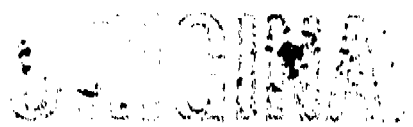


Decision No. 18863



BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

PLACENTIA WATER COMPANY,)

a corporation, for authority to)
absorb the assets and liabilities)
of the Placentia Domestic Water)
Company, and for an order authori-)
zing the issue of stocks and bonds,)
and for a certificate of public)
convenience and necessity.)

Application No. 14037.

In the Matter of the Application of)

PLACENTIA DOMESTIC WATER COMPANY,)

a corporation, for an order author-)
izing the sale of all the assets of)
the company and the dissolution)
thereof.)

Application No. 14038.

A. S. Bradford, for applicants..

BY THE COMMISSION:

O P I N I O N

The above entitled applications were consolidated for hearing and decision.

In Application No. 14037 the Placentia Water Company asks permission to issue \$50,000.00 of stock and \$15,000.00 of cumulative six percent debenture bonds due in twenty-five years in payment for the properties of Placentia Water Company, with the understanding that the Placentia Domestic Water Company will donate back into the treasury of the Placentia Water Company 1,400 shares (\$35,000.00 par value) of that company's stock. The Placentia

Water Company further asks permission for a certificate of public convenience and necessity in order to carry on the business now being conducted by the Placentia Domestic Water Company.

In Application No. 14038 Placentia Domestic Water Company asks permission to sell all of its properties to the Placentia Water Company. The Commission is further asked to authorize the dissolution of the corporation.

The properties which the Placentia Domestic Water Company desires to sell consist of the following:-

"2 lots in the City of Placentia upon which are two 12 inch wells, with electrical pumping apparatus; 2 steel water tanks of 66,000 gallons capacity; 1 galvanized iron water tank of 4,000 gallons capacity; together with sufficient water mains, laterals, equipment and appurtenances to supply the City of Placentia and adjacent residents with domestic water. That the water mains and pipes consist of approximately 32,960 feet of 2-3-4 and 6 inch pipe and 356 meters."

The original cost of the properties as of July 1, 1927 is reported at \$42,614.26. The accrued depreciation on the properties is reported at \$1,530.71. The Commission by Decision No. 8594, dated January 26, 1921, in Application No. 6053 in adjusting the rates of the Placentia Domestic Water Company used a rate base of \$27,743.00. The cost of additions and betterments since the determination of that rate base shown by reports filed with the Commission is \$11,381.41 which added to the \$27,743.00 makes a total of \$39,124.41. This, however, does not include the net current assets of the corporation which on July 1st aggregated \$2,800.00.

The Placentia Domestic Water Company has \$30,000.00 of stock outstanding. Of this amount \$7,500.00 is owned by E. W.

Camp, \$7,500.00 by J. R. Hitchcock, \$7,500.00 by W. H. Brewer and \$7,500.00 by A. S. Bradford. It appears that Charles E. Lee has agreed to pay for the stock of E. W. Camp, J. R. Hitchcock and W. H. Brewer \$7,500.00 in cash and \$15,000.00 in six percent debenture bonds of Placentia Water Company, payable in twenty-five years. To consummate the transaction it is proposed that the properties of Placentia Domestic Water Company be transferred to the Placentia Water Company in exchange for \$50,000.00 of stock and the \$15,000.00 of debenture bonds. Upon dissolution of the Placentia Domestic Water Company \$35,000.00 of the stock of the Placentia Water Company is to be returned to the treasury of that company and the \$15,000.00 debenture bonds are to be delivered to E. W. Camp, J. R. Hitchcock and W. H. Brewer as part payment for their stock. It thus appears that the actual consideration which the Placentia Domestic Water Company will receive for its properties will be \$15,000.00 of stock and \$15,000.00 six per cent debenture bonds. In view of this situation it does not appear to us that it is necessary that this Commission authorize the issue of the \$35,000.00 of stock.

There has been filed with the Commission a copy of the proposed debenture bond. From the form of the bond submitted, it appears that the bonds are to be issued in denominations of \$1,000. They are payable on January 2, 1953, and will be the unsecured obligation of the Placentia Water Company. Failure to pay interest does not constitute in event of default. If the interest is not paid, it is to be added to the principal. Neither does the failure to pay interest accelerate the maturity of the bond. It definitely provides that it shall not become due until January 2, 1953. We are of the opinion that the indebted-

ness which the Placentia Water Company desires to incur is more of the nature of a note than of a bond and we will therefore require that if the Placentia Water Company delivers to the Placentia Domestic Water Company any evidence of indebtedness as part payment for the properties of that company, that it designate the same as notes and not as debenture bonds.

The Commission is asked to authorize the dissolution of Placentia Domestic Water Company. It is not necessary for corporations to obtain permission from this Commission to dissolve. Neither does it appear from the evidence that it is necessary that we grant to the Placentia Water Company a new certificate of public convenience and necessity. The order herein will authorize the transfer of the properties and permit Placentia Water Company to operate the same.

The Placentia Water Company will continue in effect the rates now being charged by Placentia Domestic Water Company. The Placentia Water Company will make an estimate of the cost of extending the system to serve from sixty to eighty new consumers. If it is concluded to proceed with that extension, a new application to finance the same will be filed.

O R D E R

The Railroad Commission having been requested to enter its order authorizing the transfer of the properties of Placentia Domestic Water Company to Placentia Water Company and authorizing the latter to acquire and operate such properties and issue \$50,000.00 of stock and \$15,000.00 of six percent cumulative debenture bonds, a public hearing having been held before Examiner

Fankhauser and the Railroad Commission being of the opinion that the Placentia Water Company should be permitted to issue not exceeding \$15,000.00 of stock and not exceeding \$15,000.00 of six percent notes due January 2, 1953, in payment for the properties of Placentia Domestic Water Company and that the money, property or labor to be procured or paid for by such issue is reasonably required by the Placentia Water Company and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income and that these applications should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Placentia Domestic Water Company may sell all of its properties described in the above entitled applications to the Placentia Water Company, which Company is hereby permitted to acquire said properties and operate the same.
2. Placentia Water Company may issue on or before December 31, 1927, in payment for the properties of Placentia Domestic Water Company \$15,000.00 of common stock and \$15,000.00 of six percent notes payable January 2, 1953.
3. Application No. 14037 (Placentia Water Company) insofar as it involves the issue of \$35,000.00 of stock be, and the same is hereby, dismissed without prejudice.
4. Within thirty (30) days after acquiring the properties of Placentia Domestic Water Company, Placentia Water Company shall file with the Railroad Commission a certified copy of the deed or any other instrument under which it acquires title to the properties of Placentia Domestic Water Company.

5. Within ten (10) days after the transfer of the properties herein authorized, Placentia Water Company shall file with the Railroad Commission a statement showing the exact date at which it acquired and took possession of the properties of Placentia Domestic Water Company.
6. The authority herein granted will become effective when Placentia Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.
7. The Placentia Water Company shall file with the Railroad Commission a report as is required by the Commission's General Order No. 24, which order, insofar as applicable is made a part of this order.

DATED at San Francisco, California, this 3rd
day of October, 1927.

Ernest Scott

Chas. J. Kearney

Leon DeWitt

Thos. J. Hart

M. A. Cain

Commissioners.