

ORIGINAL

Decision No. 42072

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SONOMA WATER & IRRIGATION CO.,)	
a corporation,)	Application
)	No. 29699
for authority to issue stock and to issue)	
first mortgage upon its properties.)	
-----)	
)	

O P I N I O N

In this application, Sonoma Water & Irrigation Co. has applied to the Commission for authority to execute a mortgage of chattels and trust indenture and to issue and sell 3,000 shares of its capital stock.

Sonoma Water & Irrigation Co. is a corporation engaged in supplying water to consumers numbering more than 850, in and about the communities known as Boyes Springs Park, Agua Caliente, El Verano, Sonoma Vista, and Fetters Springs. In its financial reports filed with the Commission, it has reported operating revenues of \$14,093 in 1945; of \$16,743 in 1946; and of \$19,615 in 1947; with net profits of \$2,066 in 1945; of \$4,311 in 1946; and of \$2,410 in 1947.

In connection with Application No. 29197, wherein the company asked for authority to increase rates, one of the Commission's engineers estimated the rate base for the company for the year 1948 at \$126,200. The Commission's decision in the matter, No. 41865, dated July 20, 1948, granted to the company an increase in rates designed to yield a return of 6% on the rate base.

The company, in its present proceeding, reports its assets and liabilities as of August 31, 1948, as follows:

Assets

Fixed capital	\$137,290.58	
Less: Depreciation reserve	<u>14,612.96</u>	\$122,677.62
Cash		2,980.63
Accounts receivable		<u>724.56</u>
Total		<u>\$126,382.81</u>

Liabilities

Accounts payable	\$	52.77
Notes payable		64,600.00
Capital stock		39,407.75
Surplus		<u>22,322.29</u>
Total		<u>\$126,382.81</u>

The outstanding capital stock consists of 1,520.53 shares of common stock without par value, which were issued in 1936 in exchange for shares then outstanding. The company has paid dividends on its common stock at the rate of 75 cents a share in each of the years 1938, 1939 and 1940; 50 cents a share in each of the years 1941 and 1942; and 75 cents a share in 1943. It has paid no dividends since 1943.

A review of the company's financial statements shows that it has been its practice to finance in part the cost of additions to its property through the medium of issuing short-term notes. As of December 31, 1947, it reported outstanding, in favor of Keil Investment Company, 5% notes in the principal amount of \$55,000, which amount has now been increased to \$64,600.

The company now desires to refinance \$60,000 of its outstanding indebtedness and to that end has made arrangements to

borrow said sum from Mrs. Olga Thompson and Ralph Thompson, said sum to be secured by a mortgage of chattels and trust indenture covering its properties, and to be payable five years after the date of said instrument, with interest at the rate of 5% per annum. A copy of the proposed mortgage of chattels and trust indenture has been filed in this proceeding as Exhibit "C". It will be a first lien on the company's properties.

In addition, the company requests authority to issue and sell 3,000 shares of its capital stock at \$6.00 a share. It proposes to sell 2,000 of said shares forthwith to some of its present stockholders for the purpose of financing the cost of improvements it plans upon making during the next 18 months. Such improvements will include the installment of a 6-inch main with hydrants and fittings, for a length of approximately 2,000 feet in the El Verano area; an extension of its 6-inch transite pipe from the south end of the existing main on Highway 12 to Sonoma Township in order to connect with the existing system at that point; the extension of mains and service connections in the area above Agua Caliente; and the repair of its field office at Fetters Hot Springs. The aggregate cost of the improvements is estimated at from \$10,000 to \$12,500.

As to the remaining 1,000 shares of capital stock, the company desires authority to sell the same within a period of five years for the purpose of reducing in part the \$60,000 indebtedness it now proposes to incur.

O R D E R

The Commission having considered the above entitled application and being of the opinion that a public hearing thereon

is not necessary, that the application should be granted as herein provided, that the money, property or labor to be procured or paid for through the execution of the mortgage of chattels and trust indenture and the issue of 3,000 shares of capital stock is reasonably required by Sonoma Water & Irrigation Co. for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Sonoma Water & Irrigation Co., after the effective date hereof and on or before November 30, 1948, may execute and deliver a mortgage of chattels and trust indenture in substantially the same form as that filed in this proceeding as Exhibit "C", for the purpose of securing the payment of an indebtedness of \$60,000 which it may incur for the purpose of refunding outstanding indebtedness of a like amount.

2. Sonoma Water & Irrigation Co., after the effective date hereof and on or before December 31, 1948, may issue and sell at not less than \$6.00 per share, 2,000 shares of its capital stock without par value and use the proceeds to finance the cost of the improvements referred to in the preceding opinion.

3. Sonoma Water & Irrigation Co., after the effective date hereof and within five (5) years from such date, may issue and sell not exceeding 1,000 shares of its capital stock at not less than \$6.00 a share, and use the proceeds to pay in part the indebtedness it herein is authorized to incur.

4. Sonoma Water & Irrigation Co. shall file with the Commission reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted to execute a mortgage of chattels and trust indenture will become effective when Sonoma Water & Irrigation Co. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is sixty (\$60.00) dollars. The authority herein granted to issue stock will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 28th day of September, 1948.

R. E. Johnson
Justus F. Casner
Harold P. Kula
Kenneth Potter
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
SEP 29 1948
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By *W. A. Clark*