

Decision No. 20329

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE ANDERSON CANAL COMPANY, a corp-)
 oration, THE GATES CANAL COMPANY, a)
 corporation, and ANDERSON CANAL,)
 INC., a corporation, for orders (1))
 authorizing applicants to execute a)
 certain reorganization plan and)
 agreement; and (2) authorizing The)
 Anderson Canal Company and The Gates)
 Canal Company to convey their pro-)
 perties as a whole thereunder; and)
 (3) authorizing Anderson Canal, Inc.,)
 to issue stock and assume certain)
 obligations thereunder.)

Application No. 15082.

McCutchen, Olney, Mannon and Greene,
for applicants.

BY THE COMMISSION:

OPINION

In this application the Railroad Commission is asked to enter its orders as follows:-

1. Authorizing The Anderson Canal Company, The Gates Canal Company and Anderson Canal, Inc. to make and enter into a reorganization plan and agreement, a copy of which is filed as "Exhibit I";
2. Authorizing The Anderson Canal Company, pursuant to said reorganization plan and agreement, to convey its business, franchises and property, as a whole, to Anderson Canal, Inc., and to execute and deliver to Anderson Canal, Inc., an indenture, a copy of which is filed as "Exhibit E";

3. Authorizing The Gates Canal Company, pursuant to said reorganization plan and agreement to convey its business, franchise and properties, as a whole, to Anderson Canal, Inc., and to execute and deliver to Anderson Canal, Inc. an indenture, a copy of which is filed as "Exhibit F";
4. Authorizing Anderson Canal, Inc., to issue 1,000 shares of its capital stock, without nominal or par value, and to assume all the obligations and liabilities of The Anderson Canal Company and The Gates Canal Company outstanding on the date of the conveyance to it of the business, franchise and property of The Anderson Canal Company and The Gates Canal Company.

The application shows that The Anderson Canal Company and The Gates Canal Company are and for many years last past have been engaged in the public utility business in the State of California, to-wit: in owning and operating a water system and appurtenances for the distribution of water for irrigation purposes in Kern County.

As of September 1, 1928, The Anderson Canal Company reports outstanding 500 shares of its common capital stock of the aggregate par value of \$50,000.00, and no mortgages, bonds, notes or other indebtedness, except accounts payable of \$1,096.28, and The Gates Canal Company reports 500 shares of its common capital stock, of the aggregate par value of \$50,000.00, and no mortgages, bonds, notes or other indebtedness, except accounts payable of \$2,266.56.

It appears that the two companies were organized in 1878 for a term of fifty years, and that their charters will terminate on or about October 17, 1928. Under the terms and provisions of Section 7 of Article XIII of the Constitution of the State of California the terms of their corporate existence cannot be

extended and accordingly they propose to transfer all of their properties to a new corporation organized expressly for the purpose of receiving such properties and thereafter of continuing the present operations. A copy of the agreement between the three companies is filed as Exhibit "I", and copies of the proposed deeds of conveyance are filed as Exhibit "E" and "F".

Anderson Canal, Inc., the new corporation, was organized under the laws of the State of California, on or about September 15, 1928, with an authorized capital stock of 1,000 shares without nominal or par value. It proposes to issue 847 shares in payment for the properties of The Anderson Canal Company, 150 shares in payment for the properties of The Gates Canal Company, and three shares to its directors for qualifying purposes.

Counsel for applicants has stipulated that none of them will ever contend or urge in any rate proceeding, valuation proceeding, or in any proceeding before the Commission, that any order made in this proceeding is an admission (or in fact any evidence or indication whatever) that the values of any of the properties of applicants is as set out in the petition herein.

We do not believe that it is necessary for the purpose of this proceeding to make an examination of the alleged present value of the properties to be transferred. While the application involves a transfer of public utility properties, the stock of the new corporation will be owned directly by the stockholders of the old companies. To enable applicants to meet the situation brought about by the termination of the charters of the old companies, we will grant this application, subject to the terms and provisions of the following order:-

O R D E R

Application having been made to the Railroad Commission, as set forth in the preceding opinion, and the Commission being of the opinion that a public hearing is not necessary in this matter, and that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:-

1. The Anderson Canal Company, The Gates Canal Company and Anderson Canal, Inc., are authorized to make and enter into the reorganization plan and agreement, a copy of which is filed in this proceeding as Exhibit "I".
2. The Anderson Canal Company is authorized to convey all of its business and properties, pursuant to the terms of said reorganization plan and agreement, to Anderson Canal, Inc., by deed substantially in the same form as that filed in this proceeding as Exhibit "E".
3. The Gates Canal Company is authorized to convey all of its business and properties, pursuant to the terms of said reorganization plan and agreement, to Anderson Canal, Inc., by deed substantially in the same form as that filed in this proceeding as Exhibit "F".
4. Anderson Canal, Inc., is authorized to issue ,1,000 shares of its capital stock without nominal or par value in payment for the business and properties of The Anderson Canal Company and The Gates Canal Company.

5. Anderson Canal, Inc. is authorized to assume the obligations and liabilities of The Anderson Canal Company and The Gates Canal Company at the time of the conveyance to it of the business and properties of The Anderson Canal Company and The Gates Canal Company.
6. Anderson Canal, Inc. may not, unless hereafter authorized by the Commission, charge to its fixed capital accounts a sum in excess of the amount charged to such accounts by The Anderson Canal Company and The Gates Canal Company on September 1, 1928, plus the cost to The Anderson Canal Company and The Gates Canal Company of additions and betterments from September 1, 1928 to the date of the transfer of the properties.
7. Anderson Canal, Inc. shall, on or before November 30, 1928, file a certified statement showing the exact date upon which it took possession of and commenced operating such properties, and a report of the issue of the stock, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
8. The authority herein granted will become effective upon the date hereof.
9. Anderson Canal, Inc. shall, within a reasonable time after the date hereof, file a certified copy of the deed, or deeds, by which it receives title to the properties herein authorized to be transferred.
10. The consideration to be paid for the properties herein authorized to be transferred shall never be urged before this Commission as a measure of value of

the properties for rate fixing or any purpose
other than the transfer herein authorized.

DATED at San Francisco, California, this 15th
day of October, 1928.

C. Seamy

Thos. J. Louder

M. J. C.

Commissioners.