

Decision No. 31908

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARENAL WATER COMPANY
for permission to issue stocks and
borrow money.

}
} Application No. 22594

George H. Harlan, for applicant.

BY THE COMMISSION:

O P I N I O N

This is an application for an order of the Railroad Commission authorizing Arenal Water Company, a corporation, to issue common stock and to execute notes, secured by a deed of trust, in the aggregate amount of \$5,500.00 for the purpose of financing the cost of acquiring water properties for service as a public utility in Stinson Beach.

Arenal Water Company is a corporation organized under the laws of the State of California on or about February 3, 1939 with an authorized capital stock of \$10,000.00, divided into 1,000 shares of the par value of \$10.00 each, all common. It appears that it was organized expressly for the purpose of taking over the water operations now conducted in the vicinity of Stinson Beach by A. H. Upton, of improving the system through the development of a new source of supply and of thereafter operating as a public utility water corporation in the area now served by said A. H. Upton.

The transfer to applicant of the distribution system now belonging to A. H. Upton is authorized in the decision in Application No. 22628. The decision herein, accordingly, will be limited to the purchase of the new source of supply by applicant and to the stock and note issues it proposes to make to finance its costs.

The record shows that applicant proposes to purchase a three acre tract of land at an elevation of approximately one hundred feet, to develop a spring located thereon, to erect a 30,000 gallon redwood tank and to install a pipe system consisting generally of some 1500 feet of four inch steel pipe and 500 feet of two inch pipe to connect with the present distribution system to be acquired from A. H. Upton. It appears that the estimated cost of acquiring the land, of developing and fencing the spring and of purchasing and installing the pipe system, together with the organization expenses, is approximately \$5,500.00, according to the testimony offered during the hearing in this matter.

It is applicant's desire to finance its requirements through the issue and sale of \$5,500.00 par value of its stock and it reports that at this time it has received subscriptions for \$3,100.00 of the total proposed issue. In the event it is unable to sell the entire amount of stock it plans, and seeks permission, to issue notes, secured by a deed of trust, in an amount to provide the difference between the stock subscriptions and the total necessary to acquire and to place the water system in operation.

At the outset applicant is confronted with the necessity of providing a new source of supply and it reports, in this connection, that it has obtained from Eve Stinson Fitzhenry, Lillian B. Hensill and Maud E. Stinson an option to purchase for \$1,500.00 the three acres of land located near Stinson Beach, upon which is located a fresh water spring said to be of satisfactory quality for domestic purposes and of ample capacity to supply the service area. Under the terms of the option agreement the purchase price is payable in the amount of \$1,000.00 upon delivery of the deed of conveyance and the balance of \$500.00 in the form of a promissory note bearing interest at the rate of six per cent. per annum, payable two years after date and secured by a deed of trust on the property.

On this point, however, the record shows that George E. Harlan, counsel for applicant, has agreed to advance the money necessary to exercise the option and to acquire the real property and thereafter to receive reimbursement from the corporation either in cash as it is obtained through the issue of stock or in the form of a note secured by deed of trust.

Applicant has not filed with the Commission a copy of the proposed deed, or deeds, of trust nor has it advised the Commission definitely of the form of note or other evidence of indebtedness it might be called upon to issue or execute in the event it finds itself unable to dispose of all its stock. Therefore, the order herein will be limited to one authorizing the issue of stock. In the future, if applicant finds it necessary to issue notes or other evidences of indebtedness it can then, upon furnishing the Commission with more definite information of the amount and form such indebtedness will take, request a supplemental order from the Commission authorizing such issue. Applicant may, of course, if it so desires, issue its unsecured notes payable not later than twelve months after date of issue without securing the approval of the Commission.

ORDER

Arenal Water Company, having applied to the Railroad Commission for an order authorizing the issue of stock and notes, a public hearing having been held before Examiner MacKall and the Commission being of the opinion that the request to issue notes or other evidences of indebtedness should be held in abeyance and being of the opinion that the money, property or labor to be procured or paid for through the issue of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole

or in part, reasonably chargeable to operating expenses or to income.

IT IS HEREBY ORDERED, that Arenal Water Company be, and it hereby is, authorized to issue and sell on or before March 1, 1940 at not less than par value, not exceeding \$5,500.00 of its common capital stock and use the proceeds, or use said stock, to pay organization expenses and to finance the cost of acquiring the land and the other property and improvements referred to in the foregoing opinion and in this application, provided

1. That the authority herein granted shall become effective upon the date hereof; and
2. That applicant shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 11th day of April, 1939.

Robert W. ...
Stanley ...

...
Justus J. ...
COMMISSIONERS