

about what is now Mentone. The Irrigation Company, was organized with a capital stock of 4000 shares of the par value of \$100 each. Of these shares 150 were acquired by applicants and are now held by them. About 170 to 180 shares were acquired by other persons for irrigating lands on the Mentone side of Mill Creek. Irrigators on "the bench" on the opposite side of Mill Creek from Mentone acquired 272 shares.

The irrigation company constructed a water tunnel and conveyed water by pipe line to a reservoir in Mentone owned by the subdividers, who constructed a distribution system and furnished water for domestic use and some irrigation use in and about Mentone. They operated under the fictitious name of Mentone Water Company, herein referred to as the "Domestic Company". Certain irrigators having land below the reservoir were given the right to tap the lines of the domestic system for the purpose of conveying their irrigation water represented by stock held by the irrigators in the Irrigation Company, thus avoiding the necessity of extending the pipes of the Irrigation Company. About 45 acres were so irrigated.

The corporate existence of the Irrigation Company was terminated through failure to pay its corporation license tax in 1912. Portions of the pipe line between the tunnel and reservoir were washed out by flood. Replacements appear to have been made by stockholders on "the bench" principally, without special reference to the proportions of stock owned by them, and without levying assessments in the legal sense of the term.

Vendors claim title to the property described in the Exhibit annexed to the order herein through mesne conveyances. For the purposes of this proceeding it will be assumed that the legal title to all said property is in them,

including 150 shares of stock of the Irrigation Company.

Mr. Haas, appearing at the hearing for "the people on the bench", stated that his clients did not oppose the granting of the application but were particularly interested in seeing that the Commission did not make any order relating to a division of the water between them and applicants which would injuriously affect their interests. It is not necessary to pass on this matter herein.

In Exhibit "A" attached to the application, applicants report the appraised cost of the properties to be transferred at \$27,828.00, based on present day prices, including \$11,250.00 for the 150 shares of water stock, which applicants claim represent a right to the delivery of 15 miner's inches of water. The Commission's engineers appraise the physical properties described in the exhibit at \$9,323.00, using average normal prices.

Applicants have at present 52 service connections of which 26 are metered.

The receipts from the water property for 1916 amounted to \$761.87 and the operating expenses \$277.45, leaving a net revenue of \$499.42. Applicants estimate that during 1917 operating revenues will amount to approximately \$1000 and the operating expenses to about \$300, leaving a net revenue of about \$700.

The operating expenses shown above include no allowance for depreciation. Estimating the annual revenue at \$1000, depreciation charge at \$120, and operating expenses at \$300, leaves but \$580, an amount inadequate to pay interest on the debt which Mentone Water Company proposes to assume, to pay miscellaneous expenses, and provide for a sinking fund.

Applicants wish to convey their public utility

property to Mentone Water Company, a corporation, organized in July, 1917, with a capital stock of \$25,000 divided into 25,000 shares of the par value of \$1.00 each. Their lands in and about Mentone having no public utility character they have segregated and conveyed to Mentone Groves Company, a corporation recently organized for the purpose of acquiring said lands.

On January 31, 1917, the vendors issued to the Mortgage Guarantee Company their 5-year 6 $\frac{1}{2}$ % \$55,000 note. The proceeds of this note were used to acquire certain interests in the real estate in and about Mentone, which ^{were} conveyed to Mentone Groves Company and also in the water stock and property which applicants now wish to sell and convey to said Mentone Water Company.

The payment of said note for \$55,000 is secured by mortgage covering all of the real estate conveyed to Mentone Groves Company, and the domestic water system, which applicants wish to convey to Mentone Water Company. The water company wishes to assume the payment of \$10,000 of the \$55,000 note, form of the proposed agreement being filed herein as applicants' Exhibit "2". The mortgage securing the payment of the \$55,000 note appears to be void insofar as it applies to public utility property by virtue of Section 51 of the Public Utilities Act, as the Commission did not authorize its execution. Counsel for applicants has advised the Commission since the hearing that arrangement has been made whereby the public utility property is to be released from the lien of the mortgage if such lien ever existed, upon condition that the stock issued in payment for the properties be deposited with the mortgagee.

The investment per consumer in the domestic

system is large and the system is overbuilt. It is not to the interest of the new company or its patrons that it should begin operations burdened with a debt of \$10,000 and with an interest charge in excess of its net earnings.

Without specifically finding the value of 150 shares of stock or the amount or value of the water obtainable under it, we are of the opinion that to acquire the properties, the Mentone Water Company should not issue stock in excess of \$10,000 nor assume the payment of more than \$4,000.00 of indebtedness and the order will so provide.

ORDER

W. P. McINTOSH, W. M. McINTOSH, GEORGE WADE McINTOSH and ALAN P. McINTOSH having applied to the Railroad Commission for authority to sell the public utility properties described in Exhibit "1" attached hereto, to the Mentone Water Company, and the Mentone Water Company having applied to the Railroad Commission for authority to issue \$10,000 of stock in payment for said properties and assume the payment of \$10,000 of indebtedness,

And a public hearing having been held, and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that W. P. McIntosh, W. M. McIntosh, George Wade McIntosh and Alan P. McIntosh be and they are hereby granted authority to transfer to the Mentone Water Company, the properties described in Exhibit "1"

attached hereto.

IT IS HEREBY FURTHER ORDERED that Mentone Water Company be, and it is hereby, granted authority to issue in payment for said properties \$10,000.00 par value of stock and assume the payment of \$4,000.00 of the \$55,000.00 6½ per cent five year note executed by the vendors to Mortgage Guarantee Company on January 31, 1917.

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

1.- The price at which the properties described in Exhibit "I" attached hereto are authorized to be transferred shall not be urged before this Commission or any public body as a measure of value of said properties for rate-fixing or any other purpose.

2.- Mentone Water Company shall file with the Commission within thirty days after the transfer of the properties a copy of the mortgage securing the payment of the \$55,000.00 note heretofore executed by the vendors, together with a copy of the release whereby the lien on the properties herein authorized to be transferred will be removed.

3.- Within thirty days after the transfer of the properties herein authorized, Mentone Water Company shall file with the Commission a copy of the instrument of conveyance, under which it holds title to said properties.

4.- Mentone 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 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 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 sell and transfer properties and issue stock shall apply only to such properties as may be sold and transferred and to such stock as may be issued on or before March 1, 1918.

Dated at San Francisco, California,
this 8th day of January, 1918.

Max Thelen
H. S. Loveland
Alfred G. Gordon
Frank C. Jordan
Commissioners.

"EXHIBIT I"

THE PROPERTY TO BE SOLD AND TRANSFERRED BY W.P. MCINTOSH, W.M. MCINTOSH, GEORGE WADE MCINTOSH and ALAN P. MCINTOSH TO MENTONE WATER COMPANY, IS DESCRIBED IN EXHIBIT "A" ATTACHED TO THE PETITION HEREIN, AS FOLLOWS:

PARCEL I. That certain parcel of land in the County of San Bernardino, State of California, described as follows:

A rectangular piece of land located in said Lot One (1), of Block Twelve (12), of Mentone, as per map of Mentone, recorded in Book 8, page 81, of Maps, San Bernardino County Records, more particularly described as follows, to-wit:

Beginning at a point on the South side of said Lot One (1), 282 feet East of its Southwest corner (said Southwest corner being in the East line of Ruby Avenue); thence North $151\frac{1}{2}$ feet; thence East 144 feet; thence South $151\frac{1}{2}$ feet to the South line of said Lot 1; thence West 144 feet to the point of beginning, containing an area of one-half acre;

Together with the reservoir located thereon.

PARCEL II.

Also a right of way and easement across said Lot 1, of Block 12, of Mentone, from the half acre of land above described Westerly to said Ruby Avenue.

Also the right to enter upon said Lot 1 to maintain, repair, renew, inspect and look after the pipe line laid in the right of way above described, and for access to the said reservoir hereinbefore described;

Being the right of way and easement referred to in deed to the Pacific Land Improvement Company from S.H. Marlette, W.P. McIntosh and Miles Dodd, Jr., dated April 28, 1895, and recorded in the office of the County Recorder of the said County of San Bernardino, in Book 914, of Deeds, at page 196.

PARCEL III. 150 shares of the capital stock of the Mentone Irrigation Company, a corporation, representing a right to the delivery of 15 minor's inches of water.

PARCEL IV. The following pipe lines and their equipment, namely:

(a) Pipe lines laid in the right of way as follows:

Beginning at the reservoir above described, running thence westerly along the southern line of said Lot 1 to Ruby

Avenue; thence along the westerly line of said Ruby Avenue to the south line of Mentone Avenue; thence west along said Mentone Avenue to a point a few feet west of Emerald Avenue.

Said pipe line is 8-inch steel drive pipe, 2400 feet from said reservoir to the west line of Agate Avenue, and 6-inch steel drive pipe 4200 feet from said west line of Agate Avenue to the western end of the line.

2400 feet of 8-inch pipe.

4200 feet of 6-inch pipe.

(b) The following pipe lines and their equipment, of which 10,250 feet are 2-inch screw pipe and the residue 200 feet. Extending from Naples Avenue along the east line of Beryl Avenue is 1-inch screw pipe, namely:

From Brighton Avenue to Florence Avenue.

From Brighton Avenue to the center of Block 64, south of Florence Avenue.

From Brighton Avenue to the north line of Naples Avenue.

From the east line of Tourmaline Avenue to the south line thereof.

From Brighton Avenue along Turquoise Avenue to Naples Avenue.

From the north line of Brighton Avenue, along the east line of Opal Avenue to Nice Avenue, and along the south line of Nice Avenue across said Opal Avenue, and along the westerly half of said Opal Avenue to a point near the south line of Block 6 of the Mentone lands, as shown on said Stretch Map.

From Brighton Avenue along the west line of the railroad right of way to Naples Avenue.

From Brighton Avenue, along the east line of Jasper Avenue to the south line of Naples Avenue; thence across Jasper Avenue and along the west line thereof to the south line of Nice Avenue.

Thence along the south line of Nice Avenue to a point near the northeast corner of Lot 2 of the Mentone lands, as said lot is shown on the Stretch Map.

From Brighton Avenue, along the east line of Chrysolite Avenue to the south line of Florence Avenue.

Also from a point in the main line a few feet east of the gate valve, near the east line of Emerald Avenue; running thence across said Emerald Avenue to the southeast corner of the northeast quarter of Section 24, Township 1 south, Range 3 west, S.E.B. & M.

Also several short lines extending across Mentone Avenue northerly from the easterly line of Chrysolite Avenue and

and Jasper Avenue, and one or two other lines.

10,250 feet of 2-inch pipe line,

200 feet of 1-inch pipe line

* * *

(d) One 8-inch gate valve, about 40 feet west of reservoir.

One 8-inch gate valve, a few feet west of the eastern line of Lot 1, in Block 10, as per said Stretch Map.

Two 8-inch valves.

(e) One 6-inch gate valve, about 18 feet east of Olivane Avenue.

One 6-inch gate valve, about 18 feet east of Tourmaline Avenue.

One 6-inch gate valve, about 18 feet east of Turquoise Ave.,

One 6-inch gate valve, about 18 feet east of Opal Avenue.

One 6-inch gate valve, about 18 feet east of Emerald Avenue.

Five 6-inch gate valves.

(f) 20 meters installed.