

LEEM

Decision No. 19214.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 E. ALLEN RISPIN and THE CAPITOLA COMPANY)
 (a corporation) for authority to sell)
 the gas, electric and water systems)
 and properties operated by said The)
 Capitola Company to Public Utilities)
 California Corporation(a corporation),)
 and for authority for Public Utilities)
 California Corporation to buy said)
 systems and properties and to issue)
 shares of its capital stock of the)
 par value of \$60,000. and its first)
 mortgage gold bonds of the face amount)
 of \$85,000., and a promissory note)
 for the amount of capital additions)
 made between April 22, 1927 and the)
 date of the transfer.)

Application No. 14041

Eels and Orrick, by T.W.Dahlquist and Hillyer Brown,
 for Public Utilities California Corporation;
 E. Allen Rispin, for himself and for The Capitola Company.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order authorizing H. Allen Rispin and The Capitola Company to sell to the Public Utilities California Corporation their public utility and other properties described in Exhibit "C" attached to the petition herein. The Public Utilities California Corporation asks permission to acquire said properties and to issue in payment therefor as they existed on April 22, 1927, \$60,000.00 of common stock and \$95,000.00 of first mortgage six percent 20-year bonds.

The Public Utilities California Corporation further asks permission to issue its unsecured promissory note bearing interest at the rate of six percent per annum and payable one year after date in an amount equal to the cost of the capital additions made to

the public utility properties of The Capitola Company between April 22, 1927 and the date of the transfer of the properties to the Public Utilities California Corporation. In view of the fact that we do not at this time know the amount of the note, its issue will be considered in a supplemental order. While the company asks permission to execute a mortgage to secure the payment of its proposed bond issue, a similar request is contained in Application No. 14024. The order in that proceeding will authorize the execution of the mortgage. It is therefore not necessary to give further consideration to its request for permission to execute a mortgage to secure the payment of the proposed \$85,000.00 bond issue.

It appears from the record that The Capitola Company is engaged, among other things, in the business of supplying water for domestic and other purposes in, and in the vicinity of Capitola and Soquel, and electricity for like purposes at Capitola. These towns are located on Monterey Bay approximately four miles east of the City of Santa Cruz.

The water supply is obtained by diverting the waters of Bates Creek at a point about three miles north of Capitola. This, it appears, is accomplished by means of a concrete arch dam 35 feet in height with a crest length of 40 feet. From this point the water flows through a six inch wooden stave pipe line approximately 6,230 feet in length to a 250,000 gallon earthen reservoir located a short distance north of the Town of Soquel. The Capitola supply flows from the reservoir through a six inch cast iron main approximately two miles in length. An additional supply is obtained for the communities served by means of a motor driven booster pump, which pumps directly from Soquel Creek into the supply lines of the Soquel and Capitola areas. This pump is operated for emergency purposes only. The water supply, it is said, is protected against pollution through the ownership by the company of a portion of the watershed area above the diverting dam, and is further protected by chlorination. The distribution system supplying water to Soquel

and Capitola consists of 48,400 feet or 9.2 miles of mains varying from six to three quarter inch in diameter. The services connected to the system total 546, of which 47 are metered.

The electric properties supply Capitola and the immediate vicinity with electrical energy purchased from the Coast Counties Gas and Electric Company. The electric distribution system consists mainly of 11,000 feet of 2200 volt three phase primary circuit. Three hundred (300) services, of which 280 are metered, are connected with the system.

It further appears that The Capitola Company in connection with its other utility business at one time installed a small gas system. This system has since been abandoned and the equipment used has been removed and is in storage in Capitola. Reference will hereafter be made to the estimated cost of the gas system.

There has been filed in this proceeding as applicant's Exhibit "D" an appraisal of the properties as of April 30, 1927 prepared by The Loveland Engineers, Inc. In this appraisal, as corrected, at the hearing had on December 1st, the estimated original cost new of the physical properties is reported at \$162,202.00. This includes an allowance of \$20,741.00 for the nonoperative gas properties. The estimated reproduction cost new less depreciation calculated on a six percent sinking fund basis is reported at \$128,062.00. The latter figure includes an allowance of \$5,631.00 as representing the salvage value of the nonoperative gas properties. The estimated original cost of the water and electric physical properties is reported by The Loveland Engineers at \$109,455.00. Their report shows a sinking fund accumulation of \$11,980.00, which, if deducted from the estimated original cost, leaves a balance of \$97,475.00. If to this be added the salvage value of the gas properties amounting to \$5,631.00 one arrives at a total of \$103,106.00. As stated, the above figures do not include any intangible elements of value. For these purposes in their estimate of reproduction cost new, The Loveland Engineers allow \$3,000.00 for organization and preliminary expense, \$2,000.00

for franchises, \$3,500.00 for water rights, \$555.00 for the cost of acquiring lands and searching land titles, and \$3,500.00 for going concern value, or a total of \$12,555.00. The same amounts are allowed for the respective purposes in estimating the original cost of the properties, except that for franchises an allowance of \$600.00 instead of \$2,000.00 is made.

The Commission's engineers in Exhibit No. 3 estimate the reproduction cost new of the operative physical properties (exclusive of materials and supplies) of The Capitola Company and of H. Allen Rispin, at \$128,501.00. To this they add \$20,329.00 as representing their estimated cost of the nonoperative gas properties, making a total of \$148,830.00, as compared with The Loveland Engineers' estimate for the same items of property, of \$159,987.00. The reproduction cost new less depreciation calculated on a five percent sinking fund basis is estimated by the Commission's engineers at \$113,427.00 and on a straight line basis at \$96,096.00. The Commission's engineers did not submit figures showing the actual or estimated original cost of the properties.

We have considered the evidence submitted and are of the opinion that the Public Utilities California Corporation should not pay more than \$110,000.00 for the properties of H. Allen Rispin and The Capitola Company as the same existed on April 22, 1927. The properties are to be acquired free and clear of all encumbrances. Of the purchase price sixty percent may be paid through the issue of first mortgage six percent 20-year bonds and forty percent through the issue of common stock.

When applicant, Public Utilities California Corporation, has filed a statement showing the cost of additions and betterments from April 22, 1927 to the date of the transfer of the properties, consideration will be given to the issue of the one year note.

ORDER

H. Allen Rispin and The Capitola Company having asked permission to sell their public utility and other properties, referred to in this application, to the Public Utilities California Corporation, and said Public Utilities California Corporation having asked permission to purchase said properties and to issue \$50,000.00 of common stock and \$85,000.00 of bonds, and a promissory note, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the Public Utilities California Corporation should be permitted to issue \$66,000.00 of bonds and \$44,000.00 of stock and that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant, Public Utilities California Corporation, 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 insofar as it involves the issue of \$19,000.00 of bonds, ^{and} \$16,000.00 of stock, should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows;-

1. H. Allen Rispin and The Capitola Company may sell and transfer the properties referred to in this application and more particularly described in Exhibit "C" and "D" to the Public Utilities California Corporation, and may, if, as and when said Public Utilities California Corporation acquires said properties, discontinue their public utility service.

2. Public Utilities California Corporation may issue in payment for the properties referred to herein as the same existed on April 22, 1927, provided said properties are acquired free and clear of all liens and encumbrances, not exceeding \$66,000.00 of first mortgage six percent 20-year bonds and not exceeding \$44,000.00 of common stock, the issue of said bonds and stock to be the only con-

sideration that may be paid for said properties.

3. This application insofar as it involves the issue of \$19,000.00 of bonds, ^{and} \$16,000.00 of common stock be, and the same is hereby, dismissed without prejudice.

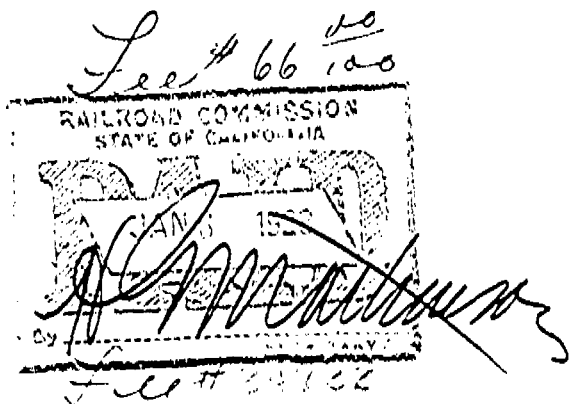
4. The authority herein granted to issue the bonds will become effective when applicant, Public Utilities California Corporation, has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Sixty-six(\$66.00) Dollars, and when the Commission has authorized said company to execute a mortgage to secure the payment of said bonds.

5. Within ten days after the transfer of the properties herein authorized The Capitola Company shall file with the Commission a statement showing the date on which the properties were transferred and the date on which it relinquished possession of the same.

6. Within thirty days after the transfer of the properties herein authorized, the Public Utilities California Corporation shall file with the Commission a certified copy of the deed and any other instruments of conveyance under which it acquires and holds title to said property.

7. Public Utilities California Corporation 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.

DATED at San Francisco, California, this 5th day of January 1928.



[Signature]
[Signature]
[Signature]
Commissioners.