

LEB

Decision No. 20831.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE JAMES CANAL COMPANY,)
 a corporation, and JAMES CANAL, INC.,)
 a corporation, for orders(1) auth-)
 orizing applicants to execute a cer-)
 tain reorganization plan and agree-)
 ment; and (2) authorizing The James)
 Canal Company to convey its pro-)
 perties as a whole thereunder; and)
 (3) authorizing James Canal, Inc., to)
 issue stock and assume certain ob-)
 ligations thereunder.)

Application No. 15084

McCutchen, Olney, Mannon and Greene, for applicants.

BY THE COMMISSION:

O P I N I O N

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

1. Authorizing The James Canal Company and James Canal, Inc. to make and enter into a reorganization plan and agreement, a copy of which is filed as "Exhibit F";

2. Authorizing The James Canal Company, pursuant to said reorganization plan and agreement, to convey its business, franchise and property, as a whole, to James Canal, Inc., and to execute and deliver to James Canal, Inc., an indenture, a copy of which is filed as "Exhibit C";

3. Authorizing James 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 James Canal Company outstanding on the date of the conveyance to it of the business, franchise and property of The James Canal Company.

The application shows that The James Canal Company is and for many years past has 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 it reports outstanding 1000 shares of its common capital stock of the aggregate par value of \$100,000.00, and no mortgages, bonds, notes or other indebtedness.

It appears that The James Canal Company was organized in 1878 for a term of fifty years, and that its charter 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 its corporate existence cannot be extended and accordingly the company proposes to transfer all of its 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 two companies is filed as Exhibit "F", and a copy of the proposed deed of conveyance is filed as Exhibit "C".

James 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 1000 shares without nominal or par value. It proposes to issue 997 shares in payment for the properties of The James 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 company. To enable applicants to meet the situation brought about by the termination of the charter of the old company, 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 James Canal Company and James 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 "F".
2. The James Canal Company is authorized to convey all of its business and properties, pursuant to the terms of said reorganization plan and agreement, to James Canal, Inc., by deed substantially in the same form as that filed in this proceeding as Exhibit "C".

3. James Canal, Inc., is authorized to issue 1000 shares of its capital stock without nominal or par value in payment for the business and properties of The James Canal Company.

4. James Canal, Inc. is authorized to assume the obligations and liabilities of The James Canal Company at the time of the conveyance to it of the business and properties of The James Canal Company.

5. James 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 James Canal Company on September 1, 1928 plus the cost to The James Canal Company of additions and betterments from September 1, 1928 to the date of the transfer of the properties.

6. James 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.

7. The authority herein granted will become effective upon the date hereof.

8. James 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.

9. 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. A. Cleary

Paul S. Smith

W. J. Lee

Commissioners.