

Decision No. 20982.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 E.BISHOP, ISALAH HARTMAN, NATHANIEL)
 SPITZER and G.G.MCDANIEL to sell, and)
 of PUBLIC UTILITIES CALIFORNIA CORPO-)
 RATION to purchase and operate the)
 water system known as the LORENZO)
 WATER WORKS and the water system known)
 as the BEN LOMOND REDWOOD PARK WATER)
 WORKS (sometimes known as the E.BISHOP)
 WATER SYSTEM), and of PUBLIC UTILITIES)
 CALIFORNIA CORPORATION to issue FIF-)
 TEEN THOUSAND (15,000) DOLLARS par)
 value of its capital stock in connec-)
 tion with the acquisition of said)
 properties.)

ORIGINAL

Application No. 15481

Orrick, Palmer and Dahlquist,
by T.W. Dahlquist, for applicants.

BY THE COMMISSION:

OPINION

In the above entitled matter the Railroad Commission is asked to make its order authorizing the transfer to Public Utilities California Corporation of two small water systems known as the Lorenzo Water Works and the Ben Lomond Redwood Park Water Works or the E. Bishop Water System, and the issue by Public Utilities California Corporation of \$15,000.00 of its common capital stock to finance the cost thereof. The Commission also is asked to approve the acquisition of the Lorenzo Water Works heretofore made by Isaiah Hartman and the abandonment at this time of the diversion system of the Lorenzo Water Works.

The two water systems involved in this proceeding are located in the Santa Cruz Mountains adjacent to water properties now owned and operated by Public Utilities California Corporation. The Lorenzo Water Works, owned by Isaiah Hartman, supplies water to about 82 services in the southerly portion of the unincorporated town of Boulder Creek and the Ben Lomond Park Water Works, owned by E. Bishop, supplies water to about 46 services adjacent to the unincorporated town of Ben Lomond. For the year ending December 31, 1928 the revenues and expenses of the two systems are reported as follows;-

ITEM	Isaiah Hartman	E. Bishop	TOTAL
Operating revenues	\$1,495.	\$ 216.	\$1,711.
Operating expenses	672.	150.	822.
Net operating revenues	\$ 823.	\$ 66.	\$ 889.

The record shows that the water system known as the Lorenzo Water Works was constructed about 1890 by Joseph Peery and came into the possession of Isaiah Hartman in 1914, following the death of Mr. Peery, through foreclosure of a mortgage on the properties. The Commission now is asked to approve this acquisition. The properties belonging to E. Bishop were constructed in 1909.

It now appears that Isaiah Hartman, together with G. C. McDaniel and Nathaniel Spitzer have entered into a contract to purchase from E. Bishop his water properties, and that a contract in turn has been made to transfer the two systems to W.B.Foshay Co. for \$15,000.00. W. B. Foshay Co. has agreed to assign all of its rights under the latter agreement and to cause the properties to be conveyed to Public Utilities California Corporation, free and clear of all liens and encumbrances in consideration of the issue by Public Utilities California Corporation of \$15,000.00 of its common capital stock.

In making this application for permission to issue the stock, applicant Public Utilities California Corporation has filed as Exhibit "A" an appraisal of the properties prepared by The Loveland Engineers, Inc. showing the estimated reproduction cost as of May 31, 1928 at \$13,693.00, the reproduction cost less accrued depreciation at \$10,699., the historical cost at \$11,347.00, and the historical cost less the accrual in the depreciation reserve at \$9,615.00. Appraisals of the properties were made also by Mr. W. M. McKay of the Commission's Engineering Department, who estimated the historical cost as of May 31, 1928 at \$9,075.00 and the historical cost less accrued depreciation at \$7,201.00.

It is our position that the proper basis to be used in proceedings of this nature in determining the amount of stock to be authorized to be issued, is the original or historical cost less accrued depreciation. The figures submitted in this matter showing these costs may be summarized as follows;-

ITEMS	The Loveland Engineers, Inc.	W.M.McKay
Physical properties:		
Rights of way	\$ 180.00	\$ 180.00
Dams and reservoirs	77.00	74.00
Pumping equipment	140.00	133.00
Transmission and distribution mains	3,849.00	3,517.00
Distribution tanks	1,504.00	1,436.00
Services and meters	1,002.00	948.00
Materials and supplies . . .	113.00	113.00
Sub-total.....	\$ 6,865.00	\$ 6,401.00
Intangible capital:		
Organization and preliminary expense	\$ 800.00	\$ 800.00
Water rights	500.00	-
Going concern	1,450.00	-
Total.....	\$ 9,615.00	\$ 7,201.00

The foregoing tabulation shows that but little difference exists between the two appraisals so far as physical properties are concerned. The Loveland Engineers, Inc. have included \$1,950.00 for water rights and going concern, while Mr. McKay has assigned no values

to these items. In connection with the item of water rights the record shows that no rights are being transferred with the Lorenzo Water Works, but that there is being transferred from E. Bishop all rights to the diversion of the water flowing in Dean (or Earl) Creek, the source of supply for the E. Bishop Water System. It is said that the total flow in this stream is at times insufficient to provide an adequate supply during extreme dry periods.

No diversion works are being transferred with the Lorenzo Water Works. It appears that this system will be connected with the present Boulder Creek system of the purchasing corporation and the Boulder Creek source of supply used in supplying consumers on the Lorenzo Water Works system. The collection system, storage tanks and transmission mains of the Lorenzo Water Works, therefore, will be abandoned. The record shows that Boulder Creek source of supply is adequate to take care of demands for service by present and future consumers on its system as well as on the Lorenzo system.

We believe that public convenience and necessity will be served by the transfer of these properties as indicated herein. We do not believe, however, that we can authorize the issue of \$15,000. of stock in payment for the properties. In our opinion the evidence submitted in support of the alleged values for water rights and going concern is not so conclusive that we can use such values in determining the amount of stock to be authorized and after giving full consideration to the evidence herein, we believe that we should not permit the issue of more than \$7,200.00 of stock in payment for the two water systems involved in this application. An order accordingly will be entered.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of public utility water properties and the issue of \$15,000.00 of common stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the transfer should be authorized, as herein provided, and that the issue of \$7,200.00 of stock 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 THAT--

1. E. Bishop, Isaiah Hartman, Nathaniel H. Spitzer and G.C. McDaniel may transfer to Public Utilities California Corporation the water properties referred to in the foregoing opinion and described in this application.
2. Public Utilities California Corporation may acquire such properties and may issue in payment therefor not exceeding \$7,200.00 of its common capital stock.
3. The application insofar as it involves the issue of the remaining \$7,800.00 of stock is denied without prejudice.
4. Public Utilities California Corporation, in recording on its books of account the purchase of the water properties herein authorized to be transferred, may not charge to its fixed capital accounts more than \$9,075.00. If it pays for the properties more than \$7,200.00 it must charge such excess to its corporate surplus account.
5. The Commission hereby approves the acquisition of the Lorenzo Water Works properties by Isaiah Hartman.
6. Isaiah Hartman may abandon the operation of the collection system, storage tanks and transmission mains now included in the Lorenzo Water Works.

7. Public Utilities California Corporation shall file with the Commission within sixty days after acquiring the properties referred to herein, a certified copy of the deeds of conveyance, a certified statement showing the exact date upon which it acquired such properties and commenced operating them, and a report of the issue of the stock herein authorized, as required by the 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.

DATED at San Francisco, California, this 17th day of April, 1929.

Thos B. Loutin
Ch. Seaver
Edward C. ...
Leon ...
M. J. ...
Commissioners.