

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER & TELEPHONE COMPANY for:

(1) Order authorizing purchase of stocks of public utility corporations; (2) Order authorizing acquisition of certain public utilities properties: (3) Order authorizing mortgage of public utility and other properties: (4) Order authorizing issue and sale of bonds and stock; and the Application of CORONADO WATER COMPANY, SAN GABRIEL VALLEY WATER COMPANY, THE MONTEREY COUNTY WATER WORKS, SAN FERNANDO TELEPHONE & TELEGRAPH COMPANY, SOUTHWESTERN HOME TELEPHONE COMPANY, SIERRA MADRE TELEPHONE & TELEGRAPH COMPANY, MONROVIA TELEPHONE & TELEGRAPH COMPANY, for: (1) Order authorizing the sale of certain public utility properties; and (2) order authorizing said companies to discontinue public utility operations.

**ORIGINAL**

Application No. 20127

Chas. de Y. Elkus and Herbert E. Salinger,  
for applicants;  
R. L. Davies, for City of Chula Vista;  
John W. Holmes, for City of Pasadena;  
J.A. Isaacson, for City of National City;  
Bertrand L. Compere, for National City  
Annexation League.

BY THE COMMISSION:

O P I N I O N

The Commission is asked to enter its order:

1. Authorizing applicant, California Water & Telephone Company, formerly The Sweetwater Water Corporation, to acquire the outstanding stocks of the following companies:-

<u>Name of Company</u>	<u>Class of Stock</u>	<u>No. of Shares</u>	<u>Par Value</u>
Coronado Water Company.....	Common	4800	\$100.
San Gabriel Valley Water Company.....	Common	2500	100.
The Monterey County Water Works.....	Common	20000	50.
San Fernando Telephone & Telegraph Company.....	Common	500	100.
Southwestern Home Telephone Company...	Common	84234½	1.
Sierra Madre Telephone & Telegraph Company.....	Common	174	100.
Monrovia Telephone & Telegraph Company	Common	1000	100.

2. Authorizing applicants, Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Monrovia Telephone & Telegraph Company and Sierra Madre Telephone & Telegraph Company to transfer to applicant, California Water & Telephone Company, and applicant, California Water & Telephone Company, to acquire the said businesses, properties, rights and franchises of the said applicants Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Sierra Madre Telephone & Telegraph Company and Monrovia Telephone & Telegraph Company.

3. Authorizing applicant, California Water & Telephone Company to execute and deliver a trust indenture substantially in the same form as that filed in this proceeding as Exhibit F.

4. Authorizing applicant, California Water & Telephone Company to issue and sell for not less than 95% of their face value and accrued interest \$5,500,000. of 5% 30-year first mortgage bonds and to issue, sell and deliver at not less than 90% of its par value, \$1,800,000. of 6% preferred stock and \$1,049,500. of common stock, all for the purposes hereinafter stated; and also authorize said applicant, California Water & Telephone Company to issue 30,020 shares (\$750,500. par value) of common stock having a par value of \$25. per share in exchange for 7505 shares (\$750,500. par value) of common stock having a par value of \$100. per share.

5. Authorizing applicants, Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Sierra Madre Telephone & Telegraph Company and Monrovia Telephone &

Telegraph Company to discontinue permanently all public service operations on their part upon the transfer of their properties to applicant California Water & Telephone Company, and said applicant California Water & Telephone Company to assume all their public utility obligations.

Applicant also proposes to acquire the stock and properties of Central California Water Supply Company, Jamacha Holding Company, Ltd. and Southern California Water Supply Company, none of which corporations are said to be public utilities.

It is of record that through the amendment of its articles of incorporation the name of The Sweetwater Water Corporation was changed to California Water & Telephone Company. This company is to acquire all of the properties now controlled by Western Utilities Corporation and the lands and water rights of Jamacha Holding Company, Ltd. The company is engaged in the business of a public utility in the Cities of Chula Vista and National City and unincorporated territory generally following the valley of the Sweetwater River in San Diego County. For 1934 it reports operating revenues of \$253,628.40. At the close of 1934 it had 4,286 active service connections.

Coronado Water Company is engaged in the business of a public utility in the City of Coronado. The company also serves Imperial Beach, the United States Army and Navy aviation bases on North Island, Palm City, Nestor and intervening territory. Its operating revenues for 1934 are reported at \$163,226.54. At the close of 1934 it had 2,284 active service connections.

San Gabriel Valley Water Company is engaged in the business of a public utility in the Oak Knoll Section of Pasadena, in a part of San Marino, in a part of San Gabriel, in Rosemead and intervening territory in Los Angeles County. For 1934 it reports operating revenues of \$163,803.36. At the end of 1934 it had 3,391 active service connections.

The Monterey County Water Works is a public utility engaged in the business of selling water in the Cities of Monterey and Pacific Grove and the Town of Carmel and portions of Monterey County. For 1934 it reports operating revenues of \$245,709.51. At the close of 1934 it had 6,813 active service connections.

Southwestern Home Telephone Company is a public utility engaged in furnishing telephone service in the Cities of Redlands, Banning, Beaumont, Elsinor, Hemet, Murrietta, Palm Springs, Perris, San Jacinto, Temecula, Loma Linda, Moreno, Yucaipa and other portions of San Bernardino and Riverside Counties. For 1934 the company reports operating revenues of \$222,317.98. On December 31, 1934 the company served 5,602 stations, of which 5,426 were company owned.

Sierra Madre Telephone & Telegraph Company is engaged in the business of furnishing telephone service in the City of Sierra Madre and adjacent territory in Los Angeles County. Its operating revenues for 1934 are reported at \$26,545.76. On December 31, 1934 it owned 770 stations and served 784 stations.

Monrovia Telephone & Telegraph Company is a public utility furnishing telephone service in the City of Monrovia and adjacent territory in Los Angeles County. For 1934 it reported operating revenues of \$70,642.93. At the close of 1934 it furnished telephone service through 2,430 stations, of which 2,426 were owned.

San Fernando Telephone & Telegraph Company is a public utility engaged in the business of furnishing telephone service in the City of San Fernando and adjacent territory in Los Angeles County. For 1934 the company reports operating revenues of \$55,197.66. On December 31, 1934 the company served 1,584 stations, of which 1,578 were owned.

The number of active service connections and the number of telephone stations varies from time to time and of course as of some

date other than the end of 1934, would differ from the figures herein shown.

The Central California Water Supply Company, it is alleged, is not a public utility. It is a corporation organized in 1930 for the purpose of acquiring a water system from Del Monte Properties Company. It supplies water for domestic and irrigation purposes exclusively to the Del Monte Properties Company. It is of record that its properties consist of a 35% interest in the water rights; water shed, reservoir and riparian lands, and the San Clemente and Carmel dams; a 35% interest in a 24-inch transmission main between San Clemente and Carmel Dams, and a 35% interest in an 18-inch transmission main from Carmel Dam to the easterly line of Los Laureles Rancho. From this point through Carmel Valley, City of Carmel, Del Monte Forest, Cities of Pacific Grove and Monterey to the Del Monte Hotel, it has a wholly owned transmission main consisting of 18-inch, 16-inch, 15-inch and 12-inch, steel and cast iron pipe. It also owns a 100% interest in an earthen reservoir having a capacity of about 20,000,000 gallons, located in Pacific Grove, which is used for local storage. The transmission mains of the company are inter-connected at various points with the pipe lines of The Monterey County Water Works. The gross revenues of the Central California Water Supply Company are reported at \$26,265.23 for 1934; at \$24,639.62 for 1933; and at \$26,738.27 for 1932. The company, as indicated above, has but one customer, to wit: Del Monte Properties Company.

The Jamacha Holding Company, Ltd. is a corporation organized in 1931 under the laws of Delaware. It is said to own 4,790 acres of reservoir and riparian lands above the present dam and reservoir of California Water & Telephone Company, formerly The Sweetwater Water Corporation. The properties it owns were acquired from 1927 to 1930 by its predecessors in interest with the thought of constructing a dam across the Sweetwater River some 18 miles above the present dam of

California Water & Telephone Company. The lands and riparian rights were acquired and maintained at a reported cost of \$573,800.97 segregated as follows:-

Payment on principal.....	\$272,217.24
Balance due on contracts and notes.....	120,432.30
Capital expenditures.....	21,779.59
Acquisition costs .....	54,054.97
Legal fees.....	\$10,581.89
Engineering .....	8,191.64
Commissions .....	28,000.00
Fees .....	3,573.61
Surveys .....	<u>3,707.83</u>
Interest .....	40,640.01
Taxes .....	6,721.94
Labor .....	46,379.64
Supplies and feed .....	6,421.07
Miscellaneous .....	4,495.00
Power and gasoline .....	9,198.99
Water rights .....	5,107.75
Revenue-credit item .....	<u>13,647.53</u>
Total.....	<u>\$573,800.97</u>

It is obvious that the \$573,800.97 includes expenditures for labor, supplies and other items that will be of little, if any, benefit to a water system. The investment is not producing any net income. We think the entire sum should be placed in a suspense account until such time as the company goes forward with the development. At that time the Commission, if necessary, will determine how much of the \$573,800.97 may be transferred to fixed capital accounts. The Western Utilities Corporation has an option to acquire the stock and \$10,000. of indebtedness of Jamacha Holding Company, Ltd. for \$310,000. of 5½% first lien 20-year collateral trust gold bonds of Western Utilities Corporation, and upon condition that Western Utilities Corporation during the continuance of the option pay each and every, all and singular, the net carrying charges, including interest and cost of operating the land company, including assessments, taxes, interests and payments upon principal of mortgage and purchase of contract. The outstanding mortgages and contracts on February 15, 1934 aggregated \$120,788.81.

The Southern California Water Supply Company reports an expenditure of \$151,609.73 for engineering studies and investigations in connection with the development of the upper Sweetwater River. The expenditures are segregated as follows:-

<u>ITEMS</u>	<u>AMOUNT</u>
Test pits for examination of foundations.....	\$ 3,613.66
Diamond drilling .....	12,890.65
Camp outfit equipment .....	2,999.56
Salaries and wages of engineers on survey of dam site and reservoir, etc. ....	10,738.37
Supplies and expenses of engineers on survey of dam site and reservoir, etc. ....	6,903.42
Legal expenses .....	774.87
Services of engineers in connection with design of dam, preparation of reports, etc. ....	21,647.14
Expenses of engineers in connection with design of dam, etc. ....	2,746.07
Aerial maps . ....	1,194.67
Interest .....	31.73
Geologist report (C.F.Tolman) .....	4,200.89
Ford, Bacon & Davis report .....	2,340.07
Filing fee for dam permit .....	3,170.29
Constructing a reservoir on Murphy Ranch and drilling and testing wells in Jamacha Valley.....	27,751.83
Engineering and legal service in connection with Water Rights Application before Division of Water Resources .....	19,835.98
Miscellaneous expenditures on Frostless Acres, Kosman and Harwood Ranches .....	766.04
Miscellaneous .....	133.47
Taxes .....	75.36
Utility Engineering and Construction Company, Ltd. Charge for Overhead and Carrying Charges (Profit to U.E. & C.C.) .....	29,795.66
Total expenditures....	<u>\$151,609.73</u>

In a supplemental report containing the detail of the \$151,609.73 or of a part thereof, the \$29,795.66 is designated as profit of the Utility Engineering and Construction Company. None of \$151,609.73 represents investment in properties now used to supply water to consumers on the Sweetwater System. The entire amount should be charged to a suspense <sup>account</sup> and if the company concludes not to proceed with the upper Sweetwater development, it should be charged to surplus.

As indicated above, the properties referred to herein, other than those of California Water & Telephone Company, will be transferred to California Water & Telephone Company. The estimated original cost of the several properties and such cost less accrued depreciation, is reported as follows:-

Name of Company	Estimated Original Cost	Estimated Original Cost less Accrued De- preciation
<u>A. Water companies as of 12/31/1934:</u>		
The Sweetwater Water Corporation	\$ 2,589,023.	\$ 2,200,435.
Coronado Water Company	988,380.	866,775.
The Monterey County Water Works	2,103,493.	1,850,002.
San Gabriel Valley Water Company	1,267,634.	1,091,685.
Central California Water Supply Co.	646,645.	492,585.
Southern California Water Supply Co.	151,610.	151,610.
Jamacha Holding Company, Ltd.	573,644.	573,644.
Sub-total Water Companies.....	<u>\$ 8,320,429.</u>	<u>\$ 7,226,736.</u>
<i>Wm</i> <u>B. Telephone Companies as of 5/31/1934:</u>		
Southwestern Home Telephone Co.	\$ 926,326.	\$ 814,946.
Monrovia Telephone & Telegraph Co.	279,911.	252,436.
San Fernando Telephone & Telegraph Company .....	204,854.	183,432.
Sierra Madre Telephone & Telegraph Company .....	83,317.	73,479.
Sub-total Telephone Companies.....	<u>\$ 1,494,408.</u>	<u>\$ 1,324,293.</u>
Grand Total.....	<u>\$ 9,814,837.</u>	<u>\$ 8,551,029.</u>
Net additions to telephone properties, June 1, 1935 to July 31, 1935.....	4,185.	-4,185.
Net additions to water properties, January 1, 1935 to July 31, 1935.....	22,959.	22,959.
Estimated additional organization ex- penses .....	40,000.	40,000.
Cash for proposed improvements.....	330,000.	330,000.
Net working assets .....	94,000.	94,000.
<u>Total.....</u>	<u>\$10,305,981.</u>	<u>\$ 9,042,173.</u>

The properties of California Water & Telephone Company were recorded on the books of that company on December 31, 1934 at \$3,006,651.97 while the accrued depreciation was reported at \$506,900.64. In Decision No. 26593 dated December 1, 1933 the Commission in fixing rates for The Sweetwater Water Corporation used a rate base of \$2,205,000. which included \$35,000. for cash working capital and materials and supplies.



In the rate proceeding, J. E. Cooper, valuation engineer for the Commission, estimated the historical cost of the physical properties, exclusive of land, of The Sweetwater Water Corporation, now California Water & Telephone Company, at \$1,924,860.85. We believe that the properties to be acquired by California Water & Telephone Company and its properties should be recorded on its books on the basis of historical cost. We are not here concerned with the value of the properties for rate fixing purposes. We are interested in having the records of the company set up on a uniform basis. In the future, property should be retired at the unit costs, at which the property is recorded on the books of the company.

In exhibit three appears the following income statement for 1934 of the companies to be consolidated in California Water & Telephone Company other than Jamacha Holding Company, Ltd. and an income statement for the same period giving effect to economies, operating costs of Jamacha Holding Company, Ltd., annual depreciation, as determined by independent engineers, and securities outstanding after consolidation:-

Items	Actual 1934	Adjustments	Adjusted 1934
<b>REVENUES:</b>			
Telephone.....	\$ 379,804.33	\$ -	\$ 379,804.33
Water .....	882,269.04	-	882,269.04
Total.....	\$1,262,073.37	\$ -	\$1,262,073.37
Operating Expenses.....	579,107.12	45,500.00*	533,607.12
Net Income before Interest, De- preciation & Federal taxes	\$ 682,966.25	\$ 45,500.00	\$ 728,466.25
Depreciation .....	221,770.86	73,596.86*	148,174.00
Net Income before Interest and Federal Taxes .....	\$ 461,195.39	\$119,096.86	\$ 580,292.25
<b>DEDUCT:</b>			
Interest requirements.....	\$ 215,732.28	\$ 60,192.01	\$ 275,924.29
2% Normal Tax .....	1,059.18	1,059.18*	-
Amortization Debt Discount and Expense .....	1,867.08	9,299.59	11,166.67
Trustees Fees.....	892.28	1,607.72	2,500.00
Total.....	\$ 219,550.82	\$ 70,040.14	\$ 289,590.96
Net Income before Federal Taxes:	\$ 241,644.57	\$ 49,056.72	\$ 290,701.29
Provision for Federal Taxes	27,541.14	1,303.62*	26,237.52
Net Income Available for Divi- dends on Preferred Stock	\$ 214,103.43	\$ 50,360.34	\$ 264,463.77
Dividends on \$1,800,000 Preferred Stock at 6%.....	\$ -	\$108,000.00	\$ 108,000.00
Net Income to Surplus.....	\$ 214,103.43	\$ 57,639.66*	\$ 156,463.77

\*Red figures.

NOTE: Earnings include revenues amounting to \$29,583.39 which are contingent on decision of the Federal Court.

California Water & Telephone Company now has outstanding \$750,500. par value of common capital stock. To acquire the stocks and the properties of the companies herein mentioned, it asks permission to issue \$5,500,000. of 5% 30-year bonds, \$1,800,000. of 6% preferred stock and \$1,049,500. of common stock, which common stock added to the \$750,500. makes a total common stock issue of \$1,800,000. The total stock and bond issue aggregates \$9,100,000. The company asks permission to sell the bonds for not less than 95% of their face value and accrued interest and the stocks for not less than 90% of their par value. The company's articles of incorporation provide that the holders of the

preferred stock shall have no right to vote unless the company fails to pay or set aside eight consecutive quarterly installments of dividend on the preferred stock. We are here confronted with the situation where \$1,800,000. investment has no lien on the property and if no dividends are paid on the stock, the stock owners must stand idly by for two years before such owners have any voice in the management of the properties. We do not favor such an arrangement. We believe that if the holders of the preferred stock fail to receive any dividend they should be given a voice in the management of the properties; and that their right to vote should continue until all the accumulated dividends have been paid.

On the basis of the record in this proceeding we do not believe that the company's bond issue should exceed \$5,000,000., nor should its preferred stock issue exceed \$1,600,000. No bonds or preferred stock should be issued against the investment in the Jamacha lands or against the expenditures of Southern California Water Supply Company. The Commission will upon the filing of a supplemental petition permit the company to issue common stock against such expenditures. The company's bonds we feel should be sold on a 5% basis or better.

John M. Holmes, appearing for the City of Pasadena, stated that the city and the San Gabriel Valley Water Company draw water from the same basis and that he appeared to guard against the possibility of something going into the record that would embarrass the city in any future relations with the San Gabriel Valley Water Company. Upon the offer of the following stipulation he withdrew from the hearing:-

" CHAS. de Y. ELKUS: The stipulation is to be this: That nothing found or determined by the Railroad Commission in or as a part of these proceedings, or by any court in any proceeding growing out of this proceeding, nor the amount or character of any securities permitted to be issued in this proceeding, nor the fixing, if any value is fixed, of any property values of property rights in this proceeding, or by any court in any proceeding growing out of this proceeding, shall be used by either of the parties against the other in any litigation that might occur in connection with any water rights.

MR. HOLMES: Or condemnation.

MR. ELKUS: Or condemnation proceedings. In other words, the gist of the stipulation is that the findings, the decision

of this Commission as determined by it, or any possible legal proceedings that may grow out of it, shall not be used against either of the parties in any future litigation, either in combination, or by way of water rights, nor shall the amount of the securities as permitted, be so used." (Transcript, pages 35 and 36)

Objections to the granting of the application were filed by the City of Chula Vista, by the City of National City and by the National City Annexation League.

The cities, among other things, fear that through the consolidation the investment in the Jamacha lands and the investment of the Southern California Water Supply Company may be included in a rate base, that the interest paid on such investment may be included in operating expenses, that through the merging of the properties it will become more difficult to analyze the revenues and expenses of the Sweetwater System, that funds obtained through mortgaging the properties of California Water & Telephone Company are being used to pay the debts due E.M. Byllesby Company, that there is no warrant for increasing the organization costs by \$40,000. and that water developed through the Upper Sweetwater project may be sold to consumers living outside the present area served by California Water & Telephone Company.

The moneys expended to acquire the Jamacha lands and the moneys expended by Southern California Water Supply Company admittedly represent investment in nonoperative properties. They will not, so long as they are in their present status, be included in any rate base. Moreover, because of the fact that they are non-income producing, we do not think that they should be used as a basis for the issue of bonds or preferred stock. If the properties are acquired by California Water & Telephone Company and it later concludes to proceed with the construction of the Upper Sweetwater Dam, we have no objection to the company issuing \$1,000,000. of bonds against \$1,000,000 expenditure on the project. The trust indenture can be modified to take care of such a contingency.

We think the company should, and the record indicates that it will, segregate its expenditures for additions and betterments, its operating revenues and its operating expenses applicable to its water business, as between the present Sweetwater, Coronado, San Gabriel and Monterey, including Central California, water systems. The expenditures for additions and betterments to the telephone properties and the operating revenues and operating expenses applicable to the telephone business should be kept by exchanges.

While it is true that some of the proceeds from the sale of the bonds and the preferred stock will be used to pay debts which Western Utilities Corporation owes E.M. Byllesby & Co. and Central Illinois Securities Corporation, the securities will be in effect issued or the proceeds used in payment for stock or properties. The fact that Western Utilities Corporation may use the proceeds to pay its debts is not material. The issue before the Commission is the amount of securities which California Water & Telephone Company should be permitted to issue.

We do not think that it is necessary at this time to consider the objection that goes to the diversion of water from the Upper Sweetwater project to territory not now served by California Water & Telephone Company. There is no proposal to build the project at this time, nor does the record show when it will be built. We are not herein granting the company a certificate of public convenience and necessity to proceed with the construction of the Upper Sweetwater development.

The company estimates that it will have to expend about \$100,000. to effect the consolidation of the properties. It proposes to charge \$40,000. to organization expenses and charge \$60,000. to bond discount and expense and amortize the same through charges to

income account. It seems to us that substantially all of the expense is being incurred because of the bond issue and therefore the entire expense should be charged to bond discount and expense.

Applicant, California Water & Telephone Company, urges that this application should be granted because of the economies that can be effected and the improvements that will be made to its properties. The plan of the company provides \$330,000. for improvements and working capital. The improvements comprize the construction of a telephone exchange at Palm Springs at a cost of about \$35,500., the construction of the Judson reservoir near the City of Chula Vista at a cost of \$81,500., the development of the South Basin project in the Tia Juana River Valley, such development consisting of a production plant of three wells, motor-driven deep well turbines, mixing basin, clarifier, filtering equipment and outgoing pumps and 11,000 feet of 24-inch by 3/16 inch welded steel pipe, the cost of such South Basin project is estimated at \$93,000., and the installation of the Coronado No. 2 Booster at an estimated cost of \$4,718. Of the \$330,000. the sum of about \$115,432. will be left for further additions and extensions and working capital.

It is estimated that through the consolidation of the properties and the installation of the improvements mentioned, operating expenses can be reduced by the sum of \$45,500. annually.

The trust indenture filed in this proceeding as Exhibit F, if modified to conform with this decision, is in satisfactory form.

#### O R D E R

The Commission having been requested to enter its order as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission having considered applicant's requests and being of the opinion that California Water & Telephone Company should be permitted to issue \$5,000,000. of

bonds, \$1,600,000. of 6% preferred stock and \$2,308,200. of common stock against the properties described in Exhibits 1, 2 and 3 filed in this proceeding, that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in this order, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order,

NOW, THEREFORE, IT IS HEREBY ORDERED as follows:-

1. California Water & Telephone Company may, after the effective date hereof, and prior to January 1, 1936, acquire the outstanding stocks of the following companies:-

<u>Name of Company</u>	<u>Class of Stock</u>	<u>No. of Shares</u>	<u>Par Value</u>
Coronado Water Company.....	Common	4800	\$100.
San Gabriel Valley Water Company.....	Common	2500	100.
The Monterey County Water Works.....	Common	20000	50.
San Fernando Telephone & Telegraph Company .....	Common	500	100.
Southwestern Home Telephone Company..	Common	84234½	1.
Sierra Madre Telephone & Telegraph Company .....	Common	174	100.
Monrovia Telephone & Telegraph Company	Common	1000	100.

2. Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Sierra Madre Telephone & Telegraph Company and Monrovia Telephone & Telegraph Company may, after the effective date hereof and prior to January 1, 1936, sell and convey to California Water & Telephone Company all of their businesses, properties, rights and franchises, and said California Water & Telephone Company is hereby authorized to acquire said businesses, properties, rights and franchises, provided it will assume all liabilities and obligations of said vendor companies except such debts, the pay-

ment of which is provided for through the issue of the bonds herein authorized.

3. Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Sierra Madre Telephone & Telegraph Company and Monrovia Telephone & Telegraph Company may, upon the sale and conveyance of their businesses, properties, rights and franchises to California Water & Telephone Company discontinue permanently all public service operations on their part, and California Water & Telephone Company shall assume all their public service obligations.

4. For the purpose of acquiring the stock and businesses, properties, rights and franchises of Coronado Water Company, San Gabriel Valley Water Company, The Monterey County Water Works, San Fernando Telephone & Telegraph Company, Southwestern Home Telephone Company, Sierra Madre Telephone & Telegraph Company and Monrovia Telephone & Telegraph Company, Central California Water Supply Company, Jamacha Holding Company, Ltd. and Southern California Water Supply Company, for paying indebtedness which is a lien on the properties of said companies, or on the properties of California Water & Telephone Company, or any of them, and to provide \$330,000.00 to install the improvements, etc. mentioned in Exhibit No. 3, California Water & Telephone Company may, after the effective date hereof and prior to January 1, 1936, issue and sell on not more than a 5% basis, \$5,000,000.00 of first mortgage 30-year bonds, issue and sell at not less than \$23.50 per share, 64,000 shares (\$1,600,000. par value) of 6% preferred stock, the holders of which shall have a right to vote if and when the company fails to pay any quarterly dividend on such stock and issue at not less than par, 62,308 shares (par value \$1,557,700.) of common stock, provided 20,328 shares of said common stock may not be delivered



until the Commission by a supplemental order has authorized the delivery of the same.

5. California Water & Telephone Company may, after the effective date hereof and prior to January 1, 1936, issue 30,020 shares of common stock having a par value of \$25. per share, in exchange for 7505 shares of common stock, having a par value of \$100. per share and now outstanding.

6. California Water & Telephone Company shall keep such record of the issue, sale and delivery of the stocks and bonds herein authorized to be issued 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 insofar as applicable, is made a part of this order.

7. The authority herein granted will become effective when California Water & Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Thousand Two Hundred and Seventeen(\$2,217.00) Dollars, and when the Railroad Commission has authorized said California Water & Telephone Company to execute a trust indenture to secure the payment of the bonds.

8. If California Water & Telephone Company acquires the aforesaid businesses, properties, rights and franchises, it shall, until otherwise ordered by the Commission, record the cost of its additions and betterments, and its operating revenues and operating expenses for its water properties in a manner which will enable it to file operating reports for the Sweetwater System, for the Coronado System, for the San Gabriel Valley System and for the Monterey System, and shall record the cost of its additions and betterments to its telephone properties, and the operating revenues and operating expenses for its telephone properties by exchanges.

9. California Water & Telephone Company shall within thirty (30) days after it acquires the aforesaid properties, file with the Commission a copy of each and every deed under which it acquires title to said properties.

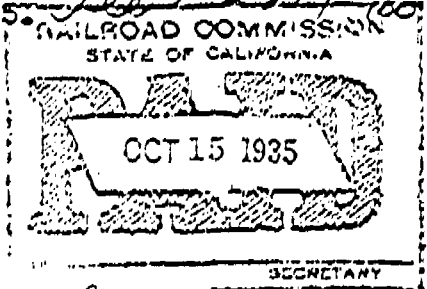
10. The authority herein granted is upon the condition that California Water & Telephone Company, within thirty(30) days after acquiring the aforesaid properties, file with the Commission a copy of a contract with each of said vendor companies, under the terms of which it agrees to pay and discharge all of the vendor companies' debts and liabilities, and assume all of the vendor companies' obligations of every kind and character, whether they arise out of contract or tort or exist under or by force of any law or statute or any municipal or county ordinance or by virtue of the grant and acceptance of any franchise.

11. Within thirty(30) days after the sale of the bonds herein authorized to be issued, California Water & Telephone Company shall file with the Commission a copy of the contract under which it sold said bonds, and a copy of the prospectus under which said bonds are being offered to the public.

12. On or before February 15, 1936 California Water & Telephone Company shall file with the Commission a statement showing in detail the expenses incurred because of this proceeding and the sale of the stocks and bonds herein authorized to be issued.

13. On or before February 15, 1936 California Water & Telephone Company shall file with the Commission for approval a copy of each and every journal entry by which it proposes to record the purchase of the aforesaid properties and the adjustment of its records to conform with this decision.

DATED at San Francisco, California, this 14<sup>th</sup> day of October, 1935.



See # 31630

James A. Whelan  
W. B. ...  
...  
...  
Commissioners.