

ORIGINAL

Decision No. 6147BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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In the Matter of the Application of

(a) RIVER STREET DITCH COMPANY
for an order authorizing it to sell, and
FARMERS IRRIGATION COMPANY
for an order authorizing it to buy, that
certain water right, water ditch and
water system commonly called "River Street
Ditch," in Ventura County, California, and
FARMERS IRRIGATION COMPANY
for an order authorizing it to issue and
deliver to RIVER STREET DITCH COMPANY, and
RIVER STREET DITCH COMPANY for an order
authorizing it to accept \$15,500 par value
of the capital stock of FARMERS IRRIGATION
COMPANY, in full payment for said property;

(b) FARMERS IRRIGATION COMPANY
for an order authorizing it to sell and issue
\$23,900 par value or 239 shares of its capi-
tal stock, and to devote the proceeds of same
to public utility purposes, namely, to im-
provements in its water system;

(c) FARMERS IRRIGATION COMPANY
for an order ratifying certain capital investments
heretofore made by it; to apply the proceeds
arising from the sale of said 239 shares of its
capital stock to re-imbursing itself for money
expended for said improvements; to borrow such
sums in addition as are necessary to enable it to
complete its projected improvements and to autho-
rize it, upon the increase of its capital stock,
to sell at par such a number of said shares as
will enable it to liquidate its indebtedness,
and to be incurred by it for capital purposes.

ApplicationNumber4169.-----
George E. Farrand, for applicants.BY THE COMMISSION:O P I N I O N.

In this application, as amended, at the hearing held
February 4, 1919, applicants ask the Railroad Commission to make

its order authorizing them to perform the following acts:

(1):-- River Street Ditch Company to sell its properties described in Exhibit "F", attached hereto, to Farmers Irrigation Company in exchange for \$15,500 par value of stock.

(2).-- Farmers Irrigation Company to issue \$15,500 of stock for the purpose of acquiring the properties of River Street Ditch Company and to issue, at par, additional stock for the purpose of financing the improvements referred to in Exhibits "B" and "C", attached to the petition herein, and to which reference will be made hereafter.

River Street Ditch Company, pursuant to orders of the Railroad Commission, has issued \$15,500 par value of stock. It is the intention of the company to transfer all of its property to the Farmers Irrigation Company in exchange for \$15,500 of that company's stock. The record shows that the controlling interests of the River Street Ditch Company and Farmers Irrigation Company are the same. While there is some difference in stockholding in the two companies, no one appeared at the hearing in this application, before Examiner Encell, to protest against the transfer of the property or the issue of stock by Farmers Irrigation Company.

Both River Street Ditch Company and Farmers Irrigation Company take their water from the Santa Clara River at or near Santa Paula. The ditches of these two companies, the former known as the "River Street Ditch" and the latter as the "Farmers Ditch", have their intakes close together. Each of the ditches, generally speaking, parallel each other several miles from their intakes down the Santa Clara Valley. The testimony shows that the River Street Ditch runs at a lower level than the Farmers Ditch. There is a narrow strip of land which lies between the two ditches.

If this application is granted, part of the River Street Ditch will be abandoned and all of the water necessary to serve the consumers of the Farmers Irrigation Company and of the River Street Ditch will be diverted through the intake of the Farmers Ditch and distributed through the Farmers Irrigation Company system. Mr. C.C. Teague, president of the River Street Ditch Company, testified that any change in the diversion of the water and its distribution will in no way prevent the consumers of the River Street Ditch Company from receiving an adequate supply of water and that the transfer of the property and the installation of the improvements contemplated by the Farmers Irrigation Company would inure to the benefit of those who have been receiving water through the River Street Ditch. He further believes that the consolidation of the two properties will tend toward economy and better service.

In Exhibit "B", attached to the petition, applicants report that Farmers Irrigation Company has expended during the early part of 1918 the sum of \$13,674.18 for improvements. In Exhibit "C", the cost of additional improvements is reported at \$37,487.75, making a total expenditure of \$51,161.93. To finance these improvements, the Farmers Irrigation Company requests permission to issue stock at par. Until all of the improvements have been installed, the company is not in a position to advise the Commission of their exact cost. The order herein will authorize the Farmers Irrigation Company to issue \$51,200 of stock for the purpose of financing the improvements referred to in Exhibit "B" and "C". In the event that the cost of these improvements should materially exceed the estimate, the issue of additional stock can be taken care of by a supplemental order in this proceeding. The improvements referred to in Exhibits "B" and "C" consists, in the main, in replacing open dirt ditches with concrete pipe varying from 42 inches to 48 inches in diameter. The installation of a pipe line of this magnitude should

result in a material reduction in operating expenses, for it will do away with the annual cleaning of the ditches, prevent the loss of water through seepage and evaporation and increase the capacity of the Farmers Irrigation Company system to about 1800 inches. The present demand for water varies from 700 to 800 inches. The improvements which Farmers Irrigation Company intends to make are not only to supply actual users of water, but are in addition in the nature of insurance for consumers who do not ordinarily use water but who may desire it in years of excessive drought. C.C. Teague also believes that there are opportunities to greatly develop the demand for water. Obviously, the present consumers cannot be expected, and in fact are not expected according to the record, to pay a rate sufficient to yield a reasonable return on an investment which is not being made for their particular benefit, but rather for the benefit of individuals who are not now receiving water through this irrigation system. If the stockholders of the Farmers Irrigation Company desire a return on the investment which they propose to make to protect themselves ^{or others} against losses in dry seasons, they must of necessity look to some other sources than rates paid by the present consumers for a return on the excess investment.

O R D E R.

RIVER STREET DITCH COMPANY having applied to the Railroad Commission for authority to sell its properties to the FARMERS IRRIGATION COMPANY, and the FARMERS IRRIGATION COMPANY having joined in the application, and having asked authority to issue stock for the purpose of acquiring said properties and to finance improvements to its system, as recited in the foregoing Opinion, a public hearing having been held and the Railroad Commission being of the opinion that this application should be granted and that the money, property

or labor to be procured or paid for by the issue of stock is reasonably required for the purpose or purposes specified in this order, and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that RIVER STREET DITCH COMPANY be, and it is hereby, granted authority to sell its properties described in Exhibit "I", attached hereto, to FARMERS IRRIGATION COMPANY in exchange for \$15,500 of stock.

IT IS HEREBY FURTHER ORDERED that FARMERS IRRIGATION COMPANY be, and it is hereby, granted authority to issue \$66,700 par value of stock.

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

- (1).--- The stock herein authorized to be issued shall be sold by Farmers Irrigation Company at not less than the par value thereof.
- (2).--- The proceeds from the sale of the stock shall be used by Farmers Irrigation Company for the following purposes, unless otherwise authorized by the Railroad Commission:--
 - (a).--- \$15,500 to acquire all the properties of River Street Ditch Company described in Exhibit "I", attached hereto.
 - (b).--- \$51,200 to finance the cost of improvements described in Exhibits "B" and "C", attached to the petition herein..
- (3).--- The payment of any indebtedness of River Street Ditch Company not paid at the time of the transfer of its properties to Farmers Irrigation Company, shall be assumed by Farmers Irrigation Company.

(4).-- The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission, or any other public body, for rate-fixing or any purpose other than the transfer herein authorized.

(5).-- Within thirty days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the Farmers Irrigation Company.

(6).-- Farmers Irrigation Company shall keep a true and accurate record of the issue of the stock herein authorized, and shall on or before the twenty-fifth day of the month following the issue of any such stock, make a verified report to the Railroad Commission setting forth the fact and the date of issue, the par value of the stock so issued, the amount received therefor and the disposition of the proceeds therefrom, all in accordance with the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

(7).-- The authority herein granted to transfer property and to issue stock, shall apply only to such property as may be transferred and to such stock as may be issued on or before August 1, 1919.

Dated at San Francisco, California, this 25th day of February, 1919.

Edwin A. Ely

H. S. Loveland

Frank R. Nelson

H. K. Brundage

Irving Martin

Commissioners.

EXHIBIT "I"

* * *

The properties which River Street Ditch Company intends to sell and transfer to the Farmers Irrigation Company is described in Exhibit "A", attached to the petition herein, as follows:

"That certain water right and water ditch generally known as and called "Gries Ditch" or "River Street Ditch," in the County of Ventura, State of California, and extending from a point on the Northerly bank of the Santa Clara River in Section twelve (12), Township three (3) North, Range twenty-one (21) West, San Bernardino Base and Meridian, in a Westerly and South-westerly direction across Sections twelve (12) and eleven (11) of Township three (3) North, Range twenty-one (21) West, San Bernardino Base and Meridian, and over and across Lots seventy-eight (78) seventy-seven (77) twenty-eight (28), twenty-nine (29) thirty (30), thirty-one (31), thirty-two (32), thirty-three (33), thirty-four (34), and thirty-five (35), of the Rancho Santa Paula y Saticoy, to a point in the "Haines Barranca" on lands of Edith B. McDivitt et al, in Lot thirty-four (34) of the Rancho Santa Paula y Saticoy, Ventura County, California, together with all and singular the rights, incidents, easements, franchises, licenses and appurtenances claimed or used in connection with or belonging to or in any wise appertaining to said "Gries Ditch" or "River Street Ditch;"

Said property being particularly described in that certain indenture of date April 20, 1917, wherein Interurban Land Company is party of the first part and River Street Ditch Company is party of the second part, which said deed was recorded in Book 156 of Deeds, at page 8, records of Ventura County, California, to which said deed and said records thereof reference is hereby made for a particular description of said property, the same as though the description contained in said record were hereby again herein set out at length;

Together with all water and water rights and claims to water and water rights of River Street Ditch Company under, in connection with, used or usable with or in any way appurtenant, appendant or incident to said "Gries Ditch" or "River Street Ditch" and water system, and any and all right and rights of River Street Ditch Company to divert water out of and from said Santa Clara River, its branches, sloughs and tributaries, and for Santa Paula Creek, its branches, sloughs and tributaries, and any and all right and rights of River Street Ditch Company, to use, own, sell, rent, distribute, and/or otherwise dispose of, handle and enjoy such water and water rights;

Together with all and singular the head works, dams, ditches, lateral ditches, flumes and/or conduits, of whatsoever kind, character or description, and any and all easements, franchises, property, rights of way and privileges, belonging to River Street Ditch Company which are in

any wise incident, appendant or appurtenant to said ditch and water system;

Together also and including with the same, all and every right, title, interest and property acquired by River Street Ditch Company in connection with said "Gries Ditch" or "River Street Ditch" by grant, conveyance, use, appropriation, concession, or in any other manner whatsoever, in addition to the rights acquired and owned by it under and by said deed dated April 20, 1917, executed and delivered to it as aforesaid by Interurban Land Company;

Together also with all tools, equipment, appliances and personal property of whatsoever kind, and interests in personal property owned by River Street Ditch Company and used or usable in connection with said Ditch and water system;

Together with all other property, real or personal, whether hereinbefore described or not, and wherever the same may be situated, belonging to this corporation, or in which it has any right, title or interest whatsoever;

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.