

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 1385

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ORIGINAL

In the matter of the application of LOS ANGELES AND ARIZONA LAND COMPANY, a corporation, to sell and FOREST GROVE WATER COMPANY, a corporation, to purchase the properties and rights of the first named company and the latter company to issue stock.

Application No. 2848.

Messrs. Goodrich and Martinson for
Los Angeles & Arizona Land Company.
Fred N. Arnoldy for Forest Grove Water Company.

BY THE COMMISSION:

O P I N I O N

A public hearing was conducted by Examiner Westover upon this application. Applicant, Los Angeles and Arizona Land Company, in 1913 subdivided portions of a tract in its then ownership, in total area somewhat over 500 acres and provided this subdivided portion with a water system. Some 100 parcels were sold to individuals during the years 1913 to 1916 and seventeen consumers of water became established.

At some time not of record, the Home Savings Bank, to whom the Los Angeles and Arizona Land Company had mortgaged the property, foreclosed and left this applicant in ownership of only that property described in the order following, which consisted of a parcel of land separate from the subdivided tract and a well located thereon. F. B. Newport organized Forest Grove Land Company and that Company acquired ownership of the unsold portions of the tract of land above mentioned, and has proceeded to complete the subdivision and im-

provement thereof with the stated purpose of selling it off in small parcels at prices to range from \$4000 to \$10000 per acre.

The Forest Grove Water Company was incorporated to own and operate a water system for the purpose of serving the tract of land and the individual purchasers including those established during control of the tract by Los Angeles and Arizona Land Company.

The evidence before the Commission indicates that the well and the parcel of land on which it is located have a value equal to the \$2000 proposed as the purchase price. Excepting for a minor part of the distribution system, this is the only property that has been in use for public utility purposes.

There has been no transfer separately, and with the authority of this Commission, from the applicant first mentioned to the bank or from the bank to Forest Grove Land Company nor has a transfer been arranged from the latter to Forest Grove Water Company. It is, however, in testimony, that this small part of the distributing pipe lines installed by Los Angeles and Arizona Land Company still in use, has little or no value and must soon be replaced. It will now be used as a part of the utility system without a possibility of objection by the only other interests in any way involved.

Forest Grove Water Company is organized as a public utility water corporation. Its capital stock is planned ultimately to be \$75,000 divided into 7500 shares at \$10 per value. Its application, in this instance, seeks authority for the issuance of \$2000 of stock for the purpose of the land and well of the applicant first mentioned and \$4800 to repay F. B. Newport who has advanced money for the recent construction on the water system and for later additions. The expenditures on this system by

applicant, Forest Grove Water Company, to date are reported as follows:

Pipe line	\$12,548.24
Reservoir	7,704.84
Pumping plant	3,492.91
Overhead	2,164.20
Total	<u>\$25,910.19</u>
Disputed account pumping plant	1,589.75
Total	<u>\$27,500.94</u>

Approximately \$10,000 will be needed to complete work already under way, all of which is outlined on maps presented as exhibits in this proceeding and detailed statements prepared by this company's engineers.

The rates now in effect are \$1.50 per month per lot. In view of the return indicated and the little development during the four years since the tract was first opened, it is apparent that Forest Grove Water Company cannot hope to earn returns upon the investment in this system for a considerable time. The promoters of the land enterprise have stated that the stockholders, the principal one of whom will be F. B. Newport, are prepared to make good any deficits and to provide continuous and adequate service.

Neither Forest Grove Water Company nor future owners of the water system can expect to have losses suffered in the operation of this plant allowed for subsequently as development cost. It is admitted that the investment is made and the obligation is undertaken for the reason that it has been found necessary in the development for sale of the real property.

While the application herein asks authority for issuance of \$50,000 of stock of Forest Grove Water Company, that applicant admits that a part of the expenditure will be made some time in the future and we advise a later application to the Commission to cover expenditures then found necessary.

O R D E R

LOS ANGELES AND ARIZONA LAND COMPANY having applied for an order authorizing it to sell a parcel of land and well thereon which it has used as part of a domestic water system, and Forest Grove Water Company having applied for authority to purchase said property and to issue \$50,000 par value of its capital stock, and a public hearing having been held, and the Commission being fully apprised in the premises,

IT IS HEREBY ORDERED that Los Angeles and Arizona Land Company be and it is hereby authorized to transfer to Forest Grove Water Company a part of lot 197, tract 250 as per map thereof in Los Angeles County records, this parcel being more particularly described as follows, to-wit:

Beginning at a point in the east line of Canada Boulevard at the northwest corner of said lot; thence along the north line thereof south $87^{\circ} 57'$ east 240.75 feet to a corner of said lot, thence along the westerly line thereof north $70^{\circ} 31'$ east 375 feet; thence south $82^{\circ} 29'$ east 150 feet; thence south $70^{\circ} 31'$ west 390.78 feet; thence north $87^{\circ} 57'$ west 386.76 feet to a point in the west line of said lot, being a point in the east line of Canada Boulevard; thence north $10^{\circ} 24'$ west 30.05 feet to the point of beginning.

AND IT IS HEREBY ORDERED that Forest Grove Water Company be and it is hereby authorized to issue \$40,000 of its capital stock at the par value of \$10 per share, 200 shares to be issued to Los Angeles and Arizona Land Company in payment for the property hereinbefore described to be free of all encumbrance and 380 shares to be issued to F. B. Newport in payment for capital advanced in the construction of the water system of Forest Grove Water Company and in payment for the further construction now under way as detailed in the exhibits presented in this proceeding.

The authority hereby granted is upon the following conditions, to-wit:

1. Forest Grove Water Company shall assume the obligations to serve the public heretofore resting upon

Los Angeles and Arizona Land Company.

2. The authority to convey property and to issue stock shall not be treated or considered in any proceeding before this Commission or any court, tribunal or public body as a finding by this Commission of the value of the property herein described for any purpose other than the purposes of this proceeding.

3. The authority hereby granted shall extend only to the delivery of such conveyance and to the issue of such stock as may be respectively delivered or issued within ninety days from date hereof.

IT IS FURTHER ORDERED that within 20 days after the completion of the purchase of said parcel of land and the payment thereof by the issuance of stock herein authorized, applicant, Forest Grove Water Company, shall report to the Commission in writing that said sale and purchase has been consummated and the date thereof.

IT IS FURTHER ORDERED that General Order No. 24 of this Commission, in so far as applicable, shall apply to and be made a part of this order.

Dated at San Francisco, California, this 12th
day of June, 1917.

Man Helen
J. H. K. K. K. K. K.
Edwin A. Edwards
John R. K. K. K.
Commissioners.