

LEM

Decision No. 14647

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

| | | |
|--|---|-----------------------|
| In the matter of the application of |) | |
| Benjamin Franklin Nelson and Elizabeth |) | |
| Nelson to purchase, and Consolidated |) | |
| Water and Development Company, a |) | Application No. 10805 |
| corporation, to sell that certain |) | |
| public utility known as Melvin Place |) | |
| Water Plant. |) | |

Glen Behymer, for Benjamin Franklin Nelson
and Elizabeth Nelson

Harry L. Person, for Consolidated Water
and Development Company.

BY THE COMMISSION:

O P I N I O N

In this application, the Railroad Commission is asked to make an order authorizing Consolidated Water and Development Company to transfer a public utility water system, known as the Melvin Place Water Plant, to Benjamin Franklin Nelson and Elizabeth Nelson, and to receive in exchange therefor, \$25,000. of its own stock, which it proposes to cancel.

Consolidated Water and Development Company was organized on or about January 25th, 1924 with an authorized capital stock of \$500,000. divided into 5,000 shares of the par value of \$100. each, all common. By Decisions No. 13652 and No. 14102, the company was authorized to issue \$136,600. of its stock in part payment of eight water systems, located in Los Angeles County, known as the North Moneta Water Company, the Eighty-seventh and San Pedro System, the Emil Firth System, the Howard Park Water Company, the Lawndale Acres Water Plant, the El Segundo Gardens Plant, the Fairfax Park System and the Cypress Gardens Water System.

It appears that pursuant to the permission granted by this Commission, the company issued its stock in the amount authorized. At present this stock is reported held as follows:-

| | |
|------------------------------------|-------------------|
| E. J. Whitney | \$55,450. |
| Harry L. Person | 55,450. |
| B.F.Nelson and Elizabeth Nelson | 25,000. |
| Wm.R.Yoemans | 200. |
| J.C.Yoemans | 100. |
| B.W.Hopkins and A.Hopkins | 100. |
| C.B.Hyde and C.A.Hyde | 100. |
| Myrtle H. Whitney | 100. |
| Blanch V. Person | 100. |
| | <u>\$136,600.</u> |

Benjamin Franklin Nelson and Elizabeth Nelson, the other applicants herein, prior to October 7th, 1924, were the owners and operators of a public utility water system, known as the Melvin Place Water Plant, which was located near the corner of Moneta Avenue and 96th Street, just outside the southerly limits of the City of Los Angeles. By Decision No. 14147, dated October 7th, 1924, the Nelsons were authorized to transfer the water plant to E. J. Whitney and Harry L. Person for \$25,000. of the stock of Consolidated Water and Development Company, then held by them. By the same decision, E. J. Whitney and Harry L. Person were authorized, in turn, to transfer the properties to Consolidated Water and Development Company, which was permitted to issue its five year 7 percent notes for \$25,000. in payment therefor.

It is now reported that the Nelsons are dissatisfied with being minority stockholders in a corporation and desire to surrender the \$25,000. of stock held by them and to regain ownership and possession of the Melvin Place Water Plant and to resume the operation thereof as an individual. The corporation reports that it is willing to return the properties to the Nelsons and to receive in consideration the \$25,000. of stock which had been received by them from E.J. Whitney and Harry L. Person. Upon receiving such stock the corporation proposes to cancel it.

However, pursuant to the Commission's Decision No. 14147, the corporation upon acquiring the Melvin Place Water Plant issued in payment its five year seven percent notes for \$25,000. The delivery of \$25,000. of stock to Benjamin Franklin Nelson and Elizabeth Nelson for their properties did not constitute a new issue of stock by the corporation, but rather a transfer from one stockholder to another. We believe that in relinquishing the properties comprising the Melvin Place Water Plant the corporation should cancel the \$25,000. of notes it formerly issued in payment for such properties, rather than the \$25,000. of stock.

It appears that the note indebtedness of \$25,000. consists of two notes for \$12,500. each, one of which was issued to Harry L. Person and the other to E. J. Whitney, the corporation's principal stockholders. It is of record in this proceeding that Harry L. Person still holds the note issued to him, while E. J. Whitney has assigned his note to Mrs. E. J. Whitney.

We do not believe that the transfer of the properties should be authorized unless the two notes to which reference has been made are returned to the corporation and cancelled. The proposed cancellation of \$25,000. of stock, assuming that such cancellation can be legally effected, will not put the corporation in as favorable a position as it was prior to the purchase of the Nelson properties.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of public utility property from Consolidated Water and Development Company to Benjamin Franklin Nelson and Elizabeth Nelson, a public hearing having been held before Examiner Williams and the Railroad Commission being of the opinion that such transfer should not be authorized unless there be surrendered to the corporation and cancelled by it, the two notes referred

to in the foregoing opinion.

IT IS HEREBY ORDERED that upon being notified by the Railroad Commission that said Commission has received a duly verified report from Consolidated Water and Development Company showing that the two notes, aggregating \$25,000. referred to in the foregoing opinion have been cancelled, Consolidated Water and Development Company may transfer the public utility water system known as the Melvin Place Water Plant, to which reference is made in the foregoing opinion to Benjamin Franklin Nelson and Elizabeth Nelson.

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

1. Benjamin Franklin Nelson and Elizabeth Nelson shall advise the Commission of the exact date upon which they acquired the possession of the Melvin Place Water Plant and shall file with the Commission, within 30 days after execution, a certified copy of the deed of conveyance.
2. The authority herein granted to transfer properties is not to be construed as a finding of value of such properties, for the purpose of fixing rates, or for any purpose other than this transfer.
3. Under the authority herein granted, no properties may be transferred after July 1, 1925.

Dated at San Francisco, California, this 10th day of March, 1925.

W. B. Brundage
Charles
Egerton Shore
George D. Squires
Ernest

Commissioners.