

Decision No. 27893

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF
CLARA STREET WATER CO. A CORPORA-
TION FOR PERMIT TO SELL AND ISSUE
STOCK AND FOR AN ORDER, AUTHORIZATION,
PERMISSION OR CERTIFICATE TO FURNISH
WATER FOR DOMESTIC PURPOSES AND PETI-
TION OF EARL DIMMITT AND BERTHA V.
DIMMITT AND XELIS GEHART AND CLYDENA
GEHART, FOR AUTHORITY TO LEASE.

Application No. 19535.

ORIGINAL

Ardis & Ardis, by J.E. Ardis,
for Applicants.

Thomas M. Perkins, for The Capital
Company and Bank of America.

BY THE COMMISSION:

O P I N I O N

In the above entitled application the Clara Street Water Co., a corporation, asks for authority to issue one thousand five hundred dollars (\$1,500) par value of its stock and to lease and operate for a period of five years the public utility water system owned and operated by Earl Dimmitt and Bertha V. Dimmitt and also the water plant and equipment installed and owned by Xelis Gehart and Clydena Gehart. Further request is made by said corporation for a certificate of public convenience and necessity covering the territory now served by both the above water plants. All of the above parties join in this application.

A public hearing in this matter was held by Examiner MacKall at Los Angeles.

Authority was granted amending this application to exclude from the proposed service area Parcel No. 8 which will be provided with water from another source.

The testimony shows that the Dimmitts and the Gepharts, operating independently, subdivided certain of their respective ranch properties located along Clara Street near the Town of Bell in the County of Los Angeles. Each installed a separate water system. The Dimmitts were granted a certificate of public convenience and necessity by the Commission in Decision No. 26215, dated August 7, 1933, to serve water not only to their own subdivided tract but also to certain adjacent areas. The Gepharts have no certificate covering their territory but propose to combine their water operations with the Dimmitt Water System through Clara Street Water Co., a corporation formed by the above parties for this purpose. This company is incorporated under the laws of the State of California with a capital stock of ten thousand dollars (\$10,000) divided into 100 shares of the par value of one hundred dollars (\$100.00) each, all common.

Due to an encumbrance upon their entire properties, the Gepharts are unable at this time to obtain release therefrom of the land occupied by their well and pumping equipment. For this reason it is proposed to lease both water plants to Clara Street Water Co. for a period of five years, at the end of which time all properties will be transferred clear of encumbrance to the corporation at a reasonable price in exchange for stock. The transfer of the properties and the issue of stock in payment therefor are not before us at this time.

The agreement between the several individuals, applicants in this proceeding, and the corporation, a copy of which is filed

as Exhibit A-1, provided for the issue by the corporation of ten (10) shares of stock, of the total par value of one thousand dollars (\$1,000), in consideration or as rental for the lease of the water properties, and the request was made in the application for authority to issue stock accordingly. However, following the hearing the Commission was advised that the parties to the agreement had agreed upon the issue of five per cent short term notes, in the total principal amount of one thousand dollars (\$1,000), in lieu of the stock of like amount. The request to issue the one thousand dollars (\$1,000) of stock therefore will be dismissed, and, since applicant corporation may issue its notes payable on demand, or on or before twelve months after date of issue, without securing the consent of the Commission, no action with respect to such notes need be taken by the Commission at this time. The applicants are placed upon notice, however, that under the provisions of Section 52(b) of the Public Utilities Act of the State of California and General Order No. 44 of the Railroad Commission any subsequent renewals of said notes extending later than one year after date of the original notes must first be authorized.

With the withdrawal of the request to issue the one thousand dollars (\$1,000) of stock there remains for consideration, in so far as the corporation's stock issue is concerned, only the proposed issue of five hundred dollars (\$500.00) per value. According to the testimony such stock will be sold at par and the proceeds used for working capital. This proposal does not appear to be unreasonable.

The testimony shows that the estimated original cost of the Dimmitt Water System is approximately four thousand three

hundred and fifty-four dollars (\$4,354) and the Gephart system approximately five thousand three hundred ninety-one dollars (\$5,391) as of 1934. The revenue for 1934 amounted to fifteen hundred dollars (\$1,500). Applicant Clara Street Water Co. now proposes to take over and supply water as a public utility to all the territory now included in the certificate granted by the Commission to the Dimmitts and, in addition thereto, the lands subdivided by the Gepharts, and to operate under the same rates, rules and regulations as now in effect on the certificated plant.

No one appeared to protest the granting of this application and, as a consolidation of these water plants under one management will insure a better supply of water at a minimum cost of production and distribution, the application will be granted.

O R D E R

Clara Street Water Co., a corporation, Earl Dimmitt and Bertha V. Dimmitt and Kelis Gephart and Clydena Gephart having made application as entitled above, a public hearing having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises, and being of the opinion that the issue of five hundred dollars (\$500.00) of stock is reasonably required by Clara Street Water Co. for the purpose specified herein and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable to operating expense or to income,

The Railroad Commission of the State of California hereby declares that public convenience and necessity require that Clara Street Water Co., a corporation, operate and maintain a water system for the purpose of supplying water for domestic

and other purposes to those certain tracts of land referred to in this application as Parcel No. 1, Parcel No. 2, Parcel No. 3, Parcel No. 4, and Parcel No. 5.

IT IS HEREBY ORDERED that Clara Street Water Co., a corporation, be and it is hereby authorized to issue for cash, at not less than par, not exceeding five hundred dollars (\$500.00) par value of its common capital stock and to use the proceeds to provide working capital.

IT IS HEREBY FURTHER ORDERED that this application in so far as it involves the issue of the remaining one thousand dollars (\$1,000) of stock be and it is hereby dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that Earl Dimmitt and Bertha V. Dimmitt and Xelis Gephart and Clydena Gephart be and they are hereby authorized to enter into a lease agreement with Clara Street Water Co. in substantially the same form as that attached to the application herein and marked Exhibit A-1 and made a part hereof by reference, and Clara Street Water Co., a corporation, be and it is hereby authorized to enter into said lease agreement with the above mentioned parties and authorized to operate the water properties as set forth in said agreement, provided said agreement be modified as set forth in the Opinion preceding this Order.

IT IS HEREBY FURTHER ORDERED as follows:

1. Within ten (10) days from and after taking control and possession of the water properties as set forth in the above lease agreement, Clara Street Water Co., a corporation, shall notify this Commission in writing of the date it actually took such control and possession.

2. Upon full compliance with the terms and conditions of this Order, Earl Dimmitt and Bertha V. Dimmitt shall stand relieved of all further public utility obligations and liabilities to serve water under the certificate of public convenience and necessity heretofore granted to them in Decision No. 26215, dated August 7, 1933, and said certificate shall thereupon and thereby be cancelled and annulled.

3. Clara Street Water Co., a corporation, shall keep such record of the issue of the stock herein authorized as will enable it to file a report thereof within thirty (30) days after such issue 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.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 29th day of April, 1935.

Leon Whitely

M. J. Linn

M. B. Linn

Arthur H. ...
Stall R. ...
 Commissioners.