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ORIGINAL

Decision No. 8495.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
FRUITVALE MUTUAL WATER COMPANY,)
a corporation, for an order autho-) Application No. 6395.
rizing the issue of bonds and stock.)

Stuart O'Melveny for applicant.

BY THE COMMISSION:

O P I N I O N

FRUITVALE MUTUAL WATER COMPANY asks permission to issue not exceeding \$400,000.00 of stock, \$260,000.00 of first mortgage 7 per cent serial bonds and execute a mortgage to secure the payment of the bonds.

A public hearing was held on this application in San Francisco on December 22nd before Examiner Gordon.

In Decision No. 8186, dated October 1, 1920, the Railroad Commission authorized Citizens Water Company of San Jacinto to sell its properties to the Fruitvale Mutual Water Company.

Fruitvale Mutual Water Company was organized as a mutual water company for the purpose of selling and distributing water to its stockholders only at cost and for the purpose of purchasing the water rights and distributing system of the Citizens Water Company of San Jacinto. At the time applicant was organized, it was expected that all consumers and water users of Citizens Water Company of San Jacinto would agree to surrender their certificates and rights to receive water from Citizens Water Company of San Jacinto and in lieu of such certificates and rights accept stock of the Fruitvale ^{Mutual} Water Company.

At the time the petition in this application was filed all but two of the consumers and users of water of the Citizens Water Company of San Jacinto holding contracts had agreed to exchange their water certificates for stock in applicant corporation. The testimony shows that these two have since agreed to exchange their certificates for stock. The testimony further shows that all users of water who do not hold certificates have agreed to purchase stock of the Fruitvale Mutual Water Company so that applicant will, when it commences operations after acquiring the properties of Citizens Water Company of San Jacinto, sell water to stockholders only.

Applicant proposes to issue one share of its stock in exchange for each acre certificate issued by Citizens Water Company of San Jacinto and $1-2/5$ ths shares of its stock for each acre certificate issued by San Jacinto Valley Water Company, the predecessor of Citizens Water Company of San Jacinto. The water certificate contracts issued by the San Jacinto Valley Water Company convey and provide for the delivery to the holder thereof one-fifth of a miner's inch of water per acre certificate as therein described, while the water certificate contracts issued by the Citizens Water Company of San Jacinto convey and provide for the delivery to the holders thereof of one-seventh of a miner's inch of water per acre certificate as therein described. To other persons who have heretofore obtained irrigation water from the distribution system of the Citizens Water Company of San Jacinto and who do not own water certificates, it is proposed to issue a share of stock for the consideration of \$50.00, and in addition to such cash payment require a waiver by such persons waiving any and all rights to the water and service of Citizens Water Company of San Jacinto, or from the supplies or distributing system now owned by said corporation, except such rights as may be acquired by reason of such persons being owners of stock in applicant corporation. It is estimated that approximately \$352,900.00 of stock

will be issued in exchange for water certificate contracts or issued to present consumers for a cash consideration. The remainder of the stock applicant asks permission to sell from time to time at such prices as may be determined by its Board of Directors. The Commission has not been furnished with sufficient information to warrant an order such as requested by applicant in regard to the sale of the remainder of its stock. The order herein will provide that any stock not issued in exchange for water certificate contracts, or issued and delivered to present consumers for a cash consideration, shall be sold only at such price, and the proceeds used for such purposes as the Commission may permit in a supplemental order in this proceeding.

To acquire the properties of Citizens Water Company of San Jacinto, applicant has found it necessary to create, issue and sell bonds. It has arranged for the sale of \$260,000.00 of first mortgage 7 per cent serial bonds at 90-1/2 plus accrued interest. Applicant reports that it will have to use \$224,393.94 of the proceeds to pay for the property it intends to acquire from the Citizens Water Company of San Jacinto. The remainder of the proceeds it intends to use for the acquisition of property, construction, completion, extension and improvement of facilities. Inasmuch as the Commission has not been furnished with detailed information showing the purposes for which the remainder of the proceeds from the sale of the bonds will be expended, the order herein will provide that the remainder of the proceeds may be expended only for such purposes as the Commission may authorize in a supplemental order or orders.

Applicant has filed a copy of its proposed mortgage. The \$260,000.00 of bonds which applicant intends to issue mature serially as follows:--

\$5,000.00 in 1922,
\$7,000.00 in each of the years 1923 to 1926, inclusive,
10,000.00 in each of the years 1927 to 1930, inclusive,
12,000.00 in 1931,
15,000.00 in each of the years 1932 to 1936, and
20,000.00 in each of the years 1937 to 1941.

The mortgage is in satisfactory form.

It appears from the record that applicant is at this time only technically a public utility and that steps are being taken to change its status from that of a public utility to a mutual water company. To pay the cost of operation, including payment of interest and principal of bonds, applicant will levy assessments upon its stockholders. It is due solely to the manner in which it is intended to operate hereafter these properties that this application is granted. The authority to issue stocks and bonds can in no way be regarded as a determination of the value of either the tangible or intangible properties of applicant.

O R D E R

FRUITVALE MUTUAL WATER COMPANY having applied for permission to issue bonds and stock and execute a mortgage, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured through the issue of bonds and stock herein authorized, is reasonably required by applicant, and that the expenditures of the proceeds obtained from the sale of the bonds are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that FRUITVALE MUTUAL WATER COMPANY be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Applicant's Exhibit "C", provided --

THAT the approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

IT IS HEREBY FURTHER ORDERED, that FRUITVALE MUTUAL WATER Company be, and it is hereby, authorized to issue \$400,000.00 of stock and \$260,000.00 of first mortgage 7 per cent serial bonds.

The authority herein granted is subject to further conditions as follows:

1.--Of the stock herein authorized to be issued, such an amount as may be necessary may be delivered to the consumers of the Citizens Water Company of San Jacinto referred to in this application in exchange for water certificates and for the cash consideration referred to in this application. The remainder of the stock shall be sold by applicant only after the Commission by supplemental order has fixed the price and specified the purposes for which the proceeds may be used.

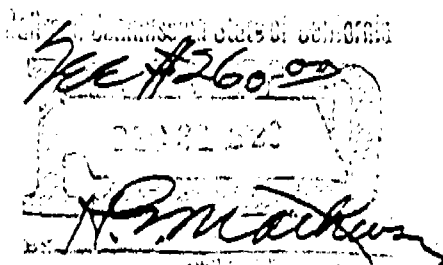
2.--The bonds herein authorized to be issued shall be sold by applicant for not less than 90-1/2 per cent of their face value and accrued interest. Of the proceeds, \$224,395.94 may be used by applicant to pay for the properties of Citizens Water Company of San Jacinto referred to in this application. The remainder of the proceeds shall be expended only for such purposes as the Commission may authorize in a supplemental order or orders.

3.--Fruitvale Mutual Water Company shall keep such record of the issue and sale of the bonds and 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 will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

5.--The authority herein granted will apply only to such bonds and stock as may be issued and sold on or before July 1, 1921.

Dated at San Francisco, California, this 30th
day of December, 1920.



H. P. Mackay
W. R. R. R.
H. P. R. R.
During Master
Commissioners.