

Decision No. 13768.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 FONTANA DOMESTIC WATER COMPANY, )  
 a corporation, for (a) an order auth- )  
 orizing issue of capital stock; and )  
 (b) a certificate of public conveny )  
 ience and necessity. )

Application Number 9686

ORIGINAL

Leonard, Surr and Hellyer,  
 by G.W.Hellyer, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application Fontana Domestic Water Company asks the Railroad Commission to make an order--

1. Declaring that public convenience and necessity require the exercise by applicant of the rights or privileges granted by the Board of Supervisors of San Bernardino County by Ordinance No. 213, to supply water for domestic purposes in the Town of Fontana; and

2. Declaring that present or future public convenience and necessity require or will require the extension of the distributing system to be acquired by applicant; and

3. Authorizing applicant to issue 2500 shares of its capital stock of the aggregate par value of \$250,000.00 for the purpose of acquiring properties and of financing the cost of additions, betterments and extensions.

A public hearing was held before Examiner Williams in Los Angeles.

The application shows that Fontana Domestic Water Company was organized on or about March 8, 1923 for the purpose of supplying the inhabitants of the unincorporated town of Fontana, in San Bernardino County, with water for domestic and irrigation purposes.

It appears that this district heretofore has been served with water by a distributing system owned by Fontana Farms Company and operated under lease, by Rialto Domestic Water Company. This lease expired during the early part of 1923 and possession of the properties reverted to Fontana Farms Company, which company has since continued to supply water, without charge or compensation, in Fontana.

To take over and operate this distributing system, those in control of Fontana Farms Company have caused the organization of applicant. The new company proposes to issue all of its authorized capital stock, consisting of 2500 shares of the aggregate par value of \$250,000.00 for the following purposes:-

For cash . . . . .	\$ 53.28
To pay for the water distributing system of Fontana Farms Company . . . . .	45,346.72
To pay for 500 shares of stock of Fontana Union Water Company . . . . .	100,000.00
To sell for cash . . . . .	104,600.00
	<hr/>
TOTAL . . . . .	<u>\$250,000.00</u>

The shares of stock of Fontana Union Water Company, a mutual company, constitute the means by which applicant will obtain its water and entitle applicant to one hundred inches of water measured under a four-inch pressure. Applicant is of the opinion that such an amount of water will be sufficient to meet the demand for service. It is reported that \$200.00 per share represents the reasonable market value of the stock. The price of \$45,346.72 to be paid for the distributing system represents, according to applicant, the estimated present value of the properties.

In support of this allegation applicant has filed with the application a copy of an appraisal made by Mr. Kempster B. Miller, a consulting engineer, who estimated the reproduction cost of the properties at \$50,385.26, the condition percent. at 90, and the present value at \$45,346.72. Mr. John Spencer, one of the Commission's hydraulic engineers, introduced, as Commission's Exhibit "A" a report in which he estimates the original cost of the properties at \$48,545.,

the accrued depreciation \$9,233.00, and the estimated original cost less depreciation at \$39,312.00.

The physical properties are described in some detail in both the application and in the Commission's Exhibit "A" and appear to consist of 44,900 feet of rivetted steel pipe, 52,721 feet of black iron pipe, 8 street fire hydrants and 136 service connections. It appears to us that \$145,400.00 is a reasonable amount of stock to be issued in payment for the distributing system and for the stock of Fontana Union Water Company, it being understood, however, that the amount of stock which applicant is authorized to issue in payment for these properties shall not be binding on this Commission or other court or public body, as a measure of value for fixing rates, or for any purpose, other than this transfer.

Applicant asks permission to use the proceeds from the sale of the remaining \$104,600.00 of stock to provide funds for the purpose of constructing, completing and extending the distributing system which it proposes to acquire from the Fontana Farms Company. The company was not in a position at the hearing, however, to advise the Commission definitely as to the specific purposes for which it intends to use these proceeds. The order herein, while authorizing the issue of the entire \$250,000.00 of stock, will provide that the proceeds obtained from the sale of \$104,600.00 of such stock shall be placed by applicant in a special account and expended only for such purposes as the Railroad Commission might authorize in subsequent orders.

#### O R D E R

Fontana Domestic Water Company, having applied to the Railroad Commission for a certificate of public convenience and necessity and for an order authorizing the issue of stock, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted as herein provided, therefore--

The Railroad Commission hereby declares that public convenience and necessity require and will require the exercise by Fontana Domestic Water Company of the rights and privileges granted it by the Board of Supervisors of the County of San Bernardino by Ordinance #213 adopted June 11, 1923, and that public convenience and necessity require and will require the extension of the distributing system to be acquired by Fontana Domestic Water Company, provided that Fontana Domestic Water Company shall first have filed with the Railroad Commission a stipulation duly authorized by its Board of Directors, declaring that Fontana Domestic Water Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body, a value for said rights and privileges in excess of the amount actually paid to the County of San Bernardino as the consideration for the grant of such franchise, which amount is to be set forth in the stipulation, and shall have received from the Railroad Commission a supplemental order declaring that such stipulation has been filed in form satisfactory to the Railroad Commission.

IT IS HEREBY ORDERED that Fontana Domestic Water Company be, and it is hereby, authorized to issue \$250,000.00 of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. Of the stock herein authorized \$145,400.00 may be delivered to Fontana Farms Company in payment for the water distributing system and the shares of stock of Fontana Union Water Company to which reference is made in the foregoing opinion.
2. Of the stock herein authorized, \$104,600.00 shall be sold for cash at not less than par and the proceeds deposited by applicant in a special account to be used only when and as authorized by the Commission in subsequent orders.

3. Fontana Domestic Water Company shall keep such record of the issue, sale and delivery 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, which order in so far as applicable, is made a part of this order.
4. The authority herein granted will become effective upon the date hereof but will expire on February 28, 1925.
5. Applicant shall file with the Commission a verified copy of the deed by which it acquired title to the properties referred to herein within 30 days after its execution, and shall at the same time advise the Commission of the exact date upon which it takes possession of such properties.
6. The amount of stock which applicant is authorized to issue in payment for the properties referred to herein shall not be binding on the Commission or other court or public body as a measure of value in fixing rates, or for any purpose other than this transfer.

DATED at San Francisco, California, this 14<sup>th</sup> day of March, 1924.

O. A. Sawyer  
H. A. Bunnick  
Irving Martin  
Egerton Shore