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Decision No. 12299.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

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In the Matter of the Application of BELVEDERE WATER CORPORATION for authority to purchase all of the properties of BELVEDERE WATER COMPANY and utility properties of JANSS INVESTMENT COMPANY and to issue and sell certain of its first mortgage six and one-half per cent. bonds.	Application Number 9015

Gibson, Dunn & Crutcher, by H.F. Prince,
for applicants.

BY THE COMMISSION:

O P I N I O N

The Railroad Commission is asked to make an order:

(1)- Authorizing Belvedere Water Company and Janss Investment Company to sell and Belvedere Water Corporation to purchase all of the properties of Belvedere Water Company and all of the utility properties of the Janss Investment Company;

(2)- Authorizing Belvedere Water Corporation to execute a mortgage or deed of trust and issue and sell under such mortgage or deed of trust $300,000.00 of six and one-half per cent. bonds due January 1, 1944; and authorizing the Belvedere Water Corporation to issue $125,000 of seven per cent. cumulative preferred stock and $220,000 of common stock;

(3)- Authorizing Belvedere Water Corporation to install the improvements described in the application.

A hearing was had on this application before Examiner Fankhauser at Los Angeles.

The properties which are the subject of this application are used to supply water for domestic purposes to about 35,000 inhabitants residing in territory situate contiguous to the northerly boundary of

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the City of Los Angeles. Some of the districts served by applicants are known as Boyle Heights, Belvedere, Laguna and Belvedere Gardens. Part of the properties are owned by the Belvedere Water Company and others by the Janss Investment Company. There is however a common interest of ownership and the properties regardless of who holds legal title have been operated as a unit.

Applicants in their exhibit prepared by C.H. Loveland, consulting engineer, reports the historical cost of the combined properties at $567,480.00. This amount is segregated to the Belvedere Water Company and to the water department of the Janss Investment Company as follows:-

Account	Belvedere Water Company	Water Dept. Janss Investment Co.	Combined
Franchises and Water Rights	$ 13,425.00	$29,340.00	$42,765.00
Landed Capital	20,850.00	11,700.00	32,550.00
Bldgs.,Structures & Grounds	8,050.00	2,410.00	10,460.00
Wells	16,175.00	12,208.00	28,383.00
Pumping Equipment	21,966.00	8,731.00	30,697.00
Misc. Pumping Station Equipmt.	1,285.00	--	1,285.00
Distribution Mains	120,947.00	152,496.00	273,443.00
Distribution Reservoirs	6,751.00	16,740.00	23,491.00
Hydrants, etc.	432.00	--	432.00
Services	42,245.00	16,972.00	59,217.00
Meters	45,160.00	4,548.00	49,708.00
General Shop Equipment	298.00	297.00	595.00
General Garage Equipment	1,597.00	1,596.00	3,193.00
Materials and Supplies	5,631.00	5,630.00	11,261.00
Totals	$ 304,812.00	$ 262,668.00	$567,480.00

The operating revenue of the properties for 1922 are reported at $83,632.03, the operating expenses including depreciation and taxes at $52,347.38, leaving a net operating revenue of $31,284.65. The non-operating revenues are reported at $249.01, which added to the $31,284.65 makes a total available for interest, dividends and surplus in the amount of $31,533.66. The operating revenues for 1923 are estimated at $114,000, the operating expenses at $70,000, leaving net operating revenues of $44,000.

During the first three months of the current year water sales amounted to 11,839,200 cubic feet as compared with 8,235,400 cubic feet and 3,542,400 cubic feet respectively for the corresponding months of 1922 and 1921. The total water sales for 1921 are reported at 25,345,200 cubic feet and for 1922 at 60,009,500. The number of services in place at the end of 1921 are reported at 4,986 and at the end of 1922 at 7,044.

Belvedere Water Corporation has agreed to issue in payment for all of the properties of the Belvedere Water Company $125,000.00 par value of seven per cent. cumulative preferred stock and $178,000.00 par value of common stock. It has further agreed to issue and deliver to the Janss Investment Company in payment for its utility properties $42,000.00 of its common stock, and in addition thereto pay the company $225,533.00 in cash.

Belvedere Water Corporation estimates that it should expend during 1923 for the installation of additions, betterments and improvements the sum of $56,467.00. This amount it intends to expend for the following purposes:

2000	5/8" Meters to be installed on services which have been constructed and are included in appraisal	$ 27,610.00
545	New Meters and services	12,834.00
	Installation of Remote Control on Bonnie Beach, Chink and Platt Plants from Stephenson Plant	6,900.00
	Equipment of Platt Plant with 6" Byron Jackson Pump and Motor, fittings, building and 300 feet of 6" discharge line	4,123.00
	Completion of miscellaneous work already started, such as hydrant installation, connecting up pipe lines, etc	5,000.00
	Making a total expenditure of	$56,467.00

A substantial part of the additions, betterments and improvements have already been installed.

To secure the cash necessary to pay in part for the properties which the Belvedere Water Corporation intends to acquire from the Janss Investment Company and to pay for the additions,

betterments and improvements to which reference has been made, the Corporation asks permission to issue and sell at 94 and accrued interest, $300,000.00 of first mortgage six and a half per cent. bonds due January 1, 1944. The payment of these bonds is to be secured by a mortgage or deed of trust which the corporation intends to execute to the Citizens Trust and Savings Bank. There has been filed with the Commission a revised copy of the trust indenture, which for the purpose of identification has been marked "Exhibit F Revised". This trust indenture when duly executed will secure the payment of an authorized issue of $1,000,000.00 of bonds. It provides that the company shall not issue bonds (other than the $300,000.00 covered by this application) unless and until the net earnings of the company after depreciation for the fiscal year, or for twelve months of the fourteen months, next ~~succeeding~~ preceding such further issuance, amount to at least one hundred and fifty per cent. (150%) of the interest requirements on the bonds then outstanding and upon such further bonds then proposed to be issued, in which event such further bonds may be issued in an aggregate principal amount not exceeding fifty per cent. (50%) of the cost of new improvements or estimates upon the property mortgaged or conveyed in trust.

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O R D E R

A public hearing having been held upon the above entitled application and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stocks and bonds herein authorized to be issued is reasonably required by BELVEDERE WATER CORPORATION and that the transfer of the properties of the Belvedere Water Company and the utility properties of Janss Investment Company is in the public interest and that

Belvedere Water Corporation should be authorized to acquire such properties;

IT IS HEREBY ORDERED as follows:

1.---Belvedere Water Company may sell all of its properties described in this application to the Belvedere Water Corporation;

2.---Janss Investment Company may sell all of its utility properties described in this application to the Belvedere Water Corporation;

3.---Belvedere Water Corporation may acquire the properties of the Belvedere Water Company and the utility properties of the Janss Investment Company referred to in subdivision "1" and "2" of this order.

4.---Belvedere Water Corporation may execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding and marked "Exhibit F Revised", provided that the authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which such mortgage or deed of trust may be subject.

5.---Belvedere Water Corporation may issue at not less than par $125,000.00 of seven per cent. cumulative preferred stock and $220,000.00 of common stock. All of the preferred and $178,000.00 of the common stock shall be delivered to the Belvedere Water Company in payment for its properties, which properties shall be transferred to the Belvedere Water Corporation free and clear of all encumbrances. Of the common stock, $42,000.00 shall be delivered to the Janss Investment Company in part payment for its utility

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properties, which properties shall be transferred to the Belvedere Water Corporation free and clear of all encumbrances.

6.---Belvedere Water Corporation may issue and sell at not less than 94 per cent. of their face value and accrued interest, $300,000.00 of six and one-half per cent. first mortgage sinking fund gold bonds due January 1, 1944 and use $225,533.00 of the proceeds to pay in part for the utility properties which it is authorized to acquire from the Janss Investment Company. The remainder of the proceeds shall be used to finance the installation of the additions, betterments and improvements referred to in the foregoing opinion.

The authority herein granted is subject to further conditions as follows:-

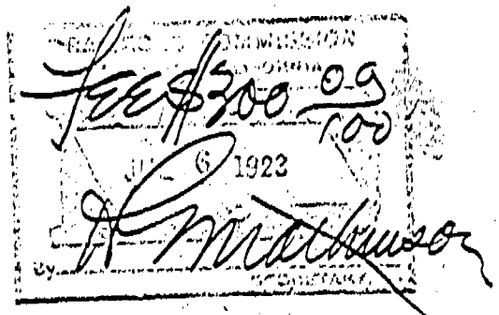
(1)--The consideration being paid by the Belvedere Water Corporation for the properties which it is herein authorized to acquire shall not be urged before this Commission as a measure of the value of such properties for the purpose of fixing rates.

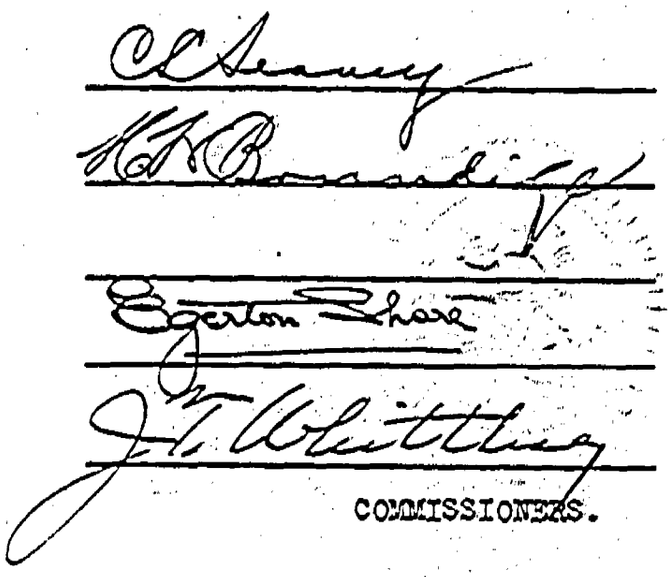
(2)--Belvedere Water Corporation shall keep such record of the issue, sale and delivery of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

(3)--The authority herein granted to issue stock and transfer properties will become effective upon the date hereof. The authority herein granted to issue bonds will

become effective upon the payment of the fee prescribed by Section 57 of the Public Utilities Act, which fee amounts to $300.00. The authority herein granted to issue stock and bonds and to transfer properties will apply only to such stock and bonds as may be issued and to such transfer of properties as may be effected on or before December 1, 1923.

DATED at San Francisco, California, this 3rd day of July, 1923.





COMMISSIONERS.