

Decision No. 424

ORIGINAL

In the matter of the application of San Dimas Water Company to purchase the stock and properties, excepting the domestic water system, of San Dimas Irrigation Company; to purchase the stock and properties of Artesian Belt Water Company and the stock and properties of The Charter Oak Reservoir Company; and of said companies to sell their stock and properties accordingly to San Dimas Water Company; of San Dimas Water Company to issue stock and bonds; of San Dimas-Charter Oak Domestic Water Company to issue stock and to acquire the domestic water system of San Dimas Irrigation Company and of San Dimas Irrigation Company to sell the same.

Application No. 338.

E. H. Sanford, for applicants.

O P I N I O N

LOVELAND, Commissioner:

This is an application in which three water companies serving a portion of Los Angeles county in and adjacent to San Dimas, desire to merge their interests and to conduct their business hereafter through the medium of two corporations, one devoted to the distribution of water for purposes of irrigation and the other devoted to the distribution and sale of water for domestic use.

San Dimas Irrigation Company and Artesian Belt Water Company, applicants herein, are the owners of separate water systems operating in a section of Los Angeles county devoted to the cultivation of citrus fruits, that embraces San Dimas, Charter Oak, and a part of Lordsburg. The Charter Oak Reservoir Company,

applicant herein, is the owner of a reservoir system for the distribution of water in Charter Oak, Los Angeles county. The Charter Oak Reservoir company is owned jointly by San Dimas Irrigation Company and Artesian Belt Water Company. Its reservoir is used primarily for equalizing the water flow for these two companies.

It is now proposed that from these three corporations there be formed two corporations, namely, the San Dimas Water Company and the San Dimas-Charter Oak Domestic water company. It is proposed that the domestic water system now owned by San Dimas Irrigation Company, be transferred to and acquired by San Dimas-Charter Oak Domestic Water Company and that San Dimas-Charter Oak Domestic Water Company confine its operations to the distribution and sale of water for domestic use. It is also proposed by applicants that the other properties of San Dimas Irrigation Company and all the properties of Artesian Belt Water Company and of The Charter Oak Reservoir Company be consolidated into the ownership of San Dimas Water Company, and that San Dimas Water Company confine its operations to the distribution of water for irrigation among its own stockholders. It appears, however, that preliminary steps have been taken toward this consolidation and that San Dimas Water Company has not been confining its operations to its stockholders, but has been distributing and selling water to the general public as well.

While San Dimas Water Company has urged that under its amended articles of incorporation, it is purely a mutual company and not within the jurisdiction of the Railroad Commission, it developed at the hearing of the application that it has been conducting its business as a public utility and has therefore placed itself within the jurisdiction of this Commission.

As to jurisdiction over future operations of San Dimas Water Company under its amended articles of incorporation, it is not now necessary to pass.

The consolidation of the interests of the water companies is urged by applicants for purposes of efficiency and economy. Applicants possess water rights covering a tract of 3000 acres and in addition own valuable lands on which water is being developed, adjacent to the territory they serve, including so-called "canon lands" with gravity flow from 40 to 200 inches, changing with the season.

The water is developed by wells and used in irrigating lands devoted mainly to the citrus fruit industry and in supplying, for domestic use, the inhabitants of San Dimas and Charter Oak, and residents of adjacent territory.

San Dimas Water Company has been incorporated with an authorized stock issue of 3000 shares of the par value of \$100.00 each, and an authorized bonded indebtedness of \$150,000. Applicant desires at this time to issue 2050 shares of its capital stock, as follows:

For San Dimas Irrigation Company's stock and property, excluding the domestic water system.....	1300 shares
For stock and properties of Artesian Belt Water Company.....	660 shares
To defray expenses incident to organization (to be sold at par) .....	40 shares
For fifty shares of stock of San Dimas-Charter Oak Domestic Water Company.....	50 shares
Total	2050 shares

San Dimas water company desires also to issue \$100,000 of its authorized issue of thirty-year six per cent. bonds of the denomination of \$500.00, secured by mortgage and deed of trust to Title Guarantee and Trust Company of Los Angeles. It proposes to sell these bonds at 90, and to use the proceeds as follows:

To refund bonded indebtedness of San Dimas Irrigation Company.....	\$10,000.00
To refund floating indebtedness of San Dimas Irrigation Company.....	21,826.29
To refund mortgage indebtedness of Artesian Belt Water Company to Louis Phillips estate.....	10,000.00
To refund floating indebtedness of Artesian Belt Water Company.....	5,948.50
To purchase stock and properties of The Charter Oak Reservoir Company.....	6,500.00
Total	<u>\$54,274.79</u>

Applicants have presented satisfactory evidence that the indebtedness in the amounts herein specified was incurred for plant betterments and was not in whole or in part reasonably chargeable to operating expenses or income.

The balance to be derived from the proceeds of the sale of the bonds, applicant desires to apply upon a part of the following:-

New lands and wells near Lordsburg, the total cost of which will be.....	\$34,637.50
New 18 inch water main from Lordsburg lands to reservoir.....	5,000.00
Site for reservoir.....	500.00
Connections from reservoir to water system.....	3,831.88
Construction of reservoir to equalize flow.....	10,200.75
Service connections in the ordinary course of business development for which appli- cant states it is unable to give any exact figure at this time.....	

Applicants state that they desire to make only a partial payment at this time upon the lands near Lordsburg, and to use the remaining proceeds from the sale of the bonds for the other purposes herein specified.

The appraisal of the physical properties of San Dimas Irrigation Company, Artesian Belt Water Company, and The Charter Oak Reservoir Company, submitted by the applicants, and the ap-

appraisal of said properties prepared by the Commission's engineering department, do not vary in any great degree.

Applicants presented an appraisal of their physical properties in the total sum of \$257,241.89, having excluded from such appraisal all water rights with the exception of an arbitrary valuation of \$50,000.00 upon the so-called "canon lands", which includes a certain undefined amount above the real estate valuation.

San Dimas-Charter Oak Domestic Water Company applies for authority to purchase fifty shares of the capital stock of San Dimas Water Company, by which it may become possessed of a proportionate share of the water developed by San Dimas Water Company. This water it proposes to distribute and sell for domestic use in San Dimas and Charter Oak and vicinity.

San Dimas-Charter Oak Domestic water company has an authorized stock issue of \$25,000.00, composed of 250 shares of the par value of \$100.00 each. It is proposed to issue this stock as follows:

To San Dimas Irrigation Company for its domestic water system.....	200 shares
To San Dimas Water Company in exchange for 50 shares of its stock.....	50 "
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Total	250 shares

Applicants state that the physical value of the properties to be acquired by this domestic water system is not less than \$23,000.00.

A hearing having been held upon the application herein, and it appearing that the different sums which it is now proposed to refund from the proceeds of the bonds as applied for were not properly chargeable to operating expenses or income, I find that the interests of the public will best be served by granting the application herein, and I submit the following order:

O R D E R

Application having been made by San Dimas Water Company to purchase the stock and properties, excepting the domestic water system, of San Dimas Irrigation Company; to purchase all the stock and properties of Artesian Belt Water Company and the stock and properties of The Charter Oak Reservoir<sup>Company</sup>; and by said companies to sell their stock and properties accordingly to San Dimas Water Company; and by San Dimas Water Company to issue stock and bonds; and by San Dimas-Charter Oak Domestic Water Company to issue stock and to acquire the domestic water system of San Dimas Irrigation Company and by San Dimas Irrigation Company to sell the same, and a hearing having been held;

IT IS HEREBY ORDERED that San Dimas Water Company be given and is hereby given authority to purchase the stock of and all the properties, excepting the domestic water system, of San Dimas Irrigation Company; to purchase the stock and all the properties of Artesian Belt Water Company; to purchase the stock and all the properties of The Charter Oak Reservoir Company;

That said companies be given and are hereby given authority to sell their stock and properties to San Dimas Water Company, as above set forth;

That San Dimas-Charter Oak <sup>domestic water</sup> ~~Reservoir~~ Company be given and is hereby given authority to acquire the domestic water system of San Dimas Irrigation Company, and that San Dimas Irrigation Company be given and is hereby given authority to sell the same.

And it appearing that the purposes for which San Dimas Water Company desires to issue its stock are not reasonably chargeable to operating expenses or income.

H.G.M.  
1-5-13

IT IS HEREBY ORDERED that San Dimas Water Company be given authority, and is hereby given authority to issue its capital stock as follows:

For San Dimas Irrigation Company's stock and property, excluding the domestic water system.....	1300	shares
For stock and properties of Artesian Belt Water Company.....	660	"
To defray expenses incident of organization.....	40	"
For fifty shares of stock of San Dimas-Charter Oak Domestic Water Company.....	50	"
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Total	2050	shares

The stock hereby authorized to be issued by San Dimas Water Company shall be issued on the following conditions, and not otherwise:

- (1) The forty shares above noted to be sold to defray expenses incident to organization shall be sold at par.
- (2) San Dimas 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 hereby authorized to be issued, and on or before the twenty-fifth day of each month, it shall make verified reports to the Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of sale, moneys or properties realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order insofar as applicable is made a part of this order.
- (3) The authority hereby given to issue said stock shall apply only to stock issued by San Dimas Water Company on or before the 31st day of December, 1913.

And it appearing further to the Commission that the purposes for which San Dimas Water Company desires to issue bonds are not in whole or in part chargeable to operating expenses or income;

IT IS HEREBY ORDERED that San Dimas Water Company be given and is hereby given authority to issue \$100,000 of its Thirty-year Six Per Cent. bonds under that certain mortgage and deed

of trust to Title Guarantee and Trust Company of Los Angeles,

dated July 1, 1912, as follows:

To refund bonded indebtedness of San Dimas Irrigation Company.....	\$10,000.00
To refund floating indebtedness of San Dimas Irrigation Company.....	21,826.29 ✓
To refund mortgage indebtedness of Artesian Belt Water Company to Louis Phillips Estate.....	10,000.00
To refund floating indebtedness of Artesian Belt Water Company .....	5,948.50
To purchase stock and properties of The Charter Oak Reservoir Company.....	6,500.00
Total	<u>\$54,274.79</u>

27774.79

San Dimas Water Company is hereby authorized to apply the balance of proceeds from the sale of the bonds, as hereby authorized, upon the following:

Part payment for lands and wells, near Lordsburg, the total cost of which will be.....	\$34,687.50
New 18 inch water main from Lordsburg lands to reservoir, as specified in application.....	5,000.00
Site for reservoir.....	500.00
Connections from reservoir to water system.....	3,831.88
Construction of reservoir to equalize flow	10,200.75
Service connections for consumers, in the ordinary course of business development-- in amounts to be reported and approved by the Commission.....	

Said bonds shall be issued on the following conditions, and not otherwise:

- (1) Said bonds shall be sold so as to net San Dimas Water Company not less than 90 per cent. of the par value of the principal thereof, plus accrued interest thereon.
- (2) Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth



day of each month the company shall make verified reports to the Commission, stating the sale or sales of said bonds during the preceding month, the terms and conditions of 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, insofar as applicable, is made a part of this order.

- (3) The authority hereby given San Dimas Water Company to issue such stock and bonds shall apply only to stock and bonds issued by said company on or before the 31st day of December, 1913.

And it appearing further that the purposes for which San Dimas-Charter Oak Domestic Water Company desires to issue stock, are not in whole or in part chargeable to operating expense or income.

IT IS HEREBY ORDERED that San Dimas-Charter Oak Domestic Water Company be given authority, and is hereby given authority to issue shares of its capital stock, as follows:

To San Dimas Irrigation Company for its domestic water system.....	200 shares
To San Dimas Water Company in exchange for 50 shares of its stock.....	50 "
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Total	250 shares

The stock hereby authorized to be issued shall be issued upon the following conditions, and not otherwise:

- (1) San Dimas-Charter Oak Domestic Water Company shall on or before the twenty-fifth day of each month make verified reports to the Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of sale, the properties obtained in exchange therefor, all in accordance with this Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
- (2) The authority hereby given to issue said stock shall apply only to stock issued by said company on or before the 31st day of December, 1913.

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 27<sup>th</sup>  
day of January, 1913.

H. D. Loveland

Max Thelen

Erwin C. Edgerton

Commissioners.