

ORIGINAL

Decision No. 7269

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application of RUSSIAN RIVER WATER COMPANY for an order confirming purchase of operative properties and lease of water sheds from North Shore Land Company.)))))))	Application No. 5299.
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In the matter of the application of RUSSIAN RIVER WATER COMPANY for an order authorizing the issu- ance of treasury stock.))))	Application No. 5300.
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A. F. Lemberger for applicants.

BY THE COMMISSION:

O P I N I O N.

Russian River Water Company in Application No. 5299 asks the Railroad Commission to approve, ratify and confirm the sale and lease of certain public utility properties of North Shore Land Company to Russian River Water Company. In Application No. 5300 it requests authority to issue its stock at par to take up its note to T. C. Mellersh for \$14,000 and to issue to him its stock of the par value of \$9400 at par to apply on an open account of \$9412.75 in his favor for cash advances.

At the hearing held before Examiner Westover the above entitled applications were consolidated for hearing and

decision.

Some of the properties in question were sold and others leased to Russian River Water Company on November 1, 1919, without the previous authority of the Commission, required by Section 51 of the Public Utilities Act. The Commission has no power to confirm or approve a void act. It will therefore view this application as a request of North Shore Land Company, which joins in the application for authority to hereafter sell and lease certain properties. The record shows that the attempted sale and lease of the properties was made through inadvertence and with no intention to evade the terms of the Public Utilities Act.

The properties in question are used to supply water to residents of Monte Rio, Sheridan, Mesa Grande and vicinity along the Russian River in Sonoma County.

In Decision No. 3968, dated December 29, 1916 (Vol. 12, Opinions and Orders of the Railroad Commission of California, p. 142) it appears that the Commission's engineers estimated the reproduction cost new of the water system of the North Shore Land Company which it desires to sell at \$10,574. Since the appraisal of the properties, approximately \$3,300.00, according to the testimony herein, has been expended in the construction of additions and betterments. The agreed purchase price of the system is \$14,000. The purchaser borrowed the money from T. C. Mellersh, its president, paid it to the seller and issued to Mr. Mellersh its 6 months note for the \$14,000.

North Shore Land Company also asks permission in Application No. 5299 to lease to Russian River Water Company for a term of 5 years the right and privilege to take and use for the purpose of supplying water, the water

flowing and originating on about 606 acres of land consisting of water-sheds lands of Sheridan, Mesa Grande, Harrison School House, Crawford and Madame Walker creeks, together with certain lots and other property of minor importance. For the purpose of fixing the annual rental, the value of the land has been assumed to be \$10 an acre or \$6,060. Russian River Water Company has agreed to pay an annual rental equivalent to 5% on \$6,060, and urges that such rental will be less than the cost of obtaining a sufficient water supply from wells.

Russian River Water Company was organized in April, 1917, with an authorized stock issue of \$50,000, divided into 500 shares of \$100 each. It is the intention of the company to acquire ultimately not only the properties of North Shore Land Company mentioned above but also the properties of Mt. Jackson Water and Power Company, Russian River Heights Water Company and certain other properties. Practically all of the outstanding stock of North Shore Land Company, Mt. Jackson Water & Power Company and Russian River Heights Water Company is owned by T. C. Mellersch. The testimony shows that besides advancing the \$14,000 already referred to he has advanced moneys from time to time to Russian River Water Company aggregating \$9412.75, of which it in turn has advanced \$3,984.81 to Mt. Jackson Water & Power Company and \$1457.01 to Russian River Heights Water Company and retained \$3,970.93. Mr. Mellersch is willing to accept at par \$3900 face value of stock of Russian River Water Company as part of the \$3970.93 retained by it, which represents in the main working capital of that company used and necessary in its public utility operations. Leave was granted at the hearing to amend the application to conform to the above proof.

O R D E R

RUSSIAN RIVER WATER COMPANY and NORTH SHORE LAND COMPANY having applied to the Railroad Commission for permission to transfer and lease properties, and Russian River Water Company having applied for permission to issue stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be acquired by such issue is reasonably required by Russian River Water Company.

ORDERED

IT IS HEREBY/that North Shore Land Company be and it is hereby granted permission to hereafter transfer to Russian River Water Company the personal property and rights of way described in the bill of sale attached to Application No. 5299.

IT IS HEREBY FURTHER ORDERED that North Shore Land Company and Russian River Water Company be and they are hereby authorized to hereafter enter into a lease substantially in the form of lease attached to Application No. 5299 and bearing the date of November 1, 1919.

IT IS HEREBY FURTHER ORDERED that Russian River Water Company be and it is hereby authorized to issue at not less than par, \$14,000 par value of its common stock to liquidate note for that sum issued to T. C. Mellersch for \$14,000 cash advanced by him to acquire the properties which North Shore Land Company is herein authorized to sell; also to issue at not less than par to T. C. Mellersch \$3,900.00 of stock at par to pay that amount of indebtedness represented by accounts payable.

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

1. The \$3,900 of stock referred to in this order shall not be issued until Russian River Water Company has acquired by a properly executed deed or instrument of conveyance the properties which North Shore Land Company is herein authorized to sell to Russian River Water Company.

2. Neither the price at which North Shore Land Company is herein authorized to sell properties nor the rental mentioned in the lease which the Commission herein authorizes to be executed shall be urged before this Commission, or any other public body having jurisdiction, as a measure of value of the properties referred to in this decision for the purpose of fixing rates or any purpose other than the transfer and lease herein authorized to be executed.

3. Russian River Water Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad 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 stock shall apply only to such stock as may be issued on or before August 1, 1920.

Dated at San Francisco, California, this 15th day of March, 1920.

Edwin C. Edgerton
H. A. Braland
Frank D. ...
H. B. ...

Commissioners.