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Decision No. 10934

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCANTILE TRUST COMPANY,
a corporation, for an order authori-
zing it to assign and transfer cer-
tain property; and the application of
SAN CARLOS WATER COMPANY,
a corporation, for an order authorizing
it to issue its capital stock.

ORIGINAL

Application No. 8099

Morrison, Dunne and Brobeck, by Herman Phleger,
for Applicants.

BRUNDIGE, Commissioner.

OPINION

In this application, the Railroad Commission is asked to make its order authorizing Mercantile Trust Company to assign and transfer to San Carlos Water Company the property and equipment employed in the distribution and sale of water in the town of San Carlos. The San Carlos Water Company joins in the application and asks permission to issue \$22,500.00 of stock in payment for the properties and \$300.00 to qualify directors.

It appears that a water plant and system was installed during 1910 by San Carlos Park Syndicate to assist in the sale of real estate. In November, 1915, the San Francisco Peninsula Company took over the properties subject to a deed of trust executed to Mercantile Trust Company. Thereafter, in May, 1917, the Trust Company acquired title to the unsold lots in the tract and to the water system through foreclosure proceedings.

It is of record that the system involved in this application originally consisted of a pumping plant and a 135,000 gallon concrete sump, together with certain distributing lines. At present

the pumping plant is not being operated. Water is now being obtained from the Spring Valley Water Company. The distribution system now consists of about 11,330 feet of four inch and 15,000 of two inch, one and one-half inch, and one inch mains, largely standard screw pipe. About 100 services have been installed. Testimony herein shows that all the properties, including those not now operated, are in good and serviceable condition.

In Decision No. 9803, dated November 23, 1921, reference is made to an appraisal made by the Commission's engineering department, hydraulic division, in which the original cost of the properties used and useful as of October 1, 1921, was estimated at \$14,392.00. Since that date, it is reported that \$3,781.00 has been expended for extensions, additions and betterments. In addition, Mercantile Trust Company proposes to transfer the pumping plant and sump which can be used for auxiliary purposes in the event that service from Spring Valley Water Company is interrupted. These properties, which were not included in the Commission's estimate of \$14,392.00, are reported to have cost \$5,585.00.

Mercantile Trust Company now proposes to sell the public utility properties. It caused San Carlos Water Company to be organized for the purpose of receiving and operating the water business and properties as a public utility. It is of record that no change in management or control will result from this proposed transfer.

The Articles of Incorporation of San Carlos Water Company show that it was organized on or about December 7, 1921, with an authorized capital stock of \$50,000.00 divided into 500 shares of the par value of \$100.00 each. The company proposes to deliver 225 shares of the total par value of \$22,500.00 to Mercantile Trust Company in exchange for properties and to sell three share of stock at par for cash for the purpose of qualifying directors.

I herewith 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 purposes specified herein.

IT IS HEREBY ORDERED, that MERCANTILE TRUST COMPANY be, and it is hereby, authorized to assign and transfer the properties referred to in this application and in the foregoing opinion, to SAN CARLOS WATER COMPANY, and SAN CARLOS WATER COMPANY be, and it is hereby, authorized to receive and acquire such properties.

IT IS HEREBY FURTHER ORDERED, that SAN CARLOS WATER COMPANY be, and it is hereby, authorized to issue \$22,800.00 (228 shares) of its capital stock.

The authority herein granted is subject to the following conditions:

- 1.--Three shares (\$300.00) of the stock herein authorized may be sold by San Carlos Water Company at par for cash to its directors and the proceeds used for working capital.
- 2.--The remainder of the stock herein authorized, \$22,500.00, may be delivered by San Carlos Water Company to Mercantile Trust Company in payment for the properties it is herein authorized to acquire.
- 3.--The consideration to be paid for the properties herein authorized to be transferred shall not hereafter be urged before this Commission as a measure of the value of the properties in fixing rates or for any purpose than the transfer herein authorized.

- 4.--Within thirty days after the transfer of the properties herein authorized, San Carlos Water Company shall file with the Commission a certified copy of the deed by which it acquires title to such properties, and at the same time, shall file a statement indicating the exact date upon which it took possession of such properties.
- 5.--San Carlos Water Company 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.
- 6.--The authority herein granted will apply only to such properties as may be transferred, and to such stock as may be issued, sold and delivered on or before December 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 2nd day of September, 1922.

W. B. Brundage
James Martin
Charles H. Howell

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