

Decision No. 23475.**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
 C. J. BACKUS & SONS)
 for authority to incorporate by sale)
 of their public utility water busi-) Application No. 17113.
 ness, and of East Pasadena Water Co.,)
 Ltd., for approval of purchase thereof,)
 and for an order authorizing issue)
 of stocks therefor.)

Goodspeed, Pendell & McGuire, by R. C. Goodspeed,
 for Applicants.

BY THE COMMISSION:

O P I N I O N

This is an application for an order of the Railroad Commission authorizing the sale, transfer and conveyance of a public utility water system now owned and operated by C. J. Backus & Sons, to East Pasadena Water Co., Ltd., and the issue by the latter of 1,000 shares of its no par value common stock in payment therefor.

The application sets forth that Carrie E. Backus, Clinton J. Backus, Gertrude M. Backus, Romaine L. Backus, David E. Backus and Una Backus Reynolds, doing business under the firm name and style of C. J. Backus & Sons, are the owners and operators of a small public utility water system serving about seventy-five consumers in certain subdivisions of East Pasadena. The properties consist of a well and pumping plant producing about sixteen miners' inches of water, two elevated wooden tanks with

a capacity of 30,000 gallons, 5,620 feet of 4-inch, 3-inch and 2-inch mains and about seventy-five services and meters.

The present owners now desire to transfer their properties to a corporation and thereafter to conduct their business under a corporate organization. To this end they have caused the organization, on or about December 11, 1930, of the East Pasadena Water Co., Ltd. with an authorized capital stock of 1,000 shares of common stock without nominal or par value. It is their intention to transfer the water properties free and clear of debts, liabilities and encumbrances, excepting taxes for the second half of the fiscal year 1930-31, in exchange for 1,000 shares of stock of the corporation.

Applicants allege the value of the properties to be \$13,174.55. This figure, it appears, is based on an appraisal made by the Commission's Engineering Department, as of October 1, 1927, in connection with Application No. 13965, which involved the fixing of rates on the system here under consideration, and is brought up to date by adding additions and deducting depreciation. The amount is segregated to accounts in Exhibit A, as follows:

ITEM	TOTAL	DEPRECIATION	NET
Pump and reservoir sets	\$1,000.00	-	\$ 1,000.00
Right of Way owned	1,130.00	-	1,130.00
Easements	1,300.00	-	1,300.00
Buildings and structures	121.00	\$ 14.56	106.44
Wells	1,520.00	206.01	1,313.99
Pumping equipment	2,433.18	509.75	1,923.43
Distribution mains	3,637.00	840.40	2,796.60
Reservoirs	1,838.00	211.56	1,626.44
Services	1,004.67	132.02	872.65
Meters	1,260.66	155.66	1,105.00
Total.....	<u>\$15,244.51</u>	<u>\$2069.96</u>	<u>\$13,174.55</u>

Nothing is contained in the exhibit for water rights, organization, expenses or other intangible items. It is

estimated that the corporation's organization and incorporation costs and expenses will approximate \$600.00.

The transfer of the properties as herein proposed, is not, in our opinion, contrary to the public interest and should be permitted. We do not believe, however, that the issue of 1,000 shares of stock should necessarily be approved. The testimony indicates that no value has been placed by applicants on the stock for the purposes of this transaction and we do not think that sufficient showing has been made warranting us in authorizing the issue of such a number of shares. The order herein will permit the disposal of the stock on a basis of \$25.00 a share which will call for an issue of 550 shares in consideration for the properties and in payment of organization costs.

ORDER

Application having been made to the Railroad Commission for an order authorizing C. J. Backus & Sons to transfer their public utility water system and authorizing East Pasadena Water Co., Ltd. to issue 1,000 shares of no par value common stock, a public hearing having been held before Examiner Gannon, and the Railroad Commission being of the opinion that the transfer of the properties should be authorized, but that the issue of stock should be limited to 550 shares, and being of the opinion that such stock is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Carrie E. Backus, Clinton J. Backus, Gertrude M. Backus, Romaine L. Backus, David E. Backus

and Una Backus Reynolds, doing business under the name and style of C. J. Backus & Sons, be, and they hereby are, authorized to sell, transfer and convey, on or before July 31, 1931, to East Pasadena Water Co., Ltd., free and clear of debts, liabilities, and incumbrances, excepting taxes for the second half of the fiscal year 1930-31, their entire water plant and properties referred to in this application.

IT IS HEREBY FURTHER ORDERED that East Pasadena Water Co., Ltd. be, and it hereby is, authorized to purchase and acquire said water plant and properties and to issue, on or before July 31, 1931, at not less than \$25.00 a share, not exceeding 550 shares of its no par value common capital stock for the purpose of paying for said water plant and properties and of meeting organization costs and expenses.

IT IS HEREBY FURTHER ORDERED that the application insofar as it involves the issue of 450 shares of stock be, and it hereby is, dismissed without prejudice.

The authority herein granted is subject to the following conditions:

1. The price at which the properties are transferred as herein authorized shall not hereafter be urged before this Commission or other court or public body as a measure of value of said properties for the purpose of fixing rates.

2. Within thirty days after the transfer of the properties East Pasadena Water Co., Ltd., shall file with the Commission a certified copy of the deed, or deeds, of conveyance and a statement indicating the exact date upon which it acquired control and possession of said properties.

3. Within sixty days after the transfer of the properties C. J. Backus & Sons shall file with the Commission a financial report, prepared on the regular annual report forms prescribed by the Commission, covering their operations from January 1, 1931 down to the date of transfer.

4. East Pasadena Water Co., Ltd. shall keep such record of the issue 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.

5. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 9th day of March, 1931.

C. P. Seawey
Leon A. ...
M. A. ...
M. B. ...
Fred G. ...
Commissioners.