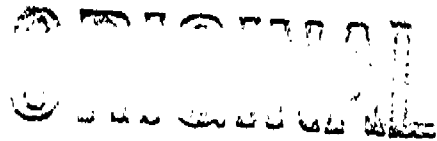


IBM

Decision No. 21851.



BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CENTERVILLE WATER COMPANY,)
a corporation, to sell its water)
system to Public Utilities California)
Corporation, a corporation, and of)
Public Utilities California Corpora-)
tion to acquire and operate said sys-)
tem, and to issue Fifty-seven Thou-)
sand Five Hundred (\$57,500.00) Dollars)
par value of its capital stock in con-)
nection with the acquisition of said)
water system.)

Application No. 15890

Orrick, Palmer and Dahlquist, by
Justin M. Jacobs, for Public Utilities California
Corporation;

Cross and Brandt, by R. E. Cross, for Centerville
Water Company.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to approve the transfer of the business and properties of Centerville Water Company to Public Utilities California Corporation; the acquisition and operation of said business and properties by said Public Utilities California Corporation and authorizing said Public Utilities California Corporation to issue Fifty-seven Thousand Five Hundred (\$57,500.00) Dollars par value of its common capital stock in connection with the acquisition of said business and properties.

It is of record (Exhibit A) that under date of March 11, 1929, Centerville Water Company granted to W. E. Foshay Company the exclusive right and option to purchase all of the properties, business and rights of said Centerville Water Company for the total purchase

price of \$57,500.00. The option provides that W. B. Foshay Company shall be "under no obligation whatsoever to purchase said property in the event the Railroad Commission shall not allow securities in the amount of at least Fifty-seven Thousand Five Hundred (\$57,500.00) Dollars and acquisition expenses to be issued in consideration of the transfer of said properties."

At the hearing on this application appraisals of the properties in question were submitted by The Loveland Engineers, Inc. for applicants and by Joseph Waithman, an Assistant Engineer for the Commission. The Loveland Engineers, Inc. estimated the reproduction cost new of the properties, as of March 31, 1929, at \$52,582.00, the reproduction cost new less depreciation at \$38,580.00, the estimated original cost (including land of present value) new at \$46,786.00 and the estimated original cost new less depreciation at \$35,886.00. All of these figures include \$3,500.00 for water rights and \$4,500.00 for going concern value. Joseph Waithman estimates the original cost new of the properties at \$36,773.00 and the original cost new less depreciation at \$25,959.00. His figures include no allowance for water rights or going concern value.

The purchaser estimates the net income of the properties for the year ending September 30, 1930 at \$3,440.00. This includes, however, only an allowance of \$300.00 for depreciation.

The evidence submitted does not warrant the Commission to authorize the Public Utilities California Corporation to issue \$57,500.00 of stock in connection with the purchase of the properties of the Centerville Water Company. No one appearing for the Public Utilities California Corporation, or any of its officers, were in a position to state whether the company would purchase the properties if a lesser amount of stock is authorized. Without any such assurance, it seems

to us that any order authorizing the transfer of the properties and fixing the amount of stock which Public Utilities California Corporation might issue in payment therefor is an idle act.

Upon the receipt of an application by the legal or equitable owner of public utility properties for permission to transfer the same and to re-finance said properties by the purchaser, the Commission usually determines the cost or value of said properties. But to determine such cost or value upon request of applicants, one of whom holds a mere option to purchase, as in this instance, would, in effect, be rendering a declaratory opinion as to the cost or value of the properties which the holder of the option can use as the basis for new negotiations. Such a burden should not properly be imposed upon the Commission. This being the case, we believe there is no justification for the Commission to devote any further time to the consideration of the evidence submitted, and that this application should be dismissed without prejudice.

ORDER

Centerville Water Company having asked permission to sell and transfer its business and properties to the Public Utilities California Corporation, and said corporation having asked authority to acquire and operate the properties and issue \$57,500.00 of stock, a public hearing having been held before Examiner Fankhauser, and the Commission having considered the evidence and record in this proceeding and being of the opinion that, for the reason recited in the foregoing opinion, this application should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED that this application be, and the same is hereby, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that this order shall become effective ten days after the date hereof.

DATED at San Francisco, California, this 4th day of October, 1929.

Thomas G. Lott
Chas. E. Seaver
James M. ...
Leon White
M. J. ...

Commissioners.