

LRA

Decision No. 19451

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN JUAN WATER COMPANY,)
a corporation, for an order author-)
izing the issuance of shares of) Application No. 14352.
its capital stock in exchange for)
real and personal property.)

W. G. Irving, for applicant.

BY THE COMMISSION:

O P I N I O N

San Juan Water Company asks permission to issue \$99,700.00 of its common capital stock to the Title Insurance and Trust Company and Capistrano Beach Company in payment for certain water properties located in and about the townsite of San Juan-by-the-Sea, Orange County.

The San Juan Water Company has an authorized capital stock of \$100,000.00 divided into 1,000 shares of the par value of \$100.00 each. Stock in the amount of \$300.00 has heretofore been issued to qualify directors. The company now asks permission to issue \$39,900.00 of its common stock to the Capistrano Beach Company and \$59,800.00 to Title Insurance and Trust Company as trustee for the Dana Point Syndicate in payment for the properties described in Exhibit "A" filed in this proceeding.

Under the authority granted by the Commission in Decision No. 17344, dated September 17, 1926, the San Juan Water Company

acquired the public utility water properties of Aaron Eucheim. By Decision No. 18831, dated September 27, 1927, the company was given a certificate of public convenience and necessity permitting it to operate in the territory described in Ordinance No. 246 of Orange County and in the additional adjacent territory specified in the agreement filed in this proceeding as Exhibit "A".

There has been filed as Exhibit No. 2 an appraisal, prepared by J. B. Lippincott, of the properties which the San Juan Water Company asks permission to acquire. A summary of the appraisal shows the following:-

Properties acquired and constructed by San Juan Water Company with funds advanced by Capistrano Beach Company	\$44,045.00
Lands, well sites and tanks agreed to be conveyed by Capistrano Beach Company	4,500.00
Proposed value of wells, pumps and water distributing system in the Title Insurance and Trust Company properties	70,515.00
Reservoir sites, tanks, pumping plant sites and other land agreed to be conveyed by Title Insurance and Trust Company	5,250.00
Equity in 20-acre Daneri place	10,800.00
Water rights	<u>44,000.00</u>
Total.	<u>\$179,110.00</u>

There are at present only fiftysix services connected with the water systems. The water properties are situated in new subdivisions.

An analysis of the appraisal shows that the engineer used the actual cost of the properties in approximately ninety percent of the items of property mentioned in the report, and the remaining ten percent he estimated the cost of the property mentioned. The figures above referred to are the depreciated actual or estimated cost figures.

Counsel for applicant at the hearing stated that applicant would not construe the granting of this application as a determination of the value of the water rights which might be acquired by

applicant, and that this proceeding would not be referred to in any future rate case as the determination of the value of such rights.

The agreement filed as Exhibit "A" provides that the Title Insurance and Trust Company and the Capistrano Beach Company purchase at not exceeding \$1,800.00 an acre twenty acres of land known as the "Deneri Place" and make an initial payment of \$10,800.00. The balance is to be secured by a trust deed or mortgage. After the execution of such trust deed or mortgage the property was to be transferred to applicant subject to the mortgage. The total net cost of the property is \$32,000.00. It was agreed at the hearing that in order to retain this property San Juan Water Company will have to pay when due the note secured by the mortgage. This being the case, we believe that the purchase of the property subject to the mortgage amounts to an assumption of the indebtedness and that therefore such assumption should be authorized by the Commission.

It also developed at the hearing that at the present time no wells are located on the "Deneri Place" and that there is no immediate intention to drill any wells on such property. It is being purchased as a reserve source of water supply in the event that the wells nearer the ocean become salty.

It will be observed that the actual or estimated cost of the properties is considerably in excess of the amount of stock which applicant asks permission to issue. The testimony shows that the properties which the San Juan Water Company intends to acquire will be acquired free and clear of any liens or encumbrances, except the mortgage mentioned, in exchange for the \$99,700.00 of common stock. Neither will there appear on the books of the San Juan Water Company any amount due to vendors as an open account indebtedness.

O R D E R

San Juan Water Company having asked permission to issue \$99,700.00 of its common capital stock and to assume indebtedness, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose specified in this order and that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the San Juan Water Company be, and it is hereby, authorized to issue on or before August 1, 1928, at not less than par, not exceeding \$39,900.00 ^{par value} of its common capital stock to the Capistrano Beach Company or its nominee or nominees and not exceeding \$59,800.00 par value of its common capital stock to the Title Insurance and Trust Company or its nominee or nominees in full and complete payment for the properties which said companies have agreed in Exhibit "A" to transfer to San Juan Water Company and which are described in this application, provided that San Juan Water Company may assume the mortgage on the property referred to herein as the "Daneri Place".

IT IS HEREBY FURTHER ORDERED that the San Juan Water Company shall pay the minimum fee required by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars, and that San Juan Water Company shall keep such record of the issue 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.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective ten (10) days after the date hereof.

DATED at San Francisco, California, this 10th day of M.a.r c.h., 1928.

Clavery

Paul S. Kauter

M. J. [unclear]

Commissioners.

Fee # 25.00
RAILROAD COMMISSION
STATE OF CALIFORNIA
MAR 15 1928
[Signature]
Fee # 25.00