

Decision No. 10571

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PALM VALLEY WATER COMPANY)
 for authority to sell its proper-)
 ties and to discontinue public)
 utility service and of Palm Springs)
 Water Company for authority to pur-)
 chase the said properties and to)
 assume the said public utility)
 service and to issue common stock)
 in payment for said properties and)
 to sell certain of its common stock)
 for the purpose of paying for)
 additions to said system.)

ORIGINAL

Application No. 14368.

Woodruff, Musick, Pinney & Hartke,
by W. B. Pinney, for applicant.

Carl I. Wheat, for California Railroad Commission.

BY THE COMMISSION:

OPINION

In this proceeding the Palm Valley Water Company asks permission to sell its properties to Palm Springs Water Company and thereupon discontinue public utility service. The Palm Springs Water Company asks permission to purchase said properties and to issue \$100,000.00 of its common capital stock of which \$80,000.00 is to be delivered in payment for the properties of Palm Valley Water Company and \$20,000.00 to be sold for cash to pay indebtedness .

The Palm Springs Water Company was organized on or about October 29, 1927. It has an authorized stock issue of \$200,000. divided into 2,000 shares of \$100.00 each. It was organized for the express purpose of acquiring all of the properties, assets and business of Palm Valley Water Company, and of assuming and conducting the public utility service of supplying water to the inhabitants of the Village of Palm Springs, Riverside County, California.

It is of record that the Palm Valley Water Company for many years last past, has owned and operated, and now does own and operate, the public utility water service, serving the unincorporated town of Palm Springs and territory adjacent thereto. The business of the company has been increasing rapidly during the past two years. The total number of services at present is reported at 229 of which approximately fifty were added during the past eight months. It is estimated that during the year 1928 an average of approximately 900,000 cubic feet of water per month will be delivered to consumers. The operating revenues of this water system for 1925 are reported at \$9,816.41; for 1926 at \$12,394.06 and for 1927 at \$14,483.93.

It appears that the company has recently constructed a reservoir having a capacity of 1,500,000 gallons and a new ten inch pipe line from said reservoir to Indian Avenue. The sum in excess of \$20,000.00 was expended for these improvements. This money was obtained by the issue of short term notes and the creation of other evidences of indebtedness. It is the intention of the Palm Springs Water Company to assume the indebtedness of Palm Valley Water Company and then issue and sell \$20,000.00 of stock for cash to A. F. Hicks and use the money to pay indebtedness assumed.

Applicants in their Exhibit B submit the following appraisal as of July 1, 1927, of the properties of Palm Valley Water Company.

A. Water rights.

1. Chino Creek Water rights, capitalized value of pumped water	\$74,000.00
2. Chino Canyon spreading water rights, cost of filings, surveys, etc	700.00
3. Chino Canyon development rights, exchange value of Whitewater ditch	20,256.00
4. Snow Creek water rights, cost of filings and surveys	<u>950.00</u>
	\$95,906.00

B. Physical properties- original cost less depreciation(Land included at present value)

1. Diversive and collective works	\$ 4,536.00
2. Transmission pipe lines	14,835.00
3. Distributing lines and appurtenances	23,584.00
4. Reservoirs and appurtenances	6,029.00
5. Services and service pipe	3,010.00
6. Meters and meter boxes	2,395.00
7. Buildings and fences	1,032.00
8. Supplies and materials	1,170.00
9. Auto truck	400.00
10. Office equipment and tools	415.00
11. Land	<u>2,500.00</u>
Total value physical properties	<u>\$59,906.00</u>
Grand total.....	<u>\$155,812.00</u>

The foregoing valuation does not include the new reservoir and pipe line mentioned above.

By Decision No. 16956 dated June 19, 1926 in Application No. 12676 the Commission authorized the Palm Valley Water Company to exchange certain rights of way and ditch system for water and other rights owned and controlled by Prescott T. Stevens in and about Chino Canyon. At the time of the exchange a value of \$20,256.00 was placed on the properties which the company trans-

ferred to Prescott T. Stevens in order that it might develop an additional water supply in Chino Canyon.

For the purpose of this proceeding we will consider the \$20,256.00 as the cost of obtaining water rights. We do not believe that the granting of this application necessitates the determination of the value of the water rights which it is alleged are owned by the Palm Valley Water Company.

Applicants in their application state and agree that at no future time will any of the valuations referred to or contained in this application, or the permission to issue any of the stock herein referred to, be used as a basis for the making of any rates in connection with the supplying of water by applicants or either of them, to the residents of Palm Springs or the territory contiguous thereto.

O R D E R

Palm Valley Water Company having applied to the Railroad Commission for permission to sell its properties described in Exhibit B and C to the Palm Springs Water Company, and Palm Springs Water Company having asked permission to issue \$100,000.00 of its common capital stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by the applicant, Palm Springs 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 this application should be granted

as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Palm Valley Water Company may sell to Palm Springs Water Company, and Palm Springs Water Company may purchase the properties described in Exhibit B and C and to assume the indebtedness and the public utility service of Palm Valley Water Company.
2. Upon the assumption of the public utility service by the Palm Springs Water Company, Palm Valley Water Company may discontinue its public utility service.
3. Palm Springs Water Company may issue on or before July 1, 1928, \$100,000.00 of its common capital stock of which \$80,000.00 may be delivered to the Palm Valley Water Company in payment for its properties and \$20,000.00 shall be sold for cash at not less than par and the proceeds used to pay indebtedness assumed by applicant, Palm Springs Water Company.
4. The authority herein granted will become effective upon the written acceptance by applicants of such authority.
5. Applicant shall keep such record of the issue, sale and delivery 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.

6. Within thirty (30) days after the transfer of the properties herein authorized, Palm Springs Water Company shall file with the Railroad Commission a certified copy of the deed or any other instrument under which it acquired and holds title to said properties and shall also file with the Commission a statement showing the date on which it acquired said properties and the date on which it took possession of said properties.
7. The consideration which Palm Springs Water Company is paying for the properties of Palm Valley Water Company shall not be urged before this Commission as a measure of the value of said properties for any purpose other than the transfer herein authorized.

DATED at San Francisco, California, this 9th day of ~~March~~ ^{April}, 1928.

Leon Whiteley
C. Seaver
Frank J. ...
Thos. S. ...
W. H. ...
 Commissioners.