

In the Matter of the Application of
SOUTHERN CALIFORNIA UTILITIES INC.
and SOUTH LOS ANGELES LAND AND WATER
COMPANY for authority for the South-
ern California Utilities Inc. to pur-
chase the properties of the South Los
Angeles Land and Water Company and
for the latter company to sell its pro-
perties, and for authority for the
Southern California Utilities Inc. to
issue shares of its common stock of
the par value of \$300,000. and its
first mortgage bonds of the face value
of \$350,000.00.

ORIGINAL

Application No. 12587

Thomas F. Hinds, for applicant.

BY THE COMMISSION:

OPINION

South Los Angeles Land and Water Company asks permission to sell all of its public utility properties to the Southern California Utilities Inc. The Southern California Utilities Inc. asks permission to purchase such properties and operate the same and issue \$300,000. of common stock and \$350,000. of six and one half percent bonds due April 1, 1946 for the purposes hereinafter stated.

The South Los Angeles Land and Water Company serves with water a territory which comprises the greater part of the City of Vernon and that part of Los Angeles County bounded by Slauson Avenue on the north, Manchester Avenue on the south, Central Avenue on the west and Alameda Street on the east. The territory in Los Angeles County is largely residential, while that in the City of Vernon is primarily industrial. It is said that the district has a population of about 25,000, the majority of which are served with

water by the South Los Angeles Land and Water Company. It should be said, however, that some industries in the City of Vernon have their own water supply or obtain their water from some one other than South Los Angeles Land and Water Company.

The distributing system of the South Los Angeles Land and Water Company consists of three principal units, these being the Huntington Park Plant, the Vernon Plant and the Goodyear Plant. The Huntington Park Plant is located on Laura Street east of Alameda Street in the City of Huntington Park. At this plant twelve wells have been drilled, six of which are in active use at the present time, one has been abandoned, and five, while not in active use, are in such condition that they may be connected at any time, should the necessity arise. There is at this plant a concrete collecting reservoir of 210,000 gallon capacity, to which has been added a concrete settling basin and sandtrap. Water is pumped from all of the wells by electrically driven deepwell turbines into the settling basin, from whence it flows into the collecting reservoir. It is then lifted by two electrically driven horizontal turbine pumps into two redwood tanks on fifty foot tower structures, one tank being of 50,000 gallons capacity, the other 75,000 gallons. The distribution from the redwood tanks is effected by gravity. If necessary, water can be pumped directly into the redwood tanks from the wells or directly into the mains from the wells or into the mains from the collecting reservoir.

The Vernon Plant of the South Los Angeles Land and Water Company is located at the southeast corner of Ross Street and 37th Street in the City of Vernon. At this plant two wells have been drilled, both of which are in active service at the present time. The concrete collecting reservoir has a capacity of 180,400 gallons, which is connected with a 50,000 gallon redwood tank on a sixty foot tower structure. Water is pumped

from the wells by deepwell turbines into a concrete collecting reservoir, from which it is lifted by^a/direct connected six inch horizontal booster pump into the redwood distribution tank. Water may be pumped from the wells directly into the redwood tank or directly into the mains, or directly into the mains by the booster pump.

The Goodyear Plant is located on 61st Street east of Central Avenue in Los Angeles County. At this plant there is a twelve inch well which is pumped by a Layne and Bowler pump directly connected to an electric motor. Water is pumped from the well and lifted into a 25,000 gallon redwood tank on a sixty foot tower structure, from which it is distributed by gravity. Water may be pumped directly into the mains from the well.

The distributing system of the South Los Angeles Land and Water Company comprises approximately 75 miles of mains. Connected to this distribution system are 6112 services, of which 5766 are metered; and 356 are unmetered. The pressure of the service area ranges from twenty to fifty pounds, dependent upon the location.

Applicants in their Exhibit "A" report the estimated historical cost of the properties at \$955,433.00, the estimated original reproduction cost of the properties at \$1,099,831.00 and the estimated reproduction cost new less depreciation, \$908,909. The different items making up these totals are submitted as follows:-

Item	Historical cost	Reproduction cost	Reproduction cost depreciated
Organization	\$5,000.	\$ 5,000.	\$5,000.
Franchises	1,200.	1,200.	1,200.
Water rights	277,500.	277,500.	277,500.
Landed capital	107,855.	107,855.	107,855.
Bldgs Structures & Grounds	11,636.	18,344.	10,469.
Wells	23,191.	32,593.	22,361.
Collecting reservoirs	10,305.	15,000.	15,522.
Pumping equipment	44,148.	51,747.	40,602.
Misc. Distribution Equipt	3,121.	3,675.	2,621.
Purification system	748.	758.	743.
Distribution mains	295,789.	387,862.	271,580.
Distribution tanks & reservoirs	18,839.	21,900.	16,970.
Hydrants	8,677.	8,814.	8,508.
Services	57,026.	63,727.	47,133.
Meters	83,371.	96,806.	76,295.
General office equipment . . .	4,477.	4,500.	4,000.
General shop equipment	550.	550.	550.
Materials and supplies	2,000.	2,000.	2,000.
Totals.....	\$955,433.	\$1,099,831.	\$908,909.

It will be noted that a value of \$277,500. has been assigned to water rights. The record, in our opinion, does not support such a value, nor is it necessary for the Commission in this proceeding to determine definitely what value, if any, should be placed on the right of South Los Angeles Land and Water Company to pump water.

The Southern California Utilities Inc. was organized during January, 1926, with an authorized capital stock of \$1,000,000 divided into 10,000 shares of the par value of \$100. each. It proposes to acquire all of the public utility^{and other} properties of the South Los Angeles Land and Water Company by delivering to such company \$300,000. of its common stock, and \$282,000. in cash obtained from the sale of its bonds. It asks that it be permitted to issue and sell at not less than ninety-four and accrued interest, \$350,000. of first mortgage six and one half percent bonds due April 1, 1946. As said, it desires to use \$282,000. of the proceeds obtained from the sale of its bonds to pay in part for the properties of the South Los Angeles Land and Water Company. These properties will be acquired free and clear of all indebtedness.

The balance sheet of the South Los Angeles Land and Water Company shows that on December 31, 1925 that company had outstanding \$148,000. of first mortgage bonds, notes payable in the amount of \$28,617.34, audited vouchers and wages unpaid in the amount of \$32,299.55, guarantee deposits in the amount of \$639.40 and consumers advances for construction in the amount of \$67,966.17. Inasmuch as the properties of the South Los Angeles Land and Water Company are to be transferred free and clear of all indebtedness it is expected that all the liabilities of the South Los Angeles Land and Water Company as of the date that it transfers its properties to the Southern California Utilities Inc will be paid or remain the liabilities of the South Los Angeles Land and Water Company and will not be transferred to the Southern California Utilities Inc. Proceeding on this theory, we will authorize the

Southern California Utilities Inc. to issue \$300,000. of common stock and use \$282,000. obtained from the sale of the bonds to pay in full for all of the properties of the South Los Angeles Land and Water Company. If for any reason some of the debts of the South Los Angeles Land and Water Company, whether current indebtedness or other obligations, will be transferred and assumed by the Southern California Utilities Inc., the amount of stock and cash herein authorized to be delivered in payment for said properties shall be reduced in proportion to the indebtedness transferred to and assumed by the Southern California Utilities Inc.

The remainder of the proceeds (\$47,000.) obtained from the sale of its bonds the Southern California Utilities Inc. intends to expend for additions, improvements and betterments to its properties. Inasmuch as the Commission has not been furnished with a detailed statement of such additions, improvements and betterments, the \$47,000. may be expended only for such purposes as the Commission will authorize by a supplemental order or orders. The Southern California Utilities Inc. has not yet filed with the Commission a mortgage or deed of trust in satisfactory form to secure the payment of its proposed bonds. Until such instrument has been filed, the effective date of the authority herein granted will be held in abeyance.

O R D E R

South Los Angeles Land and Water Company having applied to the Railroad Commission for permission to sell all of its properties to the Southern California Utilities Inc. and Southern California Utilities Inc. having asked permission to purchase such properties and operate the same, and issue \$300,000. of common stock and \$350,000. of bonds, a public hearing having been

held before Examiner Funkhouser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized, is reasonably required by Southern California Utilities Inc. and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. South Los Angeles Land and Water Company may sell all of its properties to the Southern California Utilities Inc.
2. Southern California Utilities Inc. may purchase said properties and operate the same, and issue \$300,000. of common stock and \$350,000. of six and a half percent first mortgage bonds due April 1, 1946.
3. Southern California Utilities Inc. shall sell said \$350,000. of bonds at not less than 94 percent of their face value and accrued interest and use \$282,000. obtained from the sale of such bonds, together with the \$300,000. of common stock herein authorized to be issued, to pay in full for all the properties of South Los Angeles Land and Water Company, free and clear of all indebtedness, provided that if such properties are not acquired free and clear of all indebtedness, the amount of stock and the amount of cash that may be paid for such properties shall each be reduced in proportion to the net indebtedness assumed by the Southern California Utilities Inc.
4. The sum of \$47,000. obtained from the sale of such bonds, together with any portion of the \$282,000. not

delivered to the South Los Angeles Land and Water Company may be expended by Southern California Utilities Inc. only for such purposes as the Commission will authorize by a supplemental order or orders.

5. The accrued interest received by the Southern California Utilities Inc. may be used for general corporate purposes.
6. The authority herein granted will not become effective until Southern California Utilities Inc. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee amounts to \$350.00, nor until the Commission has authorized Southern California Utilities Inc. to execute a mortgage or deed of trust to secure the payment of said \$350,000. of bonds.
7. Within thirty days after the transfer of the properties of South Los Angeles Land and Water Company to Southern California Utilities Inc. said Southern California Utilities Inc. shall file with the Commission a certified copy of the deed under which it acquires and holds title to said properties.
8. Southern California Utilities Inc. 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 insofar as applicable, is made a part of this order.

9. The authority herein granted to transfer properties and to issue stock and bonds will apply only to such transfer of properties and such issue of stock and bonds as may be effected on or before October 1, 1926.

DATED at San Francisco, California, this 4th day of May, 1926.

H. B. Brundage
C. L. Seaver
Frank J. East

Commissioners.

Fee \$350.00
MAY 6 1926
H. B. Brundage