

Decision No. 10167

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EL DORADO WATER COMPANY, a corpora-)
 tion, and EL DORADO WATER CORPORATION,) Application Number 7571.
 a corporation, for an order authoriz-)
 ing the transfer of all properties.)

Greene and Sinclair,
 by B. D. M. Greene, for Applicant.

BY THE COMMISSION:

O P I N I O N

The Railroad Commission is asked to make an order authorizing El Dorado Water Company to transfer all of its properties to the El Dorado Water Corporation pursuant to the terms of the agreement filed in this proceeding and marked "Applicants' Exhibit B" and authorizing El Dorado Water Corporation to issue in payment for such properties \$75,000.00 of common stock and to assume all the indebtedness and obligations of the El Dorado Water Company.

A hearing was had on this application before Examiner Satterwhite in San Francisco on March 1st.

El Dorado Water Company was organized in April, 1919. By Decision Number 6435 dated June 25, 1919 (Volume 16, Opinions and Orders of the Railroad Commission of California, Page 944) the Railroad Commission, among other things, authorized El Dorado Water Company to issue \$25,000.00 of first mortgage 6% bonds

in payment for properties purchased from Western States Gas and Electric Company. At the time of the hearing the reproduction cost new of the properties was reported at \$139,363.00 and the then present value at \$129,721.00. Since then, the El Dorado Water Company has expended certain amounts for additions and betterments. In Application Number 7515, a rate proceeding now pending before the Commission, the company introduced an exhibit in which it reports the reproduction cost new of its properties calculated on a pre-war price basis at \$243,658.00 and the reproduction cost new, less depreciation, at \$134,957.00. As of December 31, 1921, El Dorado Water Company had \$8,500.00 of stock and \$38,000.00 of interest bearing bonds outstanding. Its current indebtedness as of that date is reported at \$13,010.55. Deducting the total indebtedness from the reported reproduction cost new, less depreciation, leaves a balance of \$83,946.45.

All of the company's outstanding stock except shares necessary to qualify directors is owned by the El Dorado Water Users Association.

El Dorado Water Corporation was organized in February, 1922, and has an authorized stock issue of \$200,000.00 divided into 2,000 shares of \$100 each.

The testimony in this proceeding shows that it is necessary for the company to provide an additional water supply. It is believed that such a supply can be obtained by the construction of a dam and reservoir at an estimated cost of \$125,000.00. It is the intention of the El Dorado Water Corporation to hereafter file an application for permission to issue bonds, to finance the construction of the dam and reservoir. The transfer of the properties and issue of stock is a preliminary step to the issue of bonds. If the Commission authorizes the transfer of the properties and the issue of stock, the El Dorado Water Company will be disincorporated and the stock issued in payment for its properties will be held by the El Dorado Water Users Association in the same

manner as that association now holds the stock of the El Dorado Water Company.

The record shows that the transfer of these properties and the issue of stock in no way will result in a change in the management or operation of the properties. The only reason for the transfer of the properties is the belief that it will enable the company to more readily sell its bonds and secure a better price for such bonds.

O R D E R

Application having been filed with the Commission for permission to transfer properties and issue stock, a public hearing having been held, and the Commission being of the opinion that this application should be granted subject to the conditions of this order.

IT IS HEREBY ORDERED that El Dorado Water Company be, and it is hereby, authorized to transfer to the El Dorado Water Corporation all of its properties pursuant to the terms of the agreement filed in this proceeding marked "Applicants' Exhibit B". El Dorado Water Corporation is hereby authorized to purchase said properties subject to the terms of said agreement and to issue in payment for the properties \$75,000.00 of its common stock and assume the payment of all indebtedness and the performance of all other obligations of the El Dorado Water Company.

The authority herein granted is subject to further conditions as follows:-

- 1.....The consideration for which the properties are herein authorized to be transferred, shall not be urged before this Commission as a finding of the value of the properties for any purpose other than the transfer herein permitted.

- 2.... Within 30 days after the transfer of the properties, El Dorado Water Corporation shall notify the Commission of the exact date on which it has taken possession of the properties and of the date on which it has secured title to the properties.
- 3.... Within 30 days after its execution El Dorado Water Corporation shall file with the Commission a certified copy of the deed under which it secures and holds title to the properties herein authorized to be transferred.
- 4.... El Dorado Water Corporation shall keep such record of the issue and sale 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 in so far as applicable, is made a part of this order.
- 5.... The authority herein granted will apply only to such properties as may be transferred and to such stock as may be issued and delivered on or before June 30, 1922.

DATED at San Francisco, California, this 7th day of March, 1922.

H. C. Brundage
H. S. Loveland
Iwing Martin
J. T. Galloway
Commissioners.