N

River Bend Gas and Water Company asks permission to issue \$106,640.00 of stock and \$25,000.00 of 6 per cent bonds due January 1, 1933, for the purposes hereinafter indicated.

River Bend Gas and Water Company was organized on or about April 2, 1915. The company owns and operates an artificial gas plant located at Dinuba which supplies gas to the cities of Dinuba, Parlier, Reedley, Kingsburg and contiguous territory. It also owns and operates a water plant at Parlier. In its annual report for the year ended December 31, 1918, the company reports \$51,296.21 received from the sale of gas and \$3,209.25 from the sale of water.

Applicant reports \$81,777.00 of stock and \$50,000.00 of bonds outstanding on December 31, 1918. All of the stock and

bonds are, in effect, owned by Parlier Winery and were accepted by the Winery in liquidation for cash advances up to August 1, 1916. The stock was taken at 90 and the bonds at par. Since August 1, 1916 and up to January 1, 1919, Parlier Winery, according to the testimony herein, advanced to applicant the sum of \$87,062.76. The testimony further shows that applicant has expended the \$87,062.76 to pay for additions and betterments to its plant and properties. In payment for these advances applicant asks permission to issue \$91,640.00 of stock and \$25,000.00 of bonds. In view of the fact that the Parlier Winery has accepted the stock heretofore issued by applicant at 90 and the bonds at par, and that it has since advanced to applicant moneys necessary to enable applicant to give adequate and satisfactory service, I believe that the Commission should authorize applicant to issue \$91,640.00 of stock and \$25,000.00 of bonds to Parlier Winery in liquidation of the advances made by the Winery from August 1, 1916 to January 1, 1919.

The \$106,640.00 of stock, referred to above, includes \$15,000.00 of stock which applicant intends to sell at 80, to Parlier Winery in order to obtain funds for working capital. The conditions under which applicant is operating justify, in my opinion, the issue of the \$15,000.00 of stock for the purpose of providing applicant with funds for working capital.

In a recent decision, the Commission readjusted applicant's rates and in so doing, used a rate base of \$210,000.00. The rates fixed by the Commission are intended to yield a return of something above 6 per cent, an amount which will be more than sufficient to pay interest on the \$50,000.00 of bonds now outstanding and the \$25,000.00 of bonds herein authorized to be issued. In the rate decision the Commission refers to applicant's investment and the conditions under which it is operating.

I herewith submit the following form of Order:-

O R D E R

RIVER BEND GAS AND WATER COMPANY having applied to the Railroad Commission for permission to issue stock and bonds, a

public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the Order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that River Bend Gas and Water Company be, and it is hereby, authorized to issue \$106,640.00 of stock and \$25,000.00 of 6 per cent bonds due January 1, 1933, subject to the following conditions:-

1.-The \$25,000.00 of bonds, and \$91,640.00 of the stock herein authorized to be issued, shall be delivered to Parlier Winery as payment for advances by Parlier Winery to applicant from August 1, 1916 to January 1, 1919.

2.-Stock in the amount of \$15,000.00, the issue of which is herein authorized, shall be sold by applicant for not less than 80 per cent of its par value and the proceeds used by applicant for working capital.

3.-River Bend Gas and Water Company shall keep such record of the issue and sale of the bonds and stock herein authorized and of the disposition of the proceeds, as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this Order.

4.-The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5.-The authority herein granted will apply only to such bonds and stock as may be issued on or before December 15, 1919.

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 16th day of July, 1919.

Spec # 25, 100
JUL 25 1919
W. R. Williams
Commissioner

H. D. Loveland
H. A. Bunting
David M. ...
Commissioners.