

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of the Empire Water Company, a corporation, for an order authorizing issue of bonds, and in the matter of the application of Empire Water Company for permission to construct a hydroelectric plant near Coyote Creek, San Diego County, California.

Application No. 170

Byron Waters for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Empire Water Company, a corporation, for an order authorizing the issue of \$200,000 face value of bonds, in denominations of \$100 each, payable twenty years after date and to bear interest at the rate of five per cent per annum, interest payable semi-annually.

Applicant is a corporation with an authorized capital stock of \$50,000, divided into 1000 shares of the par value of \$50 each, of which there has heretofore been issued 742-1/2 shares, or a par value of \$37,125. The only assets of the company are stated to be water rights, and engineering, platting and surveying, but no statement is made as to the money expended for these various items, nor is any specific value placed upon them by applicant.

This project contemplates the building of a submerged dam across a narrow gorge on Coyote Creek in San Diego County. It is proposed to sink this dam to bedrock, but as no borings have been made it is not known at what distance below the surface the bedrock lies. The dam is to be about 100 feet long and is supposed to catch and

impound all the water yielded from the watershed tributary to Coyote Creek, and which yield it is claimed by witnesses for applicant, percolates underground and is wasted. No borings or other adequate tests have been made to determine the existence or amount of this underground flow, and the conclusion of applicant's witnesses as to the probable yield is based wholly upon surface indications.

Applicant's witnesses estimated a constant yield of water at the dam of 20 cubic feet per second, but an examination by the engineers of this Commission of all the data upon which this estimate is based, indicates an outside safe yield of 10 cubic feet per second, and this latter estimate is based upon the assumption that the theories of applicant's witnesses as to the possibility of storing and drawing off this water as planned are sound. At times there is no surface run-off at the dam site and the greatest reported run off, which occurred in February, 1910, was 8 cubic feet per second, and the under-flow in the cross section area to be dammed, as described by applicant's witnesses, would not probably yield 2 cubic feet per second.

It is proposed to carry the water about 7-1/2 miles from the dam in a flume or ditch and drop it about 500 feet through a power house, the water thereafter to be taken by a flume or ditch to Borego Valley for irrigation purposes. The power developed at the power house is to be conveyed by wire about 35 miles to the Coachella and Indio Valleys, there to be sold for lighting and power purposes.

No sufficient data has been furnished upon which a reasonably safe conclusion can be arrived as to the successful development and impounding of a sufficient amount of water under the plan proposed to insure the success of this enterprise, and while I do not conceive it to be the duty of this Commission to insist upon complete proof of the final success of an enterprise

before permission will be given to the launching of the same, still I think where the whole enterprise is to be financed upon the sale of bonds that this Commission should be put upon information showing the feasibility of the enterprise. A different situation would be created if the promoters proposed to expend their own money to finance this enterprise, because being on full information people should not be restrained from investing their money in enterprises calculated to develop the country, even where considerable risk may be entailed on making such investments. But we are asked to authorize the issuance of bonds which will be sold to the public, to some extent on the faith of the Commission's authorization.

The engineer of applicant who testified at the hearing, and who produced estimates of the cost of installing the hydro-electric feature of this enterprise, is not in agreement with the engineers of this Commission who have examined these estimates. The estimates made by applicant's engineer are as follows:

Power plant with switchboard	\$50,000.00
Pipe line from reservoir to power plant 7-1/2 miles	40,000.00
Forty miles of main transmission line	50,000.00
Laterals- 20 miles	15,000.00
Dam	25,000.00
Contingencies	<u>20,000.00</u>
Total	\$200,000.00

The engineers of this Commission agree that under certain conditions of work the above estimates, except that for the pipe line from the dam to the power house, are reasonable. As to this line, they hold that it would

cost four times the estimated amount if standard practice were to be used, or \$160,000 instead of \$40,000. This would increase the total estimated cost by \$120,000, or \$320,000.

As the total amount of bonds asked to be authorized is \$200,000, and the highest price suggested as obtainable for these bonds was 85 per cent of face, there would be a considerable margin between the sum obtained on the sale of these bonds and the amount necessary to complete this project, and no definite plan has been suggested by applicant for meeting this deficiency.

It should not be concluded that this project is not feasible, but it is evident that sufficient information has not been furnished this Commission, nor has an adequate financial plan been provided to finance the same, to warrant this Commission in granting this application at this time. Therefore, I recommend that this application be denied, calling attention to the fact that applicant may at any time renew this application and support the same with the production of more complete evidence and the presentation of a more adequate financial plan.

I submit herewith the following form of order:

ORDER

Application having been made to the Railroad Commission of the State of California for an order authorizing the issue by Empire Water Company of \$200,000 face value of bonds, and a public hearing having been held thereon, and it appearing to the Commission that

public convenience and necessity do not at this time require that said application be granted,

IT IS HEREBY ORDERED that the application of the Empire Water Company for authorization to issue \$200,000 face value of bonds be and the same 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 2nd day of October, 1913.

John M. Cashman
H. D. Loveland

Max Thelen

Edwin O. Edgerton

Commissioners.