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Decision No. 11580.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application of)
DIAMOND RIDGE WATER COMPANY,)
a corporation, to execute to)
EL DORADO WATER CORPORATION, a)
corporation, an option on all of the)
physical properties of said DIAMOND)
RIDGE WATER COMPANY together with the)
privilege to said EL DORADO WATER)
CORPORATION of operating said proper-)
ties during the term of said option.)

Application
Number
8599

J.W. Dorsey and W.E. Cashman, by W.E. Cashman for
Diamond Ridge Water Company.
Greene and Sinclair, by B.D. Marx Greene, for
El Dorado Water Corporation.

WHITTLESEY, Commissioner.

O P I N I O N.

Applicants in this proceeding ask the Railroad Commission to make an order authorizing DIAMOND RIDGE WATER COMPANY and EL DORADO WATER CORPORATION to execute an option agreement substantially in the same form as that filed in this proceeding and marked "Exhibit B"; authorizing DIAMOND RIDGE WATER COMPANY to transfer the possession of its properties to EL DORADO WATER CORPORATION, and to permit EL DORADO WATER CORPORATION to deposit \$6,000.00 of bonds to secure the payment of a \$4,000.00 note payable on or before July 1, 1923 and pay \$1,000. to DIAMOND RIDGE WATER COMPANY upon the date of the execution of the option agreement.

It is of record that the DIAMOND RIDGE WATER COMPANY system lies adjacent to the system of the EL DORADO WATER CORPORATION; that for many years the sole source of water supply of the Diamond Ridge Water Company has been the ordinary flow of the north fork of the Consumnes

River; that in the middle of the summer and fall months, there is insufficient flow of water to supply the needs of irrigation and domestic use on the system of the Diamond Ridge Water Company; that Diamond Ridge Water Company has been financially unable to augment its water supply to adequately care for the needs of its present consumers or allow new consumers to be connected with the system; that El Dorado Water Corporation upon the completion of its proposed Webber Creek reservoir will have water available for use upon the Diamond Ridge Water Company system and will adequately be able to care for the consumers thereof; that the two properties unified under one management will be able to effect economies both in the use and cost of distribution of water and that the El Dorado Water Corporation when the owner of the distribution system of the Diamond Ridge Water Company will be in a position to more adequately serve with water all that portion of El Dorado County covered by the system of applicants.

Under the agreement which applicants ask permission to execute, the El Dorado Water Corporation is given an option running for a period of two years to purchase the water system of the Diamond Ridge Water Company for the sum of \$50,000.00. Under this agreement, the El Dorado Water Corporation is obligated to pay \$1,000.00 upon the date of the execution of the agreement and \$4,000.00 on or before July 1, 1923. These payments extend the option granted to the El Dorado Water Corporation to December 31, 1923. Upon the payment of an additional \$5,000.00, the option is extended to December 31, 1924. If during the two year interval, the El Dorado Water Corporation exercises its option, any amount then paid will be credited on the purchase price. The \$4,000.00 payment due July 1, 1923, will be secured by the deposit of \$6,000.00 of the El Dorado Water Corporation first mortgage sinking fund gold bonds Series A, issue of 1922.

The El Dorado Water Corporation will upon the execution of the option agreement take complete possession of the properties of the Diamond Ridge Water Company and operate such properties. It will receive all income and pay all operating expenses and agrees to maintain the properties in good state of repair during the time that it has possession thereof. The option agreement referring to the operation and maintenance of the properties provides as follows:

"And, at its sole cost, charge and expense, the optionee (El Dorado Water Corporation) covenants and agrees to take charge and possession and to operate the properties and business of the optionor (Diamond Ridge Water Company) as a ditch and distributing system for agricultural, domestic and manufacturing purposes and to pay all charges and expenses in relation thereto, and at its cost and expense to maintain and keep the physical properties of said system in good condition and repair, all of which acts optionee agrees to perform in a good and businesslike manner and according to the rules, regulations and orders of the Railroad Commission of the State of California".

Under the provisions of the option agreement, the El Dorado Water Corporation is obligated to operate the water system as may be directed from time to time by the Railroad Commission. By the granting of this application, the Commission in no way limits its jurisdiction to order the proper parties to make such extensions or improvements to the system of the Diamond Ridge Water Company as conditions may hereafter demand.

The El Dorado Water Corporation asks permission to pay to the Diamond Ridge Water Company the sum of \$1,000.00 upon the date of the execution of the option agreement and to execute and deliver to the Diamond Ridge Water Company its promissory note for \$4,000.00 payable on or before July 1, 1923. The payment of the note is to be secured by the deposit of bonds. The authority to deposit such bonds is granted in a supplemental order in Application No. 7646. The company may without permission from the Commission make the

\$1,000.00 payment and execute the \$4,000.00 note payable on or before July 1, 1923. It is therefore not necessary for the Commission in the order herein to specifically authorize the payment of the \$1,000.00 or the execution of the \$4,000.00 note.

I herewith submit the following form of Order:

O R D E R.

DIAMOND RIDGE WATER COMPANY and EL DORADO WATER CORPORATION having asked the Railroad Commission for permission to execute an option agreement substantially in the same form as the agreement filed in this proceeding and marked "Exhibit B" and to perform such acts as are contemplated by said option agreement, a public hearing having been held and the Commission being of the opinion that the execution of the option agreement is in the interest of the public and that this application should be granted as herein provided;

IT IS HEREBY ORDERED, that DIAMOND RIDGE WATER COMPANY and EL DORADO WATER CORPORATION be, and they are hereby, authorized to execute an option agreement substantially in the same form as the agreement filed in this proceeding and marked "Exhibit B."

IT IS HEREBY FURTHER ORDERED, that DIAMOND RIDGE WATER COMPANY be, and it is hereby, authorized to transfer to EL DORADO WATER CORPORATION possession of the properties described in the option agreement filed in this proceeding and marked "Exhibit B."

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

- (1) - The authority herein granted to execute an option agreement shall not be interpreted as limiting the Commission's jurisdiction in any way whatsoever over the rates or service of the Diamond Ridge Water Company, or its successors, or assigns.

- (2) - The authority herein granted does not fix the value of the properties covered by the option agreement for the purpose of establishing rates or for any other purpose other than the transfer contemplated by such option agreement.
- (3) - The authority herein granted will apply only to such option agreement as may be executed on or before April 1, 1923.

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 3rd day of February, 1923.

C. Deaver

Irving Martin

J. T. Whitney
Commissioners.