

ORIGINAL

Decision No. 63555

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

HAVASU WATER CO.,

a corporation, for a Permit to
Authorize the Issuance of its
Shares.

Application No. 44137
and
First Amendment

O P I N I O N

By this application as filed, and as amended on January 24, 1962, Havasu Water Co. requests authority to issue \$25,000 par value of its common stock in consideration for the transfer to it of certain real and personal property.

By Decision No. 63015, dated January 9, 1962, in Application No. 43017, the Commission, among other things, granted to Havasu Water Co. a certificate of public convenience and necessity authorizing it to construct and operate a public utility water system for the distribution and sale of water within certain areas in the vicinity of Havasu Landing, San Bernardino County. The order provides that the certificate will not become effective until the company has complied with certain conditions, one of which is that it shall have acquired, by purchase, all of the utility plant used in the system and presently owned by John W. Bale, its president.

In the present proceeding, Havasu Water Co. states that it proposes to issue \$25,000 par value of its stock to John W. Bale and Hazel D. Bale for the following:

| | |
|---|--------------------|
| Cash | \$ 1,127.26 |
| Materials and supplies | 116.19 |
| Interest on advances by users | 133.34 |
| Maintenance | 70.00 |
| Office supplies and postage | 50.53 |
| Electrical power bills for pump operation | 173.93 |
| Corporation taxes | 75.00 |
| Traveling expenses by John W. Bale | 48.00 |
| Fair market value of twenty-five acres (approximate) of real property conveyed to corporation | 25,000.00 |
| Drilling cost of two wells | 6,630.00 |
| Pumps and motor | 3,064.90 |
| Trenches and installation of distribution lines | <u>6,552.33</u> |
| Total | <u>\$43,041.48</u> |

It would be applicant's intent, if the authority requested is granted, to credit to capital surplus the difference between the value of the properties acquired and the par value of the stock issued. On the basis of the amounts stated in the application, this difference would be \$18,041.48.

The list of properties to be acquired includes certain items which do not appear proper for stock issuing purposes under Section 817 of the Public Utilities Code. In addition, information made available to the Commission indicates that the company, currently and in the foreseeable future, will require only approximately one acre of land for use in connection with its utility operations and that the remaining acreage, which may be regarded as surplus land, will be disposed of. In this connection, it should be noted that the land has been subdivided

and improved with roads, paving and gutters and is priced at its current market value.

Based on available information, it appears that it would not be in the best interest of this newly formed utility to acquire real properties in excess of that required to render adequate public utility service and that it would not be in the best interest of the public for applicant to engage in the business of promoting a subdivision. For these reasons, the order herein will provide for the issue of not to exceed 18,490 shares of \$1 par value capital stock for properties consisting of the following:

| | |
|--|--------------------|
| Cash | \$ 1,127.26 |
| Materials and supplies | 116.19 |
| Drilling cost of two wells | 6,630.00 |
| Pumps and motor | 3,064.90 |
| Trenches and installation of distribution lines | 6,552.33 |
| Land - One acre at market value of \$1,000 per acre | <u>1,000.00</u> |
| Total | <u>\$18,490.68</u> |

Based upon the foregoing, the Commission finds and concludes (1) that applicant should be authorized to issue not to exceed 18,490 shares of its common stock in exchange for properties including one acre of land at a market value of \$1,000 per acre; (2) that the application for the issue of an additional 6,510 shares of its common stock should be denied; (3) that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is

reasonably required for the purpose specified herein; and (4) that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue of stock only and is not to be construed as a finding of value of land and other properties nor as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary and that the application should be partially granted and partially denied, therefore,

IT IS ORDERED that -

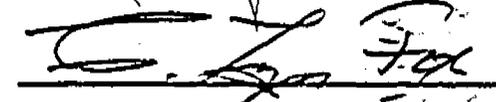
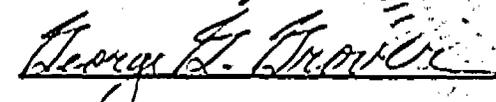
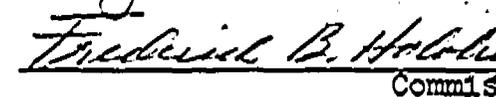
1. Havasu Water Co., a corporation, on or after the effective date hereof and on or before December 31, 1962, may issue and sell, at par, not to exceed 18,490 shares of its \$1 par value common stock for the purpose specified in the opinion preceding this order.

2. The issue of the remaining 6,510 shares of stock covered by this application is denied.

3. Havasu Water Co., a corporation, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. This order shall become effective when applicant has presented to the Commission, in writing, satisfactory evidence of compliance with the provisions of Items (1), (2), and (3) of Ordering Paragraph 1.b. of Decision No. 63015, dated January 9, 1962, in Application No. 43017.

Dated at San Francisco, California,
this 17th day of April, 1962.

 President


 Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.