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Decision No. 75403

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of ANGORA WATER CO., a corporation, for an order authorizing the issuance of stock and assumption of obligations.	Application No. 48114 (Filed December 10, 1965) (Amended September 26, 1966; Reopened May 23, 1967)
Investigation into the property, books, records and accounts of ANGORA WATER CO., a corporation.	Case No. 8581 (Filed January 17, 1967)

Scott Elder, for Angora Water Co., applicant and respondent.
Marshall S. Mayer, Deputy Attorney General, for the Attorney General of the State of California, interested party.
David R. Larrouy, Counsel, for the Commission staff.

O P I N I O N

This consolidated proceeding was heard and submitted at San Francisco on October 8, 1968, before Examiner Gregory. The controversy concerns the justification for and permissible amount of a proposed issue by Angora Water Co. of 792,487 shares of $1.00 par value capital stock in exchange for transfer to it by Martin Bros. (a co-partnership that controls Angora) of certain water facilities installed by Martin Bros. during the period 1960-1963, in part through assessment district bond financing, to serve four land developments near Meyers, El Dorado County.[1/]

The Commission, after hearings in September, 1966, denied the request to issue stock because of deficiencies in applicant's

1/ Mountain View Estates, Units 1 through 10; Country Club Heights, Units 1, 2 and 3; Country Club Estates, Units 1 and 2; and Rolling Wood Heights, Unit 1.

showing of the original cost and ownership of the properties (Decision No. 71814, dated January 17, 1967; petition for extension of effective date denied by Decision No. 71997, dated February 7, 1967). Contemporaneously, the Commission opened an investigation (Case No. 8581) for the purpose of determining: (a) the kinds, original cost and ownership of property used or useful in rendition of respondent's water service; (b) whether Angora had received construction advances or contributions of money or property from any source; and (c) whether respondent maintains its books, records and accounts in accordance with prescribed standards. The Commission thereafter, on May 23, 1967 vacated Decision No. 71814 and granted Angora's petition to reopen and consolidate the stock issue application with the investigation.

Questions concerning present ownership of water systems constructed by Martin Bros. in the various tracts served by Angora, including systems financed by improvement bonds, have been resolved, so far as the Commission is concerned, by action of the County of El Dorado, which on March 18, 1968 quitclaimed to Martin Bros. the County's rights to all physical water facilities in the tracts noted above (Exhibit 19), and by the staff's concession, at the hearing, that it "no longer has any reason to believe that title...is not vested either in Martin Bros. or in Angora Water Company." (Exhibit 20, p.5.)

The questioned adequacy of respondent's office records and accounting practices can be resolved with only minimal consideration, as the records in this and previous Angora applications to issue stock for water facilities (summarized in the first staff report, Exhibit 12, pp. 1, 2, Application No. 48114) show that, except for

the cost and description of materials, applicant's records and those of Martin Bros. relating to the actual cost of construction of the water systems here involved, especially records of Martin Bros.' labor and equipment charges, are either nonexistent or, as claimed by the staff, are inadequate to support, in whole or in part, applicant's present and previous requests for authority to issue stock. This record shows that both applicant and Martin Bros. have been aware, through Commission decisions or from Martin Bros.' experience in water system construction and other utility operations in the same general area, of the necessity for keeping adequate time and other records essential for recordation of plant or issuance of capital stock. We pass to the remaining issues, which concern the justification for and permissible amount of the capital stock issue to be authorized herein.

The lack of records showing actual costs of Martin Bros.' labor and equipment used for construction of the facilities pertinent here (the staff estimates that such costs amount to nearly one-half of its revised estimate of Angora's utility plant, undepreciated, as of October 31, 1965 - Exhibit 20, Table 5), has resulted in Commission decisions, in this and former Angora stock issue applications, that, variously, have: (a) denied an application for insufficient evidence of such costs, as in the original application herein; (b) partially granted applicant's request on a showing deemed sufficient to justify the amount of stock so authorized (Decision No. 59271, dated November 17, 1959, Application No. 41249); or (c) denied the application with a proviso that Angora could submit a late-filed exhibit showing actual costs of construction as a basis for authorization of an appropriate amount of stock (Decision No. 60328, dated June 28,

1960, issued in three applications consolidated for decision: Application No. 41414 of Meyers Water Co., now Tahoe Paradise Water and Gas Co., a competitor of Angora then and now; Application No. 41868 of Angora and Application No. 42036, a joint application of Myers and Angora). A brief summary of the former proceedings appears in the first staff report, Exhibit 12, at pp. 1, 2, where it is noted that Angora did not exercise the authority to issue stock granted by Decision No. 59271, and did not submit the late-filed exhibit showing actual construction costs, as provided by Decision No. 60328.[2/]

Underlying this and former applications by Angora for authority to issue stock for plant acquisitions, are two basic points of controversy: (1) The soundness of various estimates, by applicant or the staff, of Martin Bros.' labor and equipment use costs for which no actual cost records are available; and (2) the treatment, for accounting purposes, of certain materials donated to Martin Bros. by developers and of facilities financed by the proceeds of improvement bonds issued against some of the tracts, or

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2/ The staff report also notes (Exhibit 12, p.6) that "under ordinary conditions" initial development of a utility is financed by equity capital, with subsequent extensions being subject to the water main extension rule, and that under this concept the investment in water facilities in Country Club Heights Units 1 and 2 (the original area certificated by Decision No. 59271), would be classified as equity capital representing the initial development. The report then states that such concept is "modified", in the case of Angora, to the extent that certain facilities to serve other developments were financed by proceeds of assessment bonds, and is further "modified" by the fact that though the certificate for Country Club Heights Units 1 and 2 was issued in November, 1959, water facilities were not installed in those tracts until August, 1961, while facilities financed by assessment bonds were installed in Mountain View Estates, Units 1 through 6 (certificated to Angora by Decision No. 60328), in March and April, 1960.

portions thereof, in assessment district proceedings initiated by developers with the Board of Supervisors of El Dorado County. The assessment bond controversy is further beclouded by the absence in this and former records of the actual construction costs of the bonded water systems, and by uncontradicted evidence that only $280,312 of a total of $441,034 of bonds issued for water system construction in the tracts here involved was paid to Martin Bros.[3/]

The record with respect to Martin Bros.' labor and equipment costs discloses that Angora, by Application No. 48114, originally sought to record on its books a plant account total of $789,162, which included an item of $559,236 (Appl., Exhibit 1, p. 4) for transmission and distribution mains. That item was segregated by the staff as $209,706 for actual costs of materials and $349,530 for estimated labor and equipment costs (Exhibit 12, p. 5).[4/]

Applicant, in computing cost estimates for labor and equipment, took estimated unit labor costs for various sizes of

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3/ The 1966 staff report (Exhibit 12, p. 4) notes that the staff was unable to learn why the bonds issued for water system construction were not limited to $280,312, or why the entire $441,034 was not paid to Martin Bros. The record is silent on those questions. Again, with the exception of certain testimony elicited by the Attorney General from Wesley F. Suman (accountant for Angora and Martin Bros.) during the recent hearing, this record is also silent as to why the staff was unable, as noted in its report (Exhibit 12, p. 4), to obtain an adequate explanation for the exclusion from bond assessments of 60 lots out of a total of 282 lots in the assessment districts for Country Club Estates, Units 1 and 2, and Mountain View Estates, Units 7 and 10.

4/ Applicant, during the 1966 hearings, presented an exhibit (Exhibit 11 - "Utility Plant to be Received from Martin Bros., as Amended September 16, 1966"), purporting to show total original cost of plant as $842,778 and a reserve for depreciation of $50,291. The exhibit, among other revisions of original figures, contains a revised estimate of $525,145 for Account No. 343, Transmission and Distribution Mains, and also reflects applicant's agreement with the staff that facilities installed in Tahoe Valley Center (a development contiguous to Gardner Mountain Water Company's service area) should not be included in the current request to issue stock.

pipe, as of 1959 and 1960, and applied annual increases of 5 percent to pipe installed in later years. Applicant, in its original estimates, made no attempt to determine installation costs by applying actual wage and equipment rates to estimated time required to install facilities, or to test the reasonableness of the unit costs that were adopted by comparing them with those of other water utilities in the Tahoe area, excluding all profit elements. (Exhibit 11, however, includes estimates based on revised unit costs, resulting from further research by applicant into water system installation bids in the Tahoe area, after the staff had questioned the propriety of the original estimates.)

Whatever may have been the basis for applicant's original or revised labor and equipment cost estimates, the testimony of Gerald Martin (a partner of Martin Bros.) and of his accountant, given during the 1966 hearings (Tr. Vol. 2, pp. 64, 98), indicates that "job" costs during the period of construction on the whole remained fairly level, due to a balancing of rising labor costs with decreasing material and equipment costs resulting from improved technology during that period. Thus, on this record applicant's own testimony negates the propriety of using an arbitrary annual percentage increase for either its original or revised unit cost estimates for the installations here considered.

The most recent staff report (Exhibit 20), presented primarily in connection with the investigation phase of this proceeding, includes estimates of labor and equipment costs based on a review, with the cooperation of applicant's accountant, of Martin Bros.' income tax records and supporting data for the years 1960 through 1963, with hourly rates derived from Martin Bros.' partnership agreement. The agreement (not in evidence), according to the

staff report, specifies that before any profits are distributed to the partners they are to be compensated for actual time on the following basis:

Donald Martin	- $4.50 per hour*
Gerald Martin	- 4.50 per hour*
Stanley Martin	- 3.50 per hour*
Donald Strand	- 3.50 per hour*

*Revised, in 1963, to $4.75 per hour to the three Martin brothers and a $7,200 annual salary to Strand.

The staff also reviewed available records and work papers for all activities conducted by Martin Bros. and their employees, and distributed to Angora the proportion of total hours and charges for direct labor, shop and office work, together with indirect charges, that were found to relate to work for the utility during the four-year construction period. (Details of the staff's procedures are shown in Exhibit 20, pars. 5-16.) The resultant staff estimates of labor and equipment charges to Angora, which include direct labor, the labor of the partners at the hourly rates mentioned above and the allocation of other expenses, depreciation on equipment and profit on the investment in equipment, are summarized by years as follows (Exhibit 20, par. 17):

1960	$ 57,453	
1961	107,989	
1962	53,821	
1963	18,676	
	$237,939	Use $237,950

The staff then distributed the above labor and equipment charges to the various tracts on a footage or unit cost basis, and combined them with the material charges (records of which were reviewed by the staff and found to be reasonable) to arrive at the total staff estimate of utility plant shown in the study (Exhibit 20, Table No. 3, Sheet 2, Column 7). Sheet 1 of Table No. 3 shows detail by tracts for the plant investment as requested in the

original application and as adjusted and restated by the staff, together with the bonded cost, as estimated by the El Dorado County Engineer of Work, forming the basis of bond issues for the tracts financed by assessment bonds. The study excludes plant in the Tahoe Valley Center subdivision, installed in 1963. The staff also prepared a study of the depreciation reserve requirement, the results of which are shown by accounts in Table No. 5 of Exhibit 20 - "Summary of Staff Revised Utility Plant and Depreciation Reserve as of October 31, 1965".

At this point, it may be helpful to summarize and generally compare applicant's requested total plant figures, as adjusted and restated by the staff, with the total utility plant as developed by the staff (Exhibit 20, Table No. 3). The totals summarized below, in addition to other adjustments noted at the end of the table, include $12,000 of unallocated materials distributed to all tracts on the basis of the staff allowance by tracts, with the balance to Tahoe Valley Center.

Exhibit 20, Table 3

SCHEDULE OF UTILITY PLANT BY SUBDIVISIONS
(Totals only shown here)

Number of Services (1)	Date Facilities Installed (2)	From A.48114,Exh.1: Total Plant Restated (3)	Requested Labor and Equip.Chgs. (4)	Material Charges (5)	Plant per Staff: Labor Allowance (6)	Total Allowance (7)	Bonded Cost of Water Systems (8)
A. IN-TRACT FACILITIES FINANCED BY ASSESSMENT BONDS							
1,153	3-3-60 to 10-23-62	$389,936	$243,737	$155,019	$173,100	$328,119	$368,071
B. IN-TRACT FACILITIES NOT FINANCED BY ASSESSMENT BONDS							
339	3-6-61 to 11-27-61	132,823	80,683	55,320	63,050	118,370	
TOTAL IN-TRACT TO 10-31-65							
1,492		$522,759	$324,420	$210,339	$236,150	$446,489	
C. OTHER PLANT @							
Subtotals		118,230			1,800	63,325	
Tahoe Valley Center Plant, including Meters and I.D.C.		143,417		3,238		-	
Arith. and Acctg. Adjustments		4,756					
Totals (A.+B.+C.)		$789,162	-	$213,577	$237,950	$509,814	

@ Applicant's figures include interest during construction, transportation equipment and unallocated materials. In addition, both the staff and applicant's figures include intangible plant, land, pump houses, wells, pumping equipment, reservoirs and tanks and accounting and arithmetic adjustments.

Comparison of Angora's total plant cost estimates with those of the staff, as summarized above, indicates that the primary difference between the totals lies in the estimated installation costs shown in Columns 4 and 6. Also, there are differences in totals for such items as interest during construction, intangible plant and land, which are shown in the detail of Table 3 and explained in the text of the staff study (Exhibit 20, pars. 26 and 29).

We are unable, for lack of contemporary data in this record, to determine actual costs for labor and equipment related to installation of the total water system plant for which Angora here seeks to issue capital stock. Hence, in order to resolve that question we are left with the alternatives of again dismissing the application for failure of the record to show actual costs - a resolution of no help to either the applicant or the Commission - or of adopting whatever estimates on that subject we consider this record can reasonably support.

We have concluded, for purposes of this proceeding and because both applicant and the Commission are desirous of settling the point, that the use of estimated installation costs will suffice. We are of the opinion that the staff's estimates on that subject are the more persuasive and should be adopted, for two reasons. The first is that the staff's estimates are derived from Martin Bros.' income tax records of hours worked from 1960 through 1963 and from hourly rates of compensation provided in their partnership agreement. That agreement also provides for allocation of the partners' time, at those rates, before division of profits. Such data merit serious consideration if for no other reason than that they were used by the

partners, subject to audit and possible penalties, as a basis for calculating their income taxes. Accordingly, we are unable to perceive the force of Angora's argument, at the hearing, that as the purpose of the partnership agreement (which Angora's counsel said he had not seen) was merely to provide for a division of profits, little weight should be accorded the indicated hourly rates of compensation as criteria for the actual value of the partners' services. Angora, moreover, raised no substantial question concerning the staff's methods or results in its task of distributing and allocating a portion of Martin Bros.' total activity to work performed for the utility (See Exhibit 20, Table 1).

The second reason for our choice of the staff's, rather than of Angora's, estimates of installation costs is that Angora's estimates are subject to at least two uncertainties not clarified on this record; first, the extent to which Angora's revised estimates (Exhibit 11) may have been permeated by the 5 percent annual increases it originally applied in projecting 1959-1960 estimated costs through 1963, whereas Angora's testimony, given during the hearings at which the revised estimates were produced, negated any overall increase in installation costs during that period; and, second, the lack of verification, by Angora, of actual costs of contemporaneous water system installations by other utilities in the same general area, a test procedure suggested by the staff following its disagreement with Angora's original estimates. The record, in that connection, discloses that though Angora's representatives attempted to secure such information it was not made available to them; moreover, the test used (several issues of an industry publication showing bids on contemporary water system construction jobs) resulted, so far

as this record is concerned, merely in a description of the method used by the researcher to arrive at average bids from data in the journals consulted, but did not disclose the dollar amounts of such bids or any other data concerning actual construction costs of the other systems.

A utility before this Commission requesting authority to issue capital stock against plant has the burden, in the absence of actual cost figures, of submitting estimates that are fully supported, that exclude all elements of profit, and that are so conservative as to preclude any serious doubt concerning their reasonableness. Not to do so would, in effect, reward the utility for its failure to keep accurate records. Angora, the applicant here, did not meet that burden.

We turn, finally, to the question of accounting for plant constructed partially with materials donated to Martin Bros. by developers, and for plant installed by Martin Bros. in the various tracts pursuant to assessment bond financing.

The record shows that Martin Bros.' investment in the water system is limited to the cost of backup facilities and to the value of their unreimbursed labor and use of equipment. Virtually all of the in-tract plant was constructed under contracts with developers that provided for payment to Martin Bros. for all materials used, plus a trenching allowance ranging from ten to fifty cents per lineal foot, and for acquisition by Martin Bros. of title to the completed water systems.

The evidence shows that in-tract facilities installed in the bonded tracts were bonded for $368,071 and that the staff's estimated installed cost of those facilities was $328,119, or

$39,952 less than the bonded amount. Martin Bros. were paid a total of $206,414 to construct those facilities, or $121,705 less than their cost as estimated by the staff (Exhibit 20, Table 3, sec. A). For in-tract facilities not financed by assessment bonds, Martin Bros. were paid a total of $76,578 by the developers, or $41,792 less than the staff estimated cost ($118,370) of those facilities (Exhibit 20, Table 3, sec. B). Other utility plant, estimated by Angora at $118,230, was adjusted by the staff to $63,325, as explained in the text of its study (Exhibit 20, par. 29).

The record shows that no contracts pursuant to current or prior water main extension rules, or authorized deviations therefrom, were executed by Angora, Martin Bros. or the developers in connection with the water system installations pertinent here. The staff has recommended that no such contracts be required retroactively. We agree.

Angora takes the position, in substance, that all in-tract and backup facilities comprising the water systems in the various tracts here considered, as set forth variously in its Exhibit 11 and in the staff's study (Exhibit 20), should be accounted for as equity plant for the purpose of issuing stock. The utility points to arrangements between Martin Bros. and the various developers, in the early planning stage of this project, whereby Martin Bros. would eventually own and operate, as a public utility, the facilities they constructed, in substantial part, by developers' donations of materials and other costs and, later, by indirect donations resulting from assessment district proceedings initiated by the developers. Angora asserts that the water system so installed was simply the first step in a master-plan for tract development and water system

installations in the area, and that to deny the utility or its owners, Martin Bros., the fruits of their "investment", under such circumstances and where plant costs are established, would be unjust. Angora, however, concedes that in a rate proceeding unrefunded advances for construction and contributions in aid of construction would be deducted from plant in arriving at the rate base upon which a utility would have the opportunity to earn a return on its investment.

The staff study notes (Exhibit 20, par. 34) that it is difficult to devise accounting entries for plant investment in this proceeding for which, in each instance, there is specific regulatory precedent. Accordingly, in recommending what it terms a "practical and equitable approach", the staff urges that the Commission follow certain prior decisions in accounting for all assessment bonded plant by contra entries in Account 265, Contributions in Aid of Construction in amounts equal to the plant capitalized, and by accounting as equity capital all plant, including off-site backup facilities, not financed by assessment bonds.[5/]

The rationale for such accounting treatment is explained at length in the study (Exhibit 20, pars. 22-24 and 30-35). With respect to unbonded plant, the staff's reasoning is, in substance,

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5/ Myers Water Co., Dec. No. 67109, dated 4-21-64, Appl. No. 46976.
Royal Oaks Water System, Dec. No. 68557, dated 2-9-65, Appl. No. 46813.
Clear Creek Water Co., Dec. No. 69809, dated 10-14-65, Appl. No. 47288.
Jackson Water Works, Dec. No. 70948, dated 7-12-66, Appl. No. 48282.
Grizzly Park Water Co., Dec. No. 71888, dated 1-24-67, Appl. No. 46501, Amended Appl. No. 48352.
Tahoe Paradise Water & Gas Co., Dec. No. 72922, dated 8-15-67, Appl. No. 48450.

that as no main extension contracts exist for construction of the in-tract facilities (as normally there would have been for extensions from a basic production and transmission system or a basic distribution system - see Main Extension Rule, par. A.1.a., Decision No. 64536, dated November 8, 1962, Case No. 5501, 60 CPUC 318), "the best way of achieving a reasonable capital structure", is to accord equity capital status to plant constructed by Martin Bros. with their own funds, including their unreimbursed labor and equipment costs and the cost of materials supplied by developers, for which Martin Bros., as an inducement to them to enter the water utility business, had the expectation of receiving capital stock for the completed systems and were willing to absorb initial annual operating losses. In addition, the staff urges that it would be inequitable to deny Martin Bros. the difference ($121,705) between what they were paid by the developers to install the in-tract facilities in the bonded systems and the estimated cost of such systems, under the theory that the developers were paid the total bonded amount and, at the same time, deny them the credit for amounts received from developers to install plant in the unbonded tracts under an assumption that the developers really intended to make a gift of such plant to the utility, despite their assertions to the contrary. Angora has not objected to the accounting treatment proposed here by the staff for unbonded or backup plant. We adopt, for the purposes of this proceeding only, the staff's accounting recommendations for such plant.

We also adopt the staff's recommendations for accounting treatment of the facilities financed by assessment bonds. Angora, as noted earlier in this opinion, objected to the staff's proposal to record the cost of bonded plant as a contribution in aid of construction, to be amortized over the life of depreciable plant

as provided by that account (Uniform System of Accounts - Class D Water Utilities, Acct. 265). The record here, however, does not disclose either the actual cost of the water facilities installed in the bonded tracts (the county engineer's estimates of $441,034 which include both off-site and in-tract facilities in Tahoe Valley Center deleted here, formed the basis of the bond issues), or why Martin Bros. were paid only $280,312 (including $73,898 for the deleted Tahoe Valley Center installations) for the bonded construction.

We cannot accept Angora's view that all bonded plant (except the Tahoe Valley Center plant deleted here) should be recorded as a basis for issuance of capital stock. To do so would, in effect, imbed in the utility's capital accounts a substantial amount of depreciable plant for which no actual construction costs have been disclosed and as to which the record is silent concerning the large difference between bonded water system costs and the amounts paid to Martin Bros. for construction. Angora had the burden, in both the original and the reopened application proceeding, to document all construction costs for the plant it here seeks to acquire from Martin Bros. Its failure, or inability, to do so forced the utility to rely on estimates of labor and equipment costs we do not consider reliable, for reasons previously noted, and to urge upon the Commission the inclusion, as equity capital, of bonded plant financed in a manner that can only be described, on this record, as dubious. For these reasons, and for others noted earlier, we are persuaded to accept and adopt, for the purposes of this proceeding, the staff's estimates of plant investment and the resulting recommendations for accounting treatment, to which we next turn.

The staff's proposed accounting entries for recordation of plant investment for the purposes of this proceeding are that Angora be directed to record in its plant accounts, as of October 31, 1965, an amount of $509,814, as set out in Column 7 of Table 3 of Exhibit 20, together with a credit to the depreciation reserve of $42,532; that a contra credit of $332,119 (inclusive of $4,000 contributed for a tank) should be made to Account 265, Contributions in Aid of Construction, together with a charge of $27,898 representing cumulative amortization of depreciable contributed plant, and that the balance of $163,061 be recorded as equity capital. The par value of stock to be authorized thus should not exceed $163,061.

The staff has constructed a pro forma balance sheet, as of October 31, 1965, to reflect its recommendations concerning plant balances and accounting for plant, contributions and stock, as follows (Exhibit 20, par. 25):

Pro Forma Balance Sheet

	Assets		
100.1	Utility Plant in Service		$509,814
301	Intangible Plant	$ 2,250	
306	Land	10,970	
311	Structures	3,690	
315	Wells	16,563	
324	Pumping Equipment	9,384	
342	Reservoirs and Tanks	20,468	
343	Trans. and Distribution Mains	348,173	
345	Services	53,483	
348	Hydrants	44,833	
250	Reserve for Depreciation		(42,532)
	Total Assets		$467,282
	Equity and Liabilities		
200	Equity Capital		$163,061
265	Contributions in Aid of Construction		304,221
	Total Equity and Liabilities		$467,282

(Red Figure)

Angora Water Company is hereby placed on notice that the authorization to issue stock in this proceeding does not necessarily bind the Commission to accept such capital stock, or the associated plant values, or the amount of stock here authorized, for rate-making purposes. The Commission, in a future rate proceeding, might find it appropriate to give recognition to the amount of the plant investment in relation to the number of active services, either by means of a saturation adjustment or by adjustment of the rate of return.

Findings and Conclusions

The Commission, on this record, finds that:

1. There is no issue material to the order or decision herein that concerns the description or cost of the materials used by Martin Bros. to construct the water system proposed to be acquired herein by Angora Water Company.

2. The staff's revised estimate of utility plant, amounting to $509,814 as of October 31, 1965, and its computation of the related depreciation reserve, amounting to $42,532 (Exhibit 20, Table 5), are reasonable.

3. The staff's accounting recommendations for plant, contributions and stock (Exhibit 20, par. 35) are reasonable.

4. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The Commission concludes that:

1. Angora Water Company should be authorized to issue not to exceed 163,061 shares of its capital stock, of the aggregate par

value of $163,061, for acquisition of the water system properties referred to in the foregoing opinion.

2. The Commission's investigation herein, Case No. 8581, should be discontinued.

In issuing our order herein, we place applicant, Angora Water Company, and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant, and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Angora Water Company, within one year after the effective date of this order, may issue not to exceed $163,061 aggregate par value of its common stock for the purposes specified in this proceeding.

2. Angora Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order insofar as applicable is hereby made a part of this order.

3. The Commission's investigation herein, Case No. 8581, is discontinued.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 11th day of MARCH, 1969.

President

Commissioners