ORIGINAL

MM

Decision No.____

BEFORE THE RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

In the Matter of the Application of JEAN H. BAKEMAN for an order authorizing the conveyance of the Melvin Place Water plant, Los Angeles County to MELVIN PLACE WATER COMPANY.

Application No. 2753

Eugene A. Holmes, for applicant.

LOVELAND, Commissioner.

OPINION

This is an application of Jean H. Bakeman for authority to sell and of Melvin Place Water Company for authority to buy a water plant and system located at 96th. Street and Moneta Avenue, just outside the city limits of Los Angeles.

The original application filed herein contemplated the issue by Melvin Place Water Company of \$20,000.00 face value of bonds and \$22,000.00 par value of stock in exchange for the water utility properties owned by Mrs. Bakeman.

Since the hearing, and based upon the report of the Commission's engineers as to the value of the property, the Company has amended its petition and now asks leave to issue a three year 7 per cent mort-gage note for \$15,000.00 and \$5,000.00 par value of stock in exchange for the property.

Melvin Place Water Company was incorporated under the laws of the State of California in January, 1917. It has an authorized capital stock issue of \$40,000.00 divided into 40,000 shares of the par value of \$1.00 each, of which three shares have been issued for the purpose of qualifying directors. The company has no property and no indebtedness.

The water system proposed to be transferred was acquired on June 1, 1910 by one E. W. Payne from a corporation known as the "Home Builders."

By Decision Number 272, dated October 14, 1912, (Vol. 1, Opinions and Orders of the Railroad Commission of California, page 727) Mr. Payne was given authority to transfer said property to William E. Ball for the sum of \$22,500.00.

By a supplemental order issued February 7, 1913, Decision Number 450, (Vol. 2, Opinions and Orders of the Railroad Commission of California, page 172) Home Builders corporation was granted authority to join with E. W. Payne in the sale of said property to William E. Ball.

By Decision Number 1447, dated April 16, 1914 (Vol. 4, Opinions and Orders of the Railroad Commission of the State of California, page 798) William E. Ball was given authority to transfer said property to Jesse S. Harker for a ranch in Madera County.

In Decision Number 4037, dated January 20, 1917, Josse S. Herker and Edna M. Harker were given authority to transfer said property to Jean H. Bakeman, the present owner, in exchange for 520 acres of land in Juab County, Utah.

At the present time this system is serving approximately 170 consumers with water. For the year ending December 31, 1916 Mrs. Bakeman reports that the total receipts and expenditures were as follows:-

The amount charged to expenses represents an expenditure of \$254.20 for power, \$6.50 for oil and \$37.82 for taxes. It should be noted that no charge was made by the owners for their services in operating the system, nor were any sums set aside for depreciation.

Reports prior to 1916 are not available, the owners of this property having failed to file annual reports with the Railroad Commission. Their attention has now been called to this matter and reports will

be filed in the future.

At the hearing applicants presented a statement purporting to show that the original cost of the property was approximately \$32,300.00.

of the Commission testified that in his opinion the cost of the property, including 12 per cent for general overhead, was approximately \$17,500.00. He stated, however, that his estimate was based upon an inventory he had prepared from indefinite maps of the system and that certain items might have been emitted. Since the hearing applicant has reported that certain pipe lines were not shown on the maps and should be added. Even with these additions Mr. Clark is of the opinion that the original cost did not exceed \$21,000.00. He is further of the opinion that the accrued depreciation upon the system amounts to approximately 20 per cent of the original cost.

On the basis of Mr. Clark's valuation, I am of the opinion that the Commission at this time can safely authorize an issue of \$13,000.00 face value of notes, said notes to run for a term not exceeding five years, and bearing interest at not to exceed 7 per cent per annum, to be secured by a mortgage upon the water utility property.

I am further of the opinion that applicant may be permitted to issue not to exceed \$5,000.00 par value of stock.

I accordingly submit the following form of Order:-

ORDER

JEAN H. BAKEMAN and NELVIN PLACE WATER COMPANY having applied to this Commission for authority to transfer certain public utility property as hereinbefore set forth and MELVIN PLACE WATER COMPANY having applied for authority to issue stock and notes:

And a hearing having been held:

And it appearing to this Commission that applicants' request is reasonable and should be granted and that the purposes for which it is proposed to issue said stock and notes are not in whole or in part reasonably chargeable to operating expenses or to income and that the property to be paid for by such stock and notes is reasonably required for the purposes specified in the order herein.

IT IS HEREBY ORDERED that Jean H. Bakeman be and she is hereby authorized to transfer the public utility property known as the Melvin Place Water plant to Melvin Place Water Company, a corporation, said plant being more particularly described as follows:-

"Lots 4 and 5 of the Melvin Place, together with a certain water plant or system,
including a house, engine house, tanks, pump,
pipes and piping, situate thereon and connected
therewith, and all franchises, essements,
rights of way and appurtenances appertaining to or connected with the said water plant or system, more
particularly described in a deed dated May 27,
1910, between E. W. Payne and his wife, and
Mrs. L. P. Melvin and "Home Builders", a corporation,
which document is now of record in the office of
the county recorder of Los Angeles County."

IT IS HEREBY FURTHER ORDERED that Melvin Place Water Company, a corporation, be and it is hereby authorized to issue to Jean H. Bakeman in exchange for said property, \$13,000.00 face value of promissory notes and \$5,000.00 par value of stock.

The authority herein granted is granted upon the following conditions and not otherwise:-

la-The notes herein authorized to be issued shall be issued so as to not applicant not less than the par value thereof, and shall bear interest at not to exceed 7 per cent per annum, and shall mature as follows:-

- \$ 1,000.00 face value on or before I year from date.
- \$ 2,000.00 face value on or before two years from date.
 - \$10,000.00 face value in from three to five years from date, at the option of the Company.
- 2.—The property herein authorized to be transferred shall be transferred free and clear from any encumbrances. Within 30 days after the transfer of said property Melvin Place Water Company shall file a certified copy of the deed of conveyance with this Commission.

3.-The authority herein granted shall not become effective until Melvin Place Water Company shall have filed with this Commission a copy of the mortgage securing said notes and shall have secured a supplemental order from this Commission approving the same.

4.-Melvin Place Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock and notes herein authorized

to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said stock and notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this 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 to Melvin Place Water Company to issue notes is conditioned upon the payment by Melvin Place Water Company of the fee prescribed by the Public Utilities Act.

6.-The authority herein granted Jean H. Bakeman and Melvin Place Water Company to transfer property and Melvin Place Water Company to issue stock
and notes is limited to such transfer of property
and such issue of stock and notes as shall have
taken place on or before April 30, 1918.

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

day of April, 1917.

Max Thelen HD Torreloude Edwi O. Edgesto