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Decision No. 10787.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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In the Matter of the Application of)
UNIVERSAL OIL COMPANY,)
a corporation, for an order authori-)
zing it to assign and transfer certain)
property; and the application of)
LOST HILLS WATER COMPANY, a cor-)
poration, for an order authorizing it)
to issue its capital stock.)

Application No. 8045.

Morrison, Dunne and Brobeck, by H.E. Phleger,
for applicant.

BENEDICT, Commissioner.

O P I N I O N

UNIVERSAL OIL COMPANY asks permission to transfer and assign its water distributing system, described in "Exhibit C" attached to the petition, to LOST HILLS WATER COMPANY. LOST HILLS WATER COMPANY asks permission to acquire such properties, and to issue, in consideration of such transfer and assignment, \$100,000.00 par value of its capital stock. In addition, it asks permission to issue and sell, at par, for cash, one share of stock of the par value of \$100.00, to each of its five incorporators.

The properties proposed to be transferred are located in Lost Hills, Kern County, about 25 miles west of Wasco. It appears that they were constructed about 1909 by Universal Oil Company for the purpose of obtaining water for use in its business of producing and selling oil and petroleum products, and that as the territory was developed, water was sold to other oil companies operating in the vicinity and to a few small purchasers, the total number of consumers at present not exceeding 15 or 20.

Recently it has been decided to separate the public utility business from the non-public utility business. For that reason, those in control of Universal Oil Company have caused Lost Hills Water Company to be organized for the express purpose of receiving and operating the water business and properties. It is of record that no change in the management is contemplated as a result of this transfer of properties, the only reason being the segregation of the two classes of business.

The Articles of Incorporation of Lost Hills Water Company show that it was organized on or about July 10, 1922, with an authorized capital stock of \$200,000.00, divided into 2,000 shares of the par value of \$100.00 each. The company now proposes to sell \$500.00 of stock to directors for qualifying purposes and to deliver \$100,000.00 to Universal Oil Company for properties.

The properties to be acquired by the water company consist, in general, of 20 acres of land, the source of water supply, 12½ miles of transmission lines, consisting of six miles of 6-inch wooden pipe and six and one-half miles of 4-inch and 6½-inch steel pipe, and approximately 97,000 feet of distribution lines, together with pumps, engines, tanks, meters and other equipment. In addition, the company will receive two franchises granted by Kern County, one for a period of 50 years from February 11, 1911, and the other for 40 years from March 13, 1912.

From the testimony herein, it appears that the properties are in good and serviceable condition and that with the exception of the replacement of the wooden pipe with steel pipe, the water company will not be called upon, in the immediate future, to make any extensive expenditures. It is reported that the original cost of the properties to be transferred was about \$100,000.00, the amount of stock to be issued.

I submit the following form of Order.

O R D E R .

Application having been made to the Railroad Commission for an order authorizing the transfer of properties and the issue of stock, a public hearing having been held and the Railroad Commission being of the opinion that the application should be granted as herein provided, and that the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose herein specified;

IT IS HEREBY ORDERED, that UNIVERSAL OIL COMPANY be, and it is hereby, authorized to transfer and assign the properties described in "Exhibit C" attached to the petition herein, to LOST HILLS WATER COMPANY, and LOST HILLS WATER COMPANY be, and it is hereby, authorized to receive and acquire such properties.

IT IS HEREBY FURTHER ORDERED, that LOST HILLS WATER COMPANY be, and it is hereby, authorized to issue \$100,500.00 (1005 shares) of its capital stock.

The authority herein granted is subject to the following conditions:-

- 1.--Five shares (\$500.00) of the stock herein authorized may be sold by Lost Hills Water Company at par, for cash, to its directors and the proceeds used for working capital.
- 2.--One thousand shares (\$100,000.00) of the stock herein authorized may be delivered by Lost Hills Water Company to Universal Oil Company in full payment for the properties it is herein authorized to acquire.
- 3.--Lost Hills Water Company shall keep such record of the issue, sale and delivery 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.

- 4.--Within thirty days after the transfer of the properties herein authorized, Lost Hills Water Company shall file a certified copy of the deed by which it acquired title to such properties.
- 5.--The consideration involved for the transfer herein authorized shall not hereafter be urged in any proceeding for rate fixing, or for any other purpose, before this Commission.
- 6.--Universal Oil Company, within thirty days after it relinquishes control and possession of the properties herein authorized to be transferred, shall file a certified statement indicating the exact date upon which such control and possession was relinquished.
- 7.--The authority herein granted shall apply only to such transfer of properties and issue of stock as may be made on or before October 31, 1922.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 27th day of July, 1922.

H. B. Brundage
Dwight Martin
J. P. Brundage

Commissioners.