

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 3320

In the Matter of the Application
of SAN JOSE WATER COMPANY and
SAN JOSE WATER WORKS for an order
authorizing the transfer of proper-
ty and the issue of common stock
and notes payable.

ORIGINAL

Application No. 2176.

.....

Leib & Leib for San Jose Water Company
and San Jose Water Works.
Earl Lamb, City Attorney, for City of San Jose.
F. H. Bloomingdale for Mary E. Woodhouse,
stockholder of San Jose Water Company.

THEBLEN, Commissioner.

O P I N I O N.

This is an application on the part of San Jose Water Company for authority to convey its property, except its franchise to be a corporation, to San Jose Water Works and of San Jose Water Works to issue capital stock and promissory notes in payment for said property and for the purpose of paying existing obligations of San Jose Water Company.

The petition alleges, in effect, that both petitioners are California corporations; that on December 31, 1915, San Jose Water Company had outstanding promissory notes of the face value of \$195,000.00, which notes are all set forth; that the sum of \$35,000.00 secured from promissory notes having terms less than one year and issued by San Jose Water Company during the year 1915, was entirely expended by San Jose Water Company for permanent structures and real estate; that San Jose Water Works has issued seven shares of its capital stock, one share to each director; that the boards of directors of San Jose Water Company and San Jose Water Works have passed resolutions

authorizing the sale of the property of San Jose Water Company to San Jose Water Works and the purchase of said property by San Jose Water Works on the terms and conditions set forth in said resolutions; that in Decision No. 1534, rendered on May 22, 1914, in Case No. 476, Monahan vs. San Jose Water Company (Vol. 4, Opinions and Orders of the Railroad Commission of California, page 1101), the Railroad Commission found that the fair value of the property of San Jose Water Company, used and useful in its service to the public, exclusive of money on hand and accounts receivable, as of December 31, 1913, was \$1,639,517.00; that during 1914 and 1915 permanent structures of the value of \$25,064.76, included in the Railroad Commission's valuation, were removed and that during the same period San Jose Water Company acquired permanent structures of the actual cost of \$130,767.93 and real estate of the actual cost of \$15,339.07, which permanent structures and real estate thus acquired are used and useful in the public utility business of San Jose Water Company; that on December 31, 1915, San Jose Water Company had assets and liabilities of \$1,800,804.77 and net assets, after deducting notes payable, accounts payable, the reserve for depreciation, service billed in advance, a special casualty insurance fund and unamortized appraisal expense, of \$1,530,538.56; and that the reason for entering into the proposed sale of the property of San Jose Water Company is that the corporate life of San Jose Water Company will expire on November 16, 1916. Petitioners ask that the Railroad Commission make its order authorizing the contemplated sale of the property of San Jose Water Company to San Jose Water Works; the issue by San Jose Water Works to San Jose Water Company, as part of the purchase price, of 15,000 shares of the fully paid capital stock of San Jose Water Works of the par value of \$100.00 per share; the issue by San Jose Water Works of its promissory

note of the face value of \$25,000.00, to bear interest at not to exceed 5 per cent per annum, for the purpose of securing \$25,000.00 in cash, to be paid by San Jose Water Works to San Jose Water Company as part payment for the property of San Jose Water Company; the assumption by San Jose Water Works of all the liabilities and obligations of San Jose Water Company, as part of the purchase price for the property of San Jose Water Company; the issue by San Jose Water Works, from time to time, of promissory notes for the purpose of refunding the promissory notes of San Jose Water Company now outstanding; and the issue by San Jose Water Works of its common capital stock at not less than par for the purpose of paying the promissory notes of San Jose Water Company to be assumed by San Jose Water Works and also the promissory note for \$25,000.00 to be issued by San Jose Water Works and hereinbefore referred to.

A public hearing in this proceeding was held in San Jose on April 26, 1916.

For a description of the property and operations of San Jose Water Company, reference is hereby made to this Commission's Decision No. 1534, rendered on May 24, 1914, in Case No. 476, Monahan vs. San Jose Water Company, supra,

San Jose Water Company was incorporated under the laws of California on November 21, 1866, for a term of fifty years. The company has an authorized issue of common capital stock of the total par value of \$1,250,000.00, divided into 12,500 shares of the par value of \$100.00 each. This stock is all issued. The company has no bonds outstanding against its property. The company reports that on March 31, 1916, it had accounts receivable of \$13,945.30 and bills receivable of \$5,040.00, and that on the same day it had accounts payable of \$106.75, ^{insurance} casualty reserve of \$4,804.67, notes payable of \$210,000.00, a reserve for depre-

ciation of \$66,696.30, service billed in advance of \$144.33, taxes accrued of \$3,705.00, and tool expense of \$18.18. The testimony herein shows that the reserve for depreciation has been reinvested in the property.

The following table is a condensed statement of the San Jose Water Company's revenues and expenses, as reported to this Commission for the years ending December 31, 1912, 1913, 1914 and 1915, with an analysis of the corporate surplus account:

Table No. I.

Revenues and Expenses-San Jose Water Company-years ending December 31, 1912-13-14-15, -with Analysis of Corporate Surplus Account.

	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>
Operating Revenues	\$186,018.17	\$204,548.09	\$211,781.32	\$216,774.29
Operating Expenses	<u>103,858.12</u>	<u>130,322.56</u>	<u>123,134.52</u>	<u>122,847.06</u>
Net Operating Revenue	82,160.05	74,225.53	88,646.80	93,927.23
<u>Non-Operating Revenue</u>				
Rents	<u>815.00</u>	<u>981.51</u>	<u>1,005.15</u>	<u>916.14</u>
Total Non-Operating Revenues	815.00	981.51	1,005.15	916.14
<u>Gross Corporate Income:</u>	<u>82,975.05</u>	<u>75,207.04</u>	<u>89,651.95</u>	<u>94,843.37</u>
Deductions:				
Uncollectible Bills	-	742.30	718.06	621.24
Non-operating taxes	-	94.76	-	-
Other interest	445.85	4,120.28	8,640.95	10,580.60
Total Deductions	<u>445.85</u>	<u>4,957.34</u>	<u>9,359.01</u>	<u>11,201.84</u>
Corporate Surplus	\$ 82,529.20	\$ 70,249.70	\$ 80,292.94	\$ 82,725.39

Corporate Surplus Account - Year Ending December 31, 1915.

Balance Dec. 31, 1914	\$80,505.86	
Profit for year	<u>83,641.53</u>	
Total additions		\$164,147.39
<u>Deductions for year</u>		
1. - Dividends on outstanding stock	75,000.00	
2. - Miscellaneous deductions from surplus	<u>2,149.00</u>	
Total deductions		77,149.00
Balance Dec. 31, 1915:		
Corporate Surplus		\$ 86,998.39

The following table shows the assets and liabilities of San Jose Water Company on March 31, 1916, as reported to this Commission:

Table No. II.

Assets and Liabilities - San Jose Water Company -
March 31, 1916.

	<u>Assets</u>	<u>Liabilities</u>
Accounts Receivable.....	\$ 13,945.30	\$ -
Accounts Payable.....	-	106.75
Appreciation of Fixed Capital....	-	198,929.97
Bills Receivable.....	5,040.00	-
Construction (Prior to 1914).....	1,231,014.65	-
Construction (for 1914).....	62,389.02	-
Construction (for 1915).....	68,378.91	-
Construction Meters.....	4,046.54	-
Construction Pipe.....	6,476.79	-
Construction Services.....	744.41	-
Construction General.....	6,591.88	-
Capital Stock.....	-	1,250,000.00
Corporate Surplus.....	-	86,417.55
Collectors' Fund.....	53.00	-
Garden City Bank & Trust Company.....	4,804.67	-
Insurance Reserve.....	-	4,804.67
Material and Supplies.....	19,735.77	-
Notes Payable (Authorized by Commission)	-	160,000.00
Notes Payable (Authorized by Statute)	-	50,000.00
Office Fixtures.....	5,854.86	-
Prepaid Insurance.....	571.95	-
Reserve for Depreciation.....	-	66,696.30
Real Estate.....	255,943.32	-
Service Billed in Advance.....	-	144.33
Shop (Capital Account).....	2,569.51	-
Stable and Garage (Capital Account)	7,724.94	-
Suspense.....	63.00	-
Taxes Accrued.....	-	3,705.00
Tool (Capital Account).....	9.00	-
Tool Expense.....	-	18.18
Unamortized Appraisement Expense.....	4,950.00	-
Unamortized Reorganization Expense	1,104.50	-
Water Rights.....	107,329.00	-
Cash on hand.....	11,471.93	-
	<u>\$1,820,822.75</u>	<u>\$1,820,822.75</u>

By subtracting from the total of \$1,820,822.75 the items in the foregoing table for accounts payable, insurance reserve, notes payable, reserve for depreciation, service billed in advance, taxes accrued, tool expense and unamortized appraisement expense, San Jose Water Company reports net assets as of March 31, 1916 amounting to \$1,530,397.52. Assistant Engineer James Armstrong checked over this statement and testified that on the basis of the valuation reported by this Commission's engineering department in Case No. 476, with subsequent additions and subtractions, the report of the San Jose Water Company is correct.

San Jose Water Works was incorporated on February 17, 1916 with general public utility water powers, for a period of 50 years. The company has an authorized capital stock of \$2,500,000.00, divided into 25,000 shares of the par value of \$100 each. Seven shares of capital stock have been issued, one share to each director.

It is now proposed to have San Jose Water Company convey to San Jose Water Works the entire property, both operative and non-operative, of San Jose Water Company, except its franchise to be a corporation, in exchange for the issue by San Jose Water Works of its common capital stock of the par value of \$1,500,000.00, the payment by San Jose Water Works of \$25,000.00 in cash and the assumption by San Jose Water Works of all the obligations and liabilities of San Jose Water Company. The testimony shows that practically all the property of San Jose Water Company with the exception of two or three lots of land is operative property.

San Jose Water Works also asks authority to issue certain promissory notes and certain capital stock as hereinbefore set forth, the capital stock to be issued at par to refund the promissory notes. This matter will be further referred to in the order herein.

The reason for this proposed transaction arises from the

fact that the corporate life of San Jose Water Company will expire on November 21, 1916. As already indicated, San Jose Water Company was incorporated on November 21, 1866 for a term of 50 years. Section 7 of Article XII of the Constitution of California, reads in part as follows:

"The Legislature shall not extend any franchise or charter, nor ~~remit~~ the forfeiture of any franchise or charter of any quasi-public corporation now existing or which shall hereafter exist under the laws of this state."

This application is made in view of the approaching termination of the corporate life of San Jose Water Company and of the provisions of Section 7 of Article XII of the Constitution of California, applicable to this situation.

The Constitution and Statutes of California show clearly an intention that at recurring periods the State should have the right to review and, if necessary, entirely revise the relationship between a public utility corporation and the public. Section 290 of the Civil Code of California provides in part that the term of a corporation's life shall not extend beyond 50 years. While provision has now been made in the Constitution and the Statutes of this State for an extension of the term of other corporations, these provisions have no applicability to public utility corporations. Reference has already been made to Section 7 of Article XII of the Constitution of California providing in part that the Legislature shall not extend any franchise or charter of any quasi-public corporation nor ~~remit~~ the forfeiture of any franchise or charter of any such corporation. Hence, at least at the end of the 50 year term of each public utility corporation's life, the State may entirely review the relationship between such corporation and the public.

Referring now particularly to the franchises of public utility corporations, it is true that Section 19 of Article XI of

the Constitution of California as originally enacted, provided in effect, that in any city where there are no public works owned and controlled by the municipality for supplying the same with water or artificial light, any individual or California corporation might secure the right, without limit as to time, of using the public streets and thoroughfares of the municipality for the supply of gaslight or other illuminating light or with fresh water for domestic and all other purposes. As this section originally stood, any individual or California corporation desiring to supply a municipality which had no public works of its own of such character, with gaslight or other illuminating light, or with fresh water for domestic or other purposes, secured by direct grant from the State of California a franchise for such purposes without limit as to time. The Supreme Court of the United States held in Russell v. Sebastian, 233 U. S. 195, that this franchise extended to all the streets of the municipality. However, on October 10, 1911, section 19 of Article XI of the Constitution of this State was amended so as to provide that persons or corporations may establish and operate works for supplying the inhabitants of municipal corporations with public utility services of the character therein specified, including water, "upon such conditions and under such regulations as the municipality may prescribe under its organic law, on condition that the municipal government shall have the right to regulate the charges thereof." Hence, any person or corporation desiring to supply a municipality with water or other public utility service of the character specified in the section, subsequent to October 10, 1911, must comply with "such conditions and such regulations as the municipality may prescribe under its organic law," which conditions and regulations may, if the municipality has been granted the power, include the acquisition from the municipality of a franchise with either limited or

unlimited term. It thus appears that with reference to public utility franchises the State has now provided for the possibility of a limit of their term, so as to enable the public authorities, at designated intervals, to review the situation with reference to all franchises granted to public utilities subsequent to October 10, 1911.

The State has also provided a tribunal with power to supervise the transfer of all public utility properties, including franchises. Section 51 (a) of the Public Utilities Act provides as follows:

"No railroad corporation, street railroad corporation, pipe line corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation or water corporation shall henceforth sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, street railroad, line, plant or system, necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, nor by any means whatsoever, direct or indirect, merge or consolidate its railroad, street railroad, line, plant or system, or franchises or permits, or any part thereof, with any other public utility, without having first secured from the Commission an order authorizing it so to do. Every such sale, lease, assignment, mortgage, disposition, encumbrance, merger or consolidation made other than in accordance with the order of the Commission authorizing the same shall be void. The permission and approval of the Commission to the exercise of a franchise or permit under section fifty of this Act, or the sale, lease, assignment, mortgage or other disposition or encumbrance of a franchise or permit under this section shall not be construed to revive or validate any lapsed or invalid franchise or permit, or to enlarge or add to the powers or privileges contained in the grant of any franchise or permit, or to waive any forfeiture. Nothing in this subsection contained shall be construed to prevent the sale, lease, or other disposition by any public utility of a class designated in this subsection of property which is not necessary or useful in the performance of its duties to the public, and any sale of its property by such public utility shall be conclusively presumed to have been of property which is not useful or necessary in the performance of its duties to the public, as to any purchaser of such property in good faith for value."

The State has thus provided that no public utility franchises, whether granted to a corporation, a partnership or an individual can be transferred or assigned unless the consent of the Railroad Commission has first been secured. The obvious purpose of this section is to enable the Railroad Commission, before any transfer of public utility property is consummated, to review the situation and to take such action, as a condition to the transfer, as the public interest may require.

One of the most important questions, if not the most important of all, to be considered by the State at the termination of the life of a public utility corporation is the disposition of its franchises.

On February 17, 1865, the City of San Jose granted to Donald McKenzie and his assigns the right to use the public streets of San Jose for the supply to its inhabitants of good and pure water for the term of 25 years. The rights secured under this ordinance were later assigned by McKenzie to San Jose Water Company. The rights granted by this ordinance have expired by time limitation.

San Jose Water Company now claims the ownership of the following franchises:

1. A perpetual franchise in the City of San Jose under the provisions of Section 19 of Article XI of the Constitution of California as it existed prior to its amendment on October 10, 1911.
2. A similar perpetual franchise in the City of Los Gatos.
3. The right to lay down and maintain water pipes along the public highways and roads of the County of Santa Clara, granted by an order of the Board of Supervisors of Santa Clara County to San Jose Water Company on August 22, 1868. This order contains no limit as to time.

The question whether a franchise granted to a public utility corporation which has a limited life can extend beyond the life of the grantee was considered by the Supreme Court of the United States in Detroit v. Detroit Citizens Street Railway Company, 184 U. S. 368. In this case, at page 394, Mr. Justice Peckham holds that the limitation of the life of a corporation does not prevent the corporation from taking franchises or other property, the title to which would not expire with the corporation itself. Mr. Justice Peckham points out that a corporation whose corporate existence is limited to a term of years has always been able to purchase the fee in property which it needed for the operation of its business, and that if at the end of its term its life were not extended, the property which it owned at the expiration of its life was an asset payable to the shareholders after the payment of its debts. Mr. Justice Peckham then refers with approval to People v. O'Brien, 111 N.Y. 1, as establishing the following doctrine:

"Where the grant to a corporation of the franchise to construct and operate its roads in the streets of a city, is not, by its terms, limited and revocable, the grant is in fee, vesting the grantee with an interest in the street in perpetuity to the extent necessary for the street railroad, the rights granted to be exercised by the corporation or whomsoever may lawfully succeed to such rights. In that case the authorities show that a franchise of the above nature is invested with the character of property and is transferable as such, independently of the life of the original corporation."

Mr. Justice Peckham concludes his discussion on this subject as follows:

"The decisions have all been one way, in favor of the right of a corporation, limited as to the time of its corporate existence, to purchase or acquire by agreement or condemnation property for its use, the title to which it might own in fee."

Under the decision of the Supreme Court of the United States in the Detroit case, supra, it clearly appears that a corporation may acquire a franchise, the terms of which extends beyond the corporation's life; that when no term is expressly provided in the franchise, the term of the franchise is not to be considered as limited by the corporation's life, but is to be regarded rather as a perpetual right; and that a perpetual franchise to lay tracks or pipes in a street is a property right which, like the other property held by the corporation in fee may pass on to a successor at the end of the corporation's life. Hence we find the San Jose Water Company the owner of three franchises without express limit as to time, two directly from the State under the provisions of ~~of~~ Section 19 of Article XI of the Constitution and one from the Board of Supervisors of Santa Clara County. If the framers of the Constitution of 1879 had had the wider experience with public utility franchises which the people of this State have now acquired, I am satisfied that they would have provided with reference to all public utility franchises at least two conditions: (1) that the public should at all times have the right to take over the franchise and the property constructed and operated thereunder at a fair value to be established by some impartial tribunal and (2) that no value should ever be claimed for any franchise by the grantee of the franchise or any successor or assign, in excess of the amount, if any, originally paid by the grantee at the time of the grant to the public authority from whom the franchise was secured. The first condition has now, in effect, been written into the law of California by the enactment of Section 47 of the Public Utilities Act providing that whenever a municipality or other public corporation desires to acquire the property or any portion thereof of a public utility, it may file a petition with the Railroad Commission which Commission

is then authorized to fix and determine the fair compensation to be paid, which compensation is conclusive in eminent domain proceedings.

Referring now to the second condition herein suggested, the Public Utilities Act provides in Section 52 that the Railroad Commission shall have no power to authorize the capitalization of a public utility franchise in excess of the amount originally paid therefor. In so far as rate proceedings are concerned, this Commission in its decision No. 3242, rendered on April 6, 1916, in the Mt. Whitney Power and Electric cases, has decided that no value can be allowed in rate cases for franchises in excess of the amount, if any, originally paid for them. What will be the decision of the courts of last resort with reference to franchise values in condemnation cases is not as yet definitely determined.

San Jose Water Company is approaching the end of its life. The company is petitioning the State to be authorized to continue to own and operate its property through the instrumentality of a new corporation for the term of another fifty years. The State may either grant or deny the application. It seems only fair that under these circumstances the State, if it grants the application, should require that the new corporation agree that it will never in any character of proceeding before any court, commission or other public authority, claim any value for its franchises where, as is the case here, nothing was originally paid for them by San Jose Water Company. The framers of the Constitution of 1879, apparently uncertain as to what conditions the progress of time might show to be wise with reference to public utility franchises, solved the problem by granting franchises ~~in perpetuity~~ by Section 19 of Article XI of the Constitution, but at the same time provided that the Legislature should not extend the term of a public utility corporation's life. Thus

the framers of the Constitution of 1879 preserved to the State's representatives, at stated periods in the future, the power to review the relationship between each public utility corporation and the public and to impose such conditions on the transfer of a public utility corporation's property and franchises, as the accumulated experience of the years to come might show to be wise and necessary for the protection of the public.

In the present proceeding, San Jose Water Company and San Jose Water Works apparently realize the justice of the position herein taken. The testimony shows that San Jose Water Company has never capitalized its franchises and that in determining the compensation to be paid by San Jose Water Works for the property of San Jose Water Company no value was assigned to the franchises of San Jose Water Company.

San Jose Water Company has rendered efficient service at reasonable rates to the territory served by it. Provided that the stipulation referred to in the order herein with reference to franchises is executed by San Jose Water Works, I see no reason why the State should not permit the new corporation to take over the property of the existing corporation and to continue the efficient service which has been rendered by San Jose Water Company during the last fifty years.

The petitioners herein testified that the transfer of the property would not be used as the basis of a request for an increase in rates and that it is not the intention of San Jose Water Works to apply for any such increase.

I submit the following form of Order:

O R D E R.

SAN JOSE WATER COMPANY and SAN JOSE WATER WORKS having applied to the Railroad Commission for an order authorizing San Jose Water Company to convey its property, except the right to be a corporation, to San Jose Water Works for the consideration specified in the opinion which precedes this order, and for an order authorizing San Jose Water Works to issue 15,000 shares of its capital stock, at par, in part payment for said property, to assume the obligations and liabilities of San Jose Water Company and to issue the promissory notes and the additional capital stock hereinafter referred to, and a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which the proceeds of the capital stock and notes to be issued by San Jose Water Works will be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED AS FOLLOWS:

1. San Jose Water Company is hereby authorized to convey to San Jose Water Works the entire property of San Jose Water Company, except its right to be a corporation, in consideration for the issue by San Jose Water Works to San Jose Water Company of the capital stock of San Jose Water Works of the par value of \$1,500,000.00, the payment by San Jose Water Works to San Jose Water Company of the sum of \$25,000.00 in cash and the assumption by San Jose Water Works of all the obligations and liabilities of San Jose Water Company. The property to be thus conveyed by San Jose Water Company is described in Exhibit "A" which is attached to this order and made a part hereof.

2. San Jose Water Works is hereby authorized to issue to San Jose Water Company 15,000 shares of its capital stock of the par value of \$100.00 per share and to assume all the liabilities and obligations of San Jose Water Company, in part payment

for the property to be conveyed, as aforesaid, by San Jose Water Company to San Jose Water Works.

3. San Jose Water Works is hereby authorized to execute its promissory note in the sum of \$25,000.00, at an interest rate not to exceed 6 per cent per annum, in accordance with the terms of a supplemental order which will be issued herein when San Jose Water Works has reported the name of the payee and the term of the proposed note.

4. San Jose Water Works is hereby authorized to issue its promissory notes, from time to time, at rates of interest not to exceed the rates of interest specified in the existing promissory notes, for the purpose of refunding the promissory notes of San Jose Water Company at present issued in the sum of \$210,000.00, provided that San Jose Water Works shall have filed a statement of the notes which it desires to refund and of the terms and conditions of the notes which it desires to issue and shall have secured from the Railroad Commission a supplemental order herein, authorizing the issue of such promissory notes.

5. San Jose Water Works is hereby authorized to sell its capital stock, at par, in amounts sufficient to refund such promissory notes as San Jose Water Works may issue for the purpose of refunding the existing notes of San Jose Water Company and the note for \$25,000.00 hereinbefore referred to, provided that San Jose Water Works shall first have secured from the Railroad Commission a supplemental order specifying the terms and conditions of such issue.

The foregoing authorizations are granted upon the following conditions, and not otherwise, to-wit:

(a) The authority herein given to San Jose Water Company to convey its property to San Jose Water Works shall not become effective until San Jose Water Works shall have filed with the Railroad Commission a stipulation, authorized by its board of directors, agreeing that San Jose Water Works, its successors and assigns, will never claim before the Railroad Commission or any other public authority, in any proceeding, any value for the franchises referred to in the opinion herein and to be conveyed by San Jose Water Company to San Jose Water Works, and shall have secured from the Railroad Commission a supplemental order reciting that such stipulation, in form satisfactory to the Railroad Commission, has been filed herein.

(b) The authority herein given to San Jose Water Company to convey its property to San Jose Water Works shall not become effective until San Jose Water Works shall have filed with the Railroad Commission a stipulation, authorized by its board of directors, agreeing that San Jose Water Works, on the conveyance to it of the property of San Jose Water Company, shall assume all the liabilities and obligations of San Jose Water Company, and shall have secured from the Railroad Commission a supplemental order reciting that such stipulation, in form satisfactory to the Railroad Commission, has been filed herein.

(c) San Jose Water Works shall, within thirty days after the issue of the 15,000 shares of its capital stock herein authorized to be issued, make a verified report to the Railroad Commission, stating the disposition of such capital stock, in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

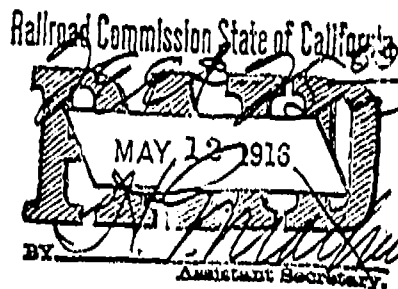
(d) Within thirty days from the execution of the deed of conveyance from San Jose Water Company to San Jose Water Works,

San Jose Water Works shall file with the Railroad Commission a certified copy thereof.

(e) The authorization herein given to San Jose Water Company to convey its property to San Jose Water Works and the authorization given to San Jose Water Works to issue 15,000 shares of its capital stock in partial payment therefor shall apply only to such conveyance and to such issue as shall have been made on or before July 1, 1916.

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 10th
day of May, 1916.



Max Thelen
[Signature]
[Signature]
Erwin O. Edgerston
Frank R. DeJohn
Commissioners.

EXHIBIT "A"

All the property belonging to the San Jose Water Company of whatsoever kind, nature or description, real, personal and mixed; and all said company's rights, privileges and easements of every kind and nature, both in or to or concerning real and personal property of every kind, nature and description, and also all said company's rights of every kind whatever; except its right to be a corporation; and except its right to distribute to its stockholders the stock and cash received, or to be received, by it as the purchase price of the property hereby conveyed and transferred.

Said property so conveyed includes all the water plant and water system and all other property and rights of every kind and nature of said San Jose Water Company, or belonging to or ~~now~~ possessed or used by it, save and except the purchase price paid, or to be paid, to it for the property to be conveyed.

The lands conveyed are shortly described as being the following lots or tracts of land as designated upon the following maps, recorded in the following ~~ing~~ **Books of Maps in the office of** the County Recorder of the County of Santa Clara, State of California, at the pages as hereinafter specified, which lands are situate in the said County of Santa Clara, State of California,

viz:

1st.	Lot 1A,	recorded in Book "F2" of Maps, page 49.
2nd.	Lot 1B,	recorded in Book "F2" of Maps, page 47A.
3rd.	Lot 1C,	recorded in Book "F2" of Maps, page 47A.
4th.	Lot 2A,	recorded in Book "F2" of Maps, page 50.
5th.	Lot 2B,	recorded in Book "F2" of Maps, page 50.
6th.	Lot 3A,	recorded in Book "F2" of Maps, page 50.
7th.	Lot 3B,	recorded in Book "F2" of Maps, page 50.
8th.	Lot 4,	recorded in Book "F2" of Maps, page 50.
9th.	Lot 5,	recorded in Book "F2" of Maps, page 50.
10th.	Lot 6,	recorded in Book "F2" of Maps, page 50.
11th.	Lot 7,	recorded in Book "N" of Maps, page 36.
12th.	Lot 8,	recorded in Book "N" of Maps, page 37.
13th.	Lot 9,	recorded in Book "N" of Maps, page 37.
14th.	Lot 10,	recorded in Book "N" of Maps, page 38.
15th.	Lot 11,	recorded in Book "N" of Maps, page 38.
16th.	Lot 12,	recorded in Book "O" of Maps, page 31.
17th.	Lot 13,	recorded in Book "O" of Maps, page 31.
18th.	Lot 14,	recorded in Book "O" of Maps, page 31.

19th. Lot 15, recorded in Book "N" of Maps, page 38.
 20th. Lot 16, recorded in Book "N" of Maps, page 46.
 21st. Lot 17, recorded in Book "N" of Maps, page 42.
 22nd. Lot 18, recorded in Book "N" of Maps, page 43.
 23rd. Lot 19, recorded in Book "N" of Maps, page 43.
 24th. Lot 20, recorded in Book "N" of Maps, page 43.
 25th. Lot 21, recorded in Book "N" of Maps, page 43.
 26th. Lot 22, recorded in Book "N" of Maps, page 42.
 27th. Lot 23, recorded in Book "N" of Maps, page 44.
 28th. Lot 24, recorded in Book "N" of Maps, page 36.
 29th. Lot 25, recorded in Book "N" of Maps, page 44.
 30th. Lot 26, recorded in Book "N" of Maps, page 44.
 31st. Lot 28, recorded in Book "N" of Maps, page 45.
 32nd. Lot 29A recorded in Book "F2" of Maps, page 50.
 33rd. Lot 29B recorded in Book "F2" of Maps, page 50.
 34th. Lot 30, recorded in Book "N" of Maps, page 44.
 35th. Lot 31, recorded in Book "O" of Maps, page 32.
 36th. Lot 32, recorded in Book "O" of Maps, page 32.
 37th. Lot 33, recorded in Book "O" of Maps, page 32.
 38th. Lot 34, recorded in Book "N" of Maps, page 46.
 39th. Lot 35, recorded in Book "N" of Maps, page 46.
 40th. Lot 36, recorded in Book "N" of Maps, page 46.
 41st. Lot 37, recorded in Book "O" of Maps, page 32.
 42nd. Lot 39, recorded in Book "N" of Maps, page 43.
 43rd. Lot 40, recorded in Book "N" of Maps, page 37.
 44th. Lot 41, recorded in Book "N" of Maps, page 36.
 45th. Lot 42A recorded in Book "F2" of Maps, page 47A.
 46th. Lot 42B recorded in Book "F2" of Maps, page 47A.
 47th. Lot 43, recorded in Book "N" of Maps, page 37.
 48th. Lot 44, recorded in Book "N" of Maps, page 37.
 49th. Lot 45A recorded in Book "F2" of Maps, page 50A.
 50th. Lot 45B recorded in Book "F2" of Maps, page 50A.
 51st. Lot 46, recorded in Book "F2" of Maps, page 49.
 52nd. Lot 47, recorded in Book "N" of Maps, page 36.
 53rd. Lot 48, recorded in Book "N" of Maps, page 36.
 54th. Lot 49, recorded in Book "O" of Maps, page 31.
 55th. Lot 50, recorded in Book "N" of Maps, page 42.
 56th. Lot 51, recorded in Book "N" of Maps, page 36.
 57th. Lot 53, recorded in Book "N" of Maps, page 45.
 58th. Lot 54, recorded in Book "N" of Maps, page 41.
 59th. Lot 56, recorded in Book "N" of Maps, page 41.
 60th. Lot 57, recorded in Book "N" of Maps, page 42.
 61st. Lot 58, recorded in Book "N" of Maps, page 42.
 62nd. Lot 59A recorded in Book "F2" of Maps, page 49.
 63rd. Lot 59B recorded in Book "F2" of Maps, page 49.
 64th. Lot 60A recorded in Book "F2" of Maps, page 50A.
 65th. Lot 60B recorded in Book "F2" of Maps, page 50A.
 66th. Lot 60C recorded in Book "F2" of Maps, page 50A.
 67th. Lot 61, recorded in Book "O" of Maps, page 31.
 68th. Lot 62, recorded in Book "N" of Maps, page 45.
 69th. Lot 63, recorded in Book "N" of Maps, page 36.
 70th. Lot 64, recorded in Book "N" of Maps, page 36.
 71st. Lot 65, recorded in Book "N" of Maps, page 36.
 72nd. Lot 66, recorded in Book "N" of Maps, page 45.
 73rd. Lot 67, recorded in Book "F2" of Maps, page 48A.
 74th. Lot 68, recorded in Book "N" of Maps, page 46.
 75th. Lot 69A recorded in Book "N" of Maps, page 99.

76th.	Lot 69B	recorded in Book "N"	of Maps, page 99.
77th.	Lot 70A	recorded in Book "N"	of Maps, page 98.
78th.	Lot 70B	recorded in Book "N"	of Maps, page 98.
79th.	Lot 71,	recorded in Book "O"	of Maps, page 31.
80th.	Lot 72,	recorded in Book "N"	of Maps, page 98.
81st.	Lot 73,	recorded in Book "N"	of Maps, page 98.
82nd.	Lot 74,	recorded in Book "O"	of Maps, page 31.
85rd.	Lot 75,	recorded in Book "N"	of Maps, page 100.
84th.	Lot 76,	recorded in Book "N"	of Maps, page 100.
85th.	Lot 77,	recorded in Book "F2"	of Maps, page 46A.
86th.	Lot 78,	recorded in Book "F2"	of Maps, page 46A.
87th.	Lot 79,	recorded in Book "F2"	of Maps, page 46A.
88th.	Lot 80,	recorded in Book "F2"	of Maps, page 46A.
89th.	Lot 81,	recorded in Book "F2"	of Maps, page 49A.
90th.	Lot 82,	recorded in Book "F2"	of Maps, page 49A.
91st.	Lot 83,	recorded in Book "F2"	of Maps, page 48A.
92nd.	Lot 84,	recorded in Book "O"	of Maps, page 91.
93rd.	Lot 85,	recorded in Book "O"	of Maps, page 91.
94th.	Lot 86,	recorded in Book "O"	of Maps, page 91.
95th.	Lot 88,	recorded in Book "O"	of Maps, page 91.

Said lots or tracts of land are more particularly described on said recorded maps, whereon they are designated as aforesaid, to which recorded maps reference is hereby made for more particular description.

The property to be conveyed also includes any and every lot or tract of land not above particularly described, which said San Jose Water Company owns or in which it has any right, title or interest, if any such tract of land there be.