

LEW

Decision No. 15263.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
CITIZENS DOMESTIC WATER COMPANY ) Application No. 11424  
for authority to issue stock. )

Walter S. Clayson, for applicant

BY THE COMMISSION:

O P I N I O N

In this proceeding, as amended at the hearing held before Examiner Williams, the Railroad Commission is asked to make an order authorizing Citizens Domestic Water Company to issue its common capital stock, in an amount to be determined by the Commission, in payment for properties.

Citizens Domestic Water Company was organized on or about December 16, 1924, with an authorized capital stock of \$200,000.00 divided into 2,000 shares of the par value of \$100.00 each, all common, of which five shares have heretofore been issued. The properties the company now owns and operates, and which are involved in this proceeding, were installed, beginning in 1919, by W. J. Hole, apparently as an adjunct to a real estate development in what is known as Rancho La Sierra, near the City of Riverside. During 1924, the Rancho, which comprises some ten thousand acres of land, was purchased by W. M. Cook and W. E. Babb and

their associates, who are proceeding to improve and subdivide it. Along with the Rancho, the water system was transferred. The purchasers, in turn, caused the organization of the applicant in this proceeding for the purpose of operating the water system as a public utility.

By Decision No. 14770, dated April 10, 1925, in Application No. 10618, the Commission authorized the transfer of the water system to applicant and the execution of an agreement providing for the payment by applicant of \$15,000.00. The opinion in the decision recites that

"The transfer of the properties to the Citizens Domestic Water Company at this time will be for a nominal consideration. Later it is the intention of the company to file an application with the Commission for permission to issue stock in payment for the properties."

The present application is filed to complete the transaction and to obtain permission to issue stock to finance the balance of the cost of the properties. In this connection there was placed in evidence in this proceeding a copy of a valuation, dated March 23, 1925, prepared by Kingsbury Sanborn, a consulting irrigation engineer of Riverside. Summary figures of his valuation are as follows:-

ITEM	Reproduction Cost New	Depreciation	Present Value
Preliminary expense . . . . .	\$ 1,300.00	\$ -	\$ 1,300.00
Real Estate and Rights of Way	1,000.00	-	1,000.00
Well . . . . .	985.45	98.55	886.90
Pumping Plant . . . . .	4,486.80	1,121.70	3,365.10
Pipe Line to Reservoir . . . . .	5,205.00	2,082.00	3,123.00
Reservoir . . . . .	3,578.67	357.87	3,220.80
Distribution Lines . . . . .	61,259.07	16,461.51	44,797.56
Meters . . . . .	2,964.00	-	2,964.00
Engineering and supervision	6,058.42	1,544.90	4,513.52
General administrative . . . . .	8,000.00	2,040.00	5,960.00
Total.....	\$ 94,837.41	\$23,706.53	\$71,130.88

Since the date of the valuation the company reports, in its "Exhibits No. 3 and No. 4", that up to June 25, 1925 it has expended \$3,213.79 for additional property and that it has on hand materials and supplies which cost \$4,088.23. Adding these two figures to the valuations results in a total of \$102,139.43 as the estimated cost to construct the system, and a total of \$78,432.90 as the present value.

In addition to the foregoing elements of value, Mr. Sanborn includes in his valuation an allowance of \$52,590.00 as the value of developed water. He reports that during 1919, when making a test of the well, which is now the company's source of supply, he measured a flow of 52.59 miner's inches. Considering the location of the well, the quality of the water and the low pumping lift, he estimated the value of the water at \$1,000.00 an inch.

We do not believe that the showing made in this matter warrants the using of the alleged value of water as a basis for an order authorizing the issue of stock. In the order following this opinion the amount of stock which Citizens Domestic Water Company is authorized to issue, is based on the estimated present value, plus additions and betterments and materials and supplies. It appears that of the \$15,000.00 indebtedness authorized by Decision No. 14770, \$9,000.00 is outstanding. Deducting the \$9,000.00 from the \$78,432.29, leaves a total of \$69,432.90. The order herein will authorize the issue of \$70,000.00 of stock.

#### ORDER

Citizens Domestic Water Company, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for

through the issue of \$70,000.00 of stock is reasonably required by applicant:

IT IS HEREBY ORDERED that Citizens Domestic Water Company be, and it hereby is, authorized to issue not exceeding \$70,000. of its common capital stock in part payment for the properties to which reference is made in the foregoing opinion.

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

1. The amount of stock which applicant is herein authorized to issue shall not be urged before this Commission or other public body having jurisdiction as a measure of value of said properties for any purpose other than the transfer herein authorized.
2. Applicant shall keep such record of the issue and delivery of the stock herein authorized 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 will become effective upon the date hereof, but under such authority no stock may be issued after December 31, 1925.

DATED at San Francisco, California, this 6th day of August, 1925.

W. A. Brundage

George D. J. Quinn

Leon Whitell

Commissioners.