

LEM

Decision No. 17344.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AARON BUCHHEIM,
doing business as the Buchheim Water
Company, for permission to sell, and
of San Juan Water Company, a corpora-
tion, for permission to purchase the
water plant operated by Aaron Buch-
heim as a public utility in the town-
site of San Juan by-the-Sea, Orange
County, California, and for permission
for San Juan Water Company to issue
three shares of its corporate stock
to its incorporating directors.

ORIGINAL

Application No. 13071

R. E. Nicholson, for Aaron Buchheim;
Overton, Lyman and Plumb, by L.K. Vermille,
for San Juan Water Company.

BY THE COMMISSION:

OPINION

In the above entitled matter the Railroad Commission is asked to make an order authorizing Aaron Buchheim, doing business under the firm name and style of Buchheim Water Company, to sell a certain public utility water plant and business to San Juan Water Company, a corporation, and authorizing San Juan Water Company, a corporation, to issue and sell three shares of its capital stock of the aggregate par value of \$500.00, at par for cash to its incorporators.

The properties to be transferred include a certificate of public convenience and necessity granted by the Commission by Decision No. 15186, dated July 16, 1925, as modified by Decision No. 15826, dated December 31, 1925, permitting the construction and operation of a water system in Blocks 41 to 54, inclusive, in the Townsite of San Juan by-the-Sea, Orange County; a franchise (Ord-

nance No. 246) passed by the Board of Supervisors of Orange County on July 16, 1925; and all of the physical properties comprising the system. An estimate of the original cost of the physical properties, prepared by R. E. Nicholson, consulting engineer, was filed in Application No. 11016 and by consent of applicants is considered in evidence in this proceeding. This estimate, summarized, is as follows:-

Organization.....	\$800.
Landed capital.....	1,000.
Buildings	1,121.
Wells	1,602.
Collecting reservoir.....	844.
Pumping equipment	4,077.
Distribution mains.....	10,295.
Distribution reservoir...	350.
Services.....	61.
Miscellaneous distribution equipment.....	200.
Materials and supplies....	50.
Total.....	<u>\$20,380.</u>

The record shows that Aaron Buchheim and San Juan Water Company, have entered into an agreement, by the terms of which the corporation agrees, in consideration for the transfer of the properties, to pay Aaron Buchheim \$15,000.00 in cash and in addition to furnish him water for irrigation purposes to be used by him personally on property owned by him in Blocks 41, 42, 43, 48, 49, 50 and 51 in the Townsite of San Juan by-the-Sea, so long as a surplus exists over and above the requirements of the customers of the water system for domestic purposes, but in no event for a period longer than five years from the date of the agreement, July 28, 1926, such service to be furnished at the rate of five cents per one hundred cubic feet. The agreement reads in part as follows:-

"That in the furnishing of such water for irrigation purposes it is understood that the only rate of the company for the furnishing of water for either irrigating or domestic purposes are those shown on the schedule heretofore filed with the Railroad Commission of the State of California***** which schedule is to be continued in effect until modified by said Railroad Commission and that the difference between the established rate for irrigating water and the sum of

"five cents per one hundred cubic feet to be paid for irrigating water ***** shall be considered as additional consideration for the transfer and conveyance of the water plant and system -----"

The rate referred to in the agreement (Exhibit E) is substantially less than the rates now on file with the Commission and will result in a preferential rate to Aaron Buchheim. We do not believe that the approval of the agreement is in the public interest. The parties in interest should agree upon a definite fixed price for the properties. The order herein will authorize the transfer of the properties for \$15,000.00 in cash. If the parties conclude that such price is not adequate they may file a supplemental application and submit a new price.

San Juan Water Company reports that it will obtain the \$15,000.00 of cash needed to purchase the system from its incorporators, and that hereafter it will probably file an application for permission to refund these advances. At present, however, it is asking permission to issue only three shares of stock, of the par value of \$100. each, which it will deliver to its incorporation at par for cash. It reports that it will use the proceeds to pay organization expenses.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of a public utility water system and the issue of stock, a public hearing having been held before Examiner Williams, and the Railroad Commission being of the opinion that the application should be granted as herein provided, and that the issue of stock is reasonably required,

IT IS HEREBY ORDERED that Aaron Buchheim, doing business under the firm name and style of Buchheim Water Company, and he hereby is, authorized to sell and transfer to San Juan Water Company, a corporation, for the sum of \$15,000.00, the properties and business referred to in the foregoing opinion and in this application.

IT IS HEREBY FURTHER ORDERED that San Juan Water Company, a corporation, be, and it hereby is, authorized to issue and sell at par, for cash, three shares of its capital stock of the aggregate par value of \$300.00, and to use the proceeds to pay organization and incorporation expenses.

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

1. Aaron Buchheim shall file with the Commission within thirty days after execution, a certified copy of the deed conveying to San Juan Water Company the properties herein authorized to be transferred, and shall at the same time advise the Commission, of the exact date upon which he relinquished control and possession of such properties.
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 any purpose other than this transfer.
3. San Juan Water Company shall keep such record of the issue and sale 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 insofar as applicable, is made a part of this order.

4. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 17th day of September, 1926.

H. B. Brundige
W. S. Seaver
Ernest J. ...
Leon ...
Thomas ...

Commissioners.