

ORIGINAL

Decision No. 34631

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AIRWAYS WATER COMPANY, INC., a California corporation, for a certificate of public convenience and necessity to authorize the operation of a water system as a public utility and for authority to issue and dispose of its securities.

Application No. 23841

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

In a supplemental petition filed in the above entitled matter, Airways Water Company, Inc. asks the Commission to make an order authorizing it to issue 1,332 shares (\$13,320 par value) of its common capital stock to pay for water properties and to provide working capital.

In the original petition, Airways Water Company, Inc. applied to the Commission for a certificate of public convenience and necessity to operate a public utility water system in an area of some 320 acres, of which 60 acres were within the City of Los Angeles and the remainder in unincorporated territory situated generally in the neighborhood of 116th Street and the Inglewood-Redondo Road, and for an order authorizing it to issue 1,394 shares of common capital stock

of the par value of \$13,940.

In passing on these requests, the Commission, in Decision No. 34356, dated July 1, 1941, said:

"It is our conclusion that a certificate should be granted covering only those areas located outside the boundaries of the City of Los Angeles. This disposition of the certificate matter compels us to defer judgment upon applicant's further request for authority to issue shares of stock. Inasmuch as the appraisals presented do not segregate the water properties located within the City from those lying without, the applicant should be permitted to submit a revised inventory covering only those facilities to be used and useful in rendering service under the certificate herein granted, in order that the Commission may determine whether the issuance of stock in the amount requested is fully justified. Accordingly, this part of the application will be held in abeyance pending the submission of additional information respecting property values."

Estimates of the value of the properties originally proposed to be acquired by applicant, including those located within the City of Los Angeles, were filed in the original proceeding by applicant and by Mr. E. L. Clark, one of the Commission's hydraulic engineers. Applicant at that time reported an appraised value of \$13,438.89 while Mr. Clark estimated the original cost of the properties at \$13,243 and the accrued depreciation at \$1,337.

The company now reports that of the properties originally appraised by it at \$13,438.89, certain pipe lines and service connections of a value of \$613.94 are located within the city limits, where under the Commission's former order it has no certificate to operate, and that accordingly its original appraised values, as heretofore reported, should be reduced by that amount or to \$12,824.95 to arrive at the value of the properties lying within the area certificated by

Decision No. 34356. It, therefore, asks permission to issue 1,282 shares (\$12,820 par value) of stock to pay for such properties and to sell 50 shares at par for cash to provide working capital, a total of 1,332 shares of the total par value of \$13,320.

The company has submitted no estimate of accrued depreciation. From a review of Mr. Clark's report, as filed in connection with the original petition, (Exhibit No. 6) it appears that the exclusion from the total figures developed by him of allowances for the properties located within the city limits, would result in estimated original costs for the remaining properties of \$12,630 with accrued depreciation in the amount of approximately \$1,247, leaving a net balance of \$11,383.

In our opinion the stock issue to be authorized at this time should be based upon this depreciated figure. Accordingly, the order herein will authorize the company to issue \$11,380 par value of stock to pay for properties and \$500 to provide working capital.

FIRST SUPPLEMENTAL ORDER

Airways Water Company, Inc. having applied to the Railroad Commission for permission to issue stock, and the Commission having considered the matter and being of the opinion that a further hearing is not necessary, that the money, property or labor to be procured or paid for through the issue of \$11,880 par value of stock is reasonably required for the purposes specified herein, and that the expend-

itures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Airways Water Company, Inc. be, and it hereby is, authorized to issue, on or before December 31, 1941, 1,138 shares of its common capital stock of the aggregate par value of \$11,380 in payment for the plant facilities and the water distribution system referred to in this proceeding not lying within the city limits of the City of Los Angeles, and to issue and sell at par for cash 50 shares of stock of the aggregate par value of \$500 to provide working capital.

The authority herein granted is subject to the following conditions:

1. Applicant shall keep such record of the issue 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.

2. The consideration to be paid for the properties referred to herein shall never be urged before this Commission, or other public body having jurisdiction, as determining the value of applicant's properties for the purpose of fixing rates.

IT IS HEREBY FURTHER ORDERED that the request to issue the remaining 206 shares of the stock originally applied for, be, and it hereby is, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority here-

in granted will become effective upon the date hereof.

Dated at San Francisco, California, this 30th day
of September, 1941.

[Signature]
Ray & Ricey
[Signature]
Francis R. Havens
[Signature]
Commissioners.