

Decision No. 31221

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARVIN WATER COMPANY,
a corporation, for (1) an order authorizing it to purchase all of the assets, subject to the liabilities, of Arvin Water Company, a fictitious name; (2) an order authorizing the issuance of its capital stock; and (3) other relief.

Application No. 22151

ORIGINAL

J. W. Heard, Jr., for applicants.

BY THE COMMISSION:

O P I N I O N

This is an application for an order authorizing the transfer of the properties comprising the Arvin Water Company to Arvin Water Company, a corporation, and the issue by Arvin Water Company of \$27,000. par value of its capital stock.

It appears that Christopher E. Stockton, Ruth M. Glenn and Robert L. Stockton are the owners of the public utility water system, known as the Arvin Water Company, used to supply water for domestic and industrial purposes in Arvin, Kern County, and that such individuals have caused the organization of Arvin Water Company, a corporation, and have made arrangements to transfer to it all of the assets of the public utility, subject to the liabilities, in consideration of the issuance to them of \$27,000. par value of stock.

The corporation was organized under the laws of the State of California on or about February 28, 1938, with an authorized capital stock of \$75,000. divided into 75 shares of the par value of \$1,000. each, all common. In regard to the sale of stock by a stockholder

the articles of incorporation provide as follows:-

" Before there can be a valid sale or transfer of any of the shares of this corporation by the holders thereof, the holder of the shares to be sold or transferred shall first give notice in writing to the secretary of this corporation of his intention to sell or transfer such shares. Said notice shall specify the number of shares to be sold or transferred, the price per share, and the terms upon which such holder intends to make such sale or transfer. The secretary shall, within five (5) days thereafter, mail or deliver a copy of said notice to each of the other shareholders of record of this corporation. Such notice may be delivered to such shareholders personally or may be mailed to the last known addresses of such shareholders, as the same may appear on the books of this corporation. Within fifteen (15) days after the mailing or delivering of said notices to such shareholders, any such shareholder or shareholders desiring to acquire any part or all of the shares referred to in said notice shall deliver by mail or otherwise to the secretary of this corporation a written offer or offers to purchase a specified number or numbers of such shares at the price and upon the terms stated in said notice.

If the total number of shares specified in such offers exceeds the number of shares referred to in said notice, each offering shareholder shall be entitled to purchase such proportion of the shares referred to in said notice to the secretary, as the number of shares of this corporation, which he holds, bears to the total number of shares held by all such shareholders desiring to purchase the shares referred to in said notice to the secretary.

If all of the shares referred to in said notice to the secretary are not disposed of under such apportionment, each shareholder desiring to purchase shares in a number in excess of his proportionate share, as provided above, shall be entitled to purchase such proportion of those shares which remain thus undisposed of, as the total number of shares which he holds bears to the total number of shares held by all of the shareholders desiring to purchase shares in excess of those to which they are entitled under such apportionment.

If none or only a part of the shares referred to in said notice to the secretary is purchased, as aforesaid, in accordance with offers made within said fifteen (15) day period, the shareholders desiring to sell or transfer may dispose of all shares of stock referred to in said notice to the secretary not so purchased by the other shareholders, to any person or persons he may so desire; provided, however, that he shall not sell or transfer such shares at a lower price or on terms more favorable to the purchaser or transferee than those specified in said notice to the secretary.

Any sale or transfer, or purported sale or transfer, of the shares of said corporation shall be null and void unless the terms, conditions and provisions of this Article SEVEN (b) are strictly observed and followed."

In making the present application applicants have filed in Exhibit C a balance sheet of the utility showing assets and liabilities as of June 30, 1938, as follows:-

A S S E T S

Physical properties:		
Franchise	\$428.05	
Land	1,138.79	
Buildings	376.90	
Wells	6,188.87	
Pumping equipment	3,939.08	
Distribution mains	16,235.41	
Distribution tanks	1,809.00	
Services	2,928.71	
Miscellaneous	618.41	
Undistributed	214.92	
	\$33,878.14	
Accounts receivable		41.13
	Total assets	\$33,919.27

L I A B I L I T I E S

Accounts payable	\$ 994.91
Notes payable	2,261.67
Depreciation reserve	1,403.66
Service deposits	141.60
Advances by owners	2,106.48
	Total liabilities
	\$ 6,908.32
Net worth	27,010.95
	Total
	\$33,919.27

The Commission heretofore has had occasion to review the operations of this utility. By Decision No. 29027, dated August 3, 1936, in Application No. 20393, it fixed the rates to be charged for water delivered to the consumers and in doing so referred in its opinion to an estimated historical cost of the properties, as of February 1, 1936, of \$18,843. The record in the former proceeding shows that this estimate was made by Carl F. Mau, then an assistant engineer in the Commission's Hydraulic Division, following an inventory of the properties comprising the system.

Information filed with the Commission following the date of the above decision shows that net additions to the properties in the amount of \$3,724.54 were made during 1936, of \$6,001.73 during 1937 and of \$5,308.87 during the first six months of 1938, bringing the total investment in the properties, based on the Commission's engineers estimate, up to \$33,878.14 as of June 30, 1938. Such information further shows that the operating revenues amounted to \$6,267.35 in 1936 and to \$7,782.64 in 1937, and the net operating revenues, after deducting operating expenses, taxes and depreciation, to \$2,659.55 in 1936 and to \$2,731.29 in 1937.

A review of this matter indicates that for the purpose of this proceeding the issue of \$27,000. of stock is not unreasonable and an order accordingly will be entered.

O R D E R

Application having been made to the Commission for an order authorizing the transfer of properties and the issue of \$27,000. of stock and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Christopher B. Stockton, Ruth M. Glenn and Robert L. Stockton, doing business under the fictitious name and style of Arvin Water Company, be, and they hereby are, authorized to transfer to Arvin Water Company, a corporation, on or before December 31, 1938, the public utility water properties re-

ferred to in this proceeding.

IT IS HEREBY FURTHER ORDERED that Arvin Water Company, a corporation, be, and it hereby is, authorized to issue, on or before December 31, 1938, in payment for said properties, not exceeding \$27,000. par value of its common capital stock and to assume the payment of the liabilities of Christopher B. Stockton, Ruth M. Glenn and Robert L. Stockton, doing business under the fictitious name and style of Arvin Water Company.

The authority herein granted is subject to the following conditions:-

1. Within thirty(30) days after the transfer of the properties as herein authorized, Arvin Water Company shall file with the Commission (a) a copy of each deed or other instrument of conveyance under which it receives title to such properties; (b) a statement showing the exact date upon which it acquired and commenced operating the properties; and (c) a report of the stock issued under the authority herein granted.

2. Arvin Water Company in recording on its books the acquisition of the said properties may credit to "Paid in Surplus" the excess of the net worth of the business over the par value of the stock issued.

3. Nothing contained herein shall be construed as a finding of the value of said public utility water properties for the purpose of fixing rates.

DATED at San Francisco, California, this 27th day of August, 1938.

Ray W. [unclear]
[unclear]
[unclear]
[unclear]
[unclear]
Commissioners.