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Decision No. 5874-

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
INTER-URBAN WATER COMPANY)
for authority to transfer to IMPERIAL)
UTILITIES CORPORATION its water plant)
and system in Monterey Park and autho-)
rizing said IMPERIAL UTILITIES CORPO-)
RATION to issue certain bonds and)
stock in payment therefor.)

Application Number 3547.

Benj. J. Henley, for applicants.

BY THE COMMISSION.

O P I N I O N .

INTER-URBAN WATER COMPANY asks authority to transfer to IMPERIAL UTILITIES CORPORATION its water plant and system in Monterey Park adjacent to Los Angeles and the latter company asks authority to issue in payment therefor \$30,000.00 par value of its common capital stock and \$50,000.00 of its 5 per cent 25-year gold bonds to be known as Series "B", both bonds and stock to be issued at par.

A public hearing upon the application was held by Examiner Westover at Los Angeles.

The plant and system in question was originally installed to serve a sub-division known as Romona Acres, the territory subsequently being incorporated under the name of Monterey Park. The water is pumped from wells and served for domestic use through

about 816 services, beside a large quantity delivered for irrigation use.

The president of the Inter-Urban Water Company placed a valuation of \$150,000 on the properties while the engineers of the Imperial Utilities Corporation submitted an estimated cost new of the physical properties of \$123,276.08, with an accrued depreciation of \$27,904.11, showing a reproduction cost new less depreciation of \$95,371.97. No separate appraisal has been made by the Commission's engineers, but they have examined the figures referred to and report that they are satisfied that the entire property has cost at least \$80,000.

Inter-Urban Water Company has submitted an income statement for the five months ending March 31, 1918, showing:

Gross Revenue,.....	\$5,506.38
Operating Expenses,.....	2,484.56
Net Operating Revenue,.....	<u>3,021.82</u>
<u>Deductions:</u>	
Taxes,.....	\$433.75
Interest and Discount,....	2.65
Interest on \$50,000 of bonds to be issued,....	<u>1,041.75</u>
Total Deductions,.....	<u>1,478.15</u>
Net Income available for taxes and depreciation for five months,.....	1,543.67

Imperial Utilities Corporation was incorporated with a capital stock of \$100,000 divided into 1,000 shares of the par value of \$100.00 each. One hundred shares are now outstanding, the proceeds having been used to improve its plants at Calipatria and Niland mentioned below.

By Decision Number 4985, dated December 26, 1917, (Vol. 14, Opinions and Order of the Railroad Commission of California, pg. 790) the Railroad Commission authorized Imperial Utilities Corporation to issue \$10,000 of Series "A" 6 per cent bonds to acquire properties from the Imperial Valley Farms Land Association, et al. at Niland and Calipatria, Imperial County. The water

properties at Miland and Calipatria have been operated by Imperial Utilities Corporation since April 1917. Chas. G. Patrick, manager of the company, reports that during its first twelve months of operation its net earnings have amounted to \$7,800.00. The net earnings, he further reports, have been more than sufficient to pay twice the interest on the bonds now outstanding and the \$50,000 referred to herein.

O R D E R.

INTER-URBAN WATER COMPANY having applied to the Railroad Commission for authority to sell its properties to the IMPERIAL UTILITIES CORPORATION, and IMPERIAL UTILITIES CORPORATION having applied to the Railroad Commission for authority to issue \$30,000 par value of its common capital stock, and \$50,000 face value of its 5 per cent 25-year Series "B" gold bonds in payment for said properties, a public hearing having been held and the Commission being of the opinion that this application should be granted, that the money, property or labor to be procured or paid for by the issue of bonds and stock referred to, is reasonably required for the purpose specified in the Order, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Inter-Urban Water Company be, and it is hereby, granted authority to sell to the Imperial Utilities Corporation the properties described in Exhibit "1" attached hereto, said sale to be made pursuant to the terms and conditions of the agreement attached to the petition herein and marked Exhibit "D".

IT IS HEREBY FURTHER ORDERED that Imperial Utilities Corporation be, and it is hereby, granted authority to issue, at not less than par, \$30,000 par value of its common capital stock and \$50,000 face value of its 5 per cent 25-year Series "B" gold bonds for the purpose of acquiring the properties described in Exhibit "1" attached hereto.

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

- 1.--- The amount of bonds and stock herein authorized to be issued in exchange for properties shall never be urged before the Railroad Commission or other public body as a measure of value of said properties for rate-fixing or for any purpose other than that referred to herein.
- 2.--- Within thirty days after the transfer of the properties herein authorized, Imperial Utilities Corporation shall file with the Railroad Commission a verified copy of the instrument of conveyance.
- 3.--- Imperial Utilities Corporation shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the bonds and stock herein authorized to be issued and on or before the twenty-fifth day of each month, until all of said bonds and stock have been issued, and the proceeds disbursed, shall make verified reports to the Commission in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this Order.

4.--- The authority herein granted to issue bonds shall not become effective until Imperial Utilities Corporation has paid the fee prescribed by the Public Utilities Act.

5.--- The authority herein granted to transfer properties and issue bonds and stock shall apply only to such property as may be transferred and to such bonds and stock as may be issued on or before February 25, 1919.

Dated at San Francisco, California, this 28th
day of October, 1918.

Edwin D. Edgerton
W. H. Leonard
Frank Dever

Commissioners.

EXHIBIT No. "1"

The properties which the Inter-Urban Water Company desires to sell to the Imperial Utilities Corporation are described in Exhibit "E" attached to the petition herein as follows:-

"The South fifty (50) feet of Lot three (3) of Block K of Tract Number Seven Hundred Eighty-six (786), as the same appears upon the official plat thereof, recorded at pages 58 and 59 of Book 16 of Maps, Records of Los Angeles County, State of California:

"Lot A of Ramona Acres, plat No. 2, as the same appears upon the official plat thereof, recorded at page 50 of Book 11 of Maps, Records of Los Angeles County, State of California:

"The West thirty (30) feet of Vacation Street on East and Thirty (30) feet of Vacation Alley on the South, and Lot Number Three Hundred Thirty-four (334) all of Ramona Acres, plat No. 2, as the same appears upon the official plat thereof, at pages 26 and 27 of Book 17 of Maps, Records of Los Angeles County, State of California,

"The South one-half ($\frac{1}{2}$) of Lot Two Hundred Sixty-four (264) of Ramona Acres, plat No. 2, as the same appears upon the official Map thereof, at pages 134 and 135 of Book 16 of Maps, Records of Los Angeles County, State of California.

"All of the distributing system pipe lines, pumping plants, pipe, pipe fittings, meters, supplies, buildings, reservoirs, reservoir sites, water rights, rights of way, franchises, and all other property, real, personal and mixed, owned by the party of the first part and situate in or upon

Tract Number Seven Hundred Eighty-six (786); Tract Number Two Thousand Three Hundred Ninety-nine, (2399); Tract Number One Thousand One Hundred Seventy-nine (1179), Tract Number One Thousand Five Hundred Forty-eight (1548); Tract Number One Thousand Eight Hundred Seventy-four (1874) and Tract Number One Thousand Nine Hundred Eighty-five (1985); of that certain plot or parcel of land commonly known as Ramona Acres, and Tract Number Two Thousand Seventy-eight (2078), Tract Number One Thousand Four Hundred Ninety-five (1495), Tract Number Two Thousand Six Hundred Twenty-seven (2627); Tract Number Two Thousand Eight Hundred Twenty-six (2826); Tract Number Three Thousand Four (3004) and Tract Number Two Thousand Seven Hundred Seventy-two (2772); of that certain plot or parcel of land commonly known as Andover Tract, all situate, lying and being in and constituting the Town of Monterey Park in the County of Los Angeles, State of California.

"The purpose of this instrument is to convey from the party of the first part to the party of the second part all of the property, real, personal and mixed, water rights, franchise rights, good will and assets of the party of the first part from the said party of the first part to the party of the second part and all of said property is hereby conveyed whether specifically mentioned herein or not.

"TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in any wise appertaining; and the reversion and reversions, remainder and remainders; rents, issues and profits thereof."

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