

HS

ORIGINAL

Decision No. 9170.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application of)
RUSSIAN RIVER WATER COMPANY)
for permission to acquire Utility)
Properties of MT. JACKSON WATER &)
POWER COMPANY, RUSSIAN RIVER HEIGHTS)
WATER COMPANY and GUERNEWOOD PARK)
DEVELOPMENT COMPANY)

Application
Number
6388.

A.F. Lemberger for Applicants.

BY THE COMMISSION:

O P I N I O N.

RUSSIAN RIVER WATER COMPANY asks permission to purchase the properties of MT. JACKSON WATER AND POWER COMPANY and RUSSIAN RIVER HEIGHTS WATER COMPANY and the water system of GUERNEWOOD PARK DEVELOPMENT COMPANY and to issue in payment thereof, its common capital stock, at par, in such amounts as shall be determined by the Railroad Commission. Guernewood Park Development Company, Mt. Jackson Water and Power Company and Russian River Heights Water Company join in the application in so far as it relates to the sale of properties owned by them.

A public hearing in this matter was held before Examiner Satterwhite in San Francisco on February 21, 1921. Recently applicants have filed certain information requested at the hearing and the matter is now ready for decision.

In brief, this application involves the consolidation, under one ownership and management, of four different water systems.

It is the intention of Russian River Water Company to acquire free and clear of all liens and encumbrances, all of the operative properties, water rights, rights-of-way and easements in conjunction therewith now owned by the other companies, and any and all necessary lands now used, occupied or useful and necessary in conjunction with such operative properties, and any and all leases, easements or appurtenances belonging to or appurtenant to the properties.

The record shows that Guernewood Park Development Company was incorporated on July 30, 1918, with an authorized capital stock of \$50,000.00, all of which is reported to be outstanding. It is primarily a realty company, operating the water system in conjunction with its land business. This application involves the sale of its public utility water properties only. The company serves about 210 consumers at Guernewood Heights, Guernewood Park and Guerneville.

Mt. Jackson Water and Power Company was incorporated on September 28, 1908 and has an authorized and outstanding stock issue of \$20,000.00 of common stock. It operates in and about El Bonito, Rionido and Westover Heights, serving about 197 consumers.

RUSSIAN RIVER HEIGHTS WATER COMPANY, which was incorporated in October 1904, serves about 82 consumers in Greystone, Montezano and Russian River Heights. All of the authorized capital stock of \$2,000.00 is outstanding.

RUSSIAN RIVER WATER COMPANY, organized on April 12, 1917, has an authorized capital stock of \$100,000.00 of common and \$25,000.000 of preferred. Of the common stock, \$18,400.00 has been issued and is outstanding. The company operates in Monte Rio and adjacent territory, reporting about 379 consumers.

The towns and communities served by the four utilities are practically contiguous, being situated along the Russian River in Sonoma County, and, with the exception of Guerneville and Monte Rio have substantially a summer population only.

202

It appears that the consolidation will effect economies in overhead, labor and other operating charges, and should benefit the public by improving service and increasing the water supply. It is believed that the financial basis of Russian River Water Company will be strengthened and will permit it to procure additional funds with which to install extensions, additions and betterments necessary to insure an adequate and uninterrupted service to consumers. The various systems are so situated that they can be easily interconnected. The record shows that since July 1, 1920, Russian River Water Company has been operating the other companies under a mutual agreement.

The Commission's hydraulic division has made an estimate of the present value of the properties to be transferred. In recent rate cases the Commission's engineers have estimated the original cost of the physical properties of Guerneville Park Development Company, including public utility property only, as of June 1, 1920, at \$14,329.00; of Mt. Jackson Water and Power Company, as of January 1, 1919, at \$12,507.00; and of Russian River Heights Water Company, as of January 1, 1919, at \$6,590.00. It is reported that additions and betterments since the date of the respective appraisements, have been made by Russian River Water Company. These appraisals include physical properties only and include no value for lands, water-rights and rights-of-way.

Using the estimated original cost as a basis, the Commission's engineers have estimated the present value of the physical properties of Guerneville Park Development Company at \$10,750.00, of Mt. Jackson Water and Power Company at \$10,000.00 and of Russian River Heights Water Company at \$5,000.00. Adding to these figures allowances for lands, water-rights and rights-of-way, the Commission's engineers estimated for the purpose of this proceeding, the present value of the properties to be transferred, as follows:

Guernewood Park Development Company,.....	\$18,600.00
Mt. Jackson Water and Power Company,.....	16,250.00
Russian River Heights Water Company,.....	10,375.00
Total,.....	<u>\$45,225.00</u>

We are of the opinion that Russian River Water Company should be permitted to issue \$45,225.00 of stock to acquire the properties mentioned in this application.

O R D E R

Application having been made to the Railroad Commission for permission to transfer properties and to issue stock, a public hearing having been held, and it appearing to the Railroad Commission that the application should be granted and that the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose or purposes specified herein 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 GUERNEWOOD PARK DEVELOPMENT COMPANY, MT. JACKSON WATER AND POWER COMPANY and RUSSIAN RIVER HEIGHTS WATER COMPANY be, and they are hereby, authorized to sell, and RUSSIAN RIVER WATER COMPANY be, and it is hereby, authorized to purchase, free and clear of all liens and encumbrances, the properties referred to in this application, such transfer of properties to take effect as of January 1, 1921.

IT IS HEREBY FURTHER ORDERED, that RUSSIAN RIVER WATER COMPANY be, and it is hereby, authorized to issue, at par, \$45,225.00 of its common capital stock.

IT IS HEREBY FURTHER ORDERED, that Guernewood Park Development Company, Mt. Jackson Water and Power Company and Russian River Heights Water Company be, and they are hereby, authorized to acquire the stock which Russian River Water Company is herein authorized to

issue to them in exchange for properties.

The authority herein granted is subject to the following conditions:-

- 1.--Of the stock herein authorized, \$18,600.00 shall be issued in full payment for the properties of Guernewood Park Development Company herein authorized to be transferred, \$16,250.00 in full payment for the properties of Mt. Jackson Water and Power Company, and \$10,375.00 in full payment for the properties of Russian River Heights Water Company.
- 2.--The price at which the properties are herein authorized to be transferred shall not be binding upon this Commission, or any other public body having jurisdiction, as a measure of value of said properties for rate-making or for any purpose other than the transfer herein authorized.
- 3.--Within sixty days after the execution of the instruments conveying the properties herein authorized to be transferred, certified copies of each and every such instrument of conveyance shall be filed with the Railroad Commission by the Russian River Water Company.
- 4.--Russian River Water Company, within sixty days after the transfer of the properties herein authorized, shall file with the Railroad Commission for approval copies of all book entries relating to the transfer.
- 5.--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.

6.--The authority herein granted shall apply only to such property as may be transferred and to such stock as may be issued on or before November 30, 1921.

DATED at San Francisco, California, this 27th day of June, 1921.

H. B. Greenfield
H. J. Boardman

W. B. Benedict

COMMISSIONERS.