

LBM

Decision No. 29034

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SIGNAL HILL GASOLINE COMPANY to sell,
and NEW LEBEC HOTEL CORPORATION to
purchase, the Lebec Water Works, a
watercompany being operated at Lebec,
California.

In the Matter of the Application of
NEW LEBEC HOTEL CORPORATION to mort-
gage and hypothecate the lands, equip-
ment and facilities of Lebec Water
Works to Signal Hill Gasoline Company.

ORIGINAL

Application No. 20682

Gibson, Dunn & Crutcher, by Robert E. Paradise,
for applicants.

BY THE COMMISSION:

O P I N I O N

This is an application for an order authorizing the transfer of a public utility water system, known as the Lebec Water Works, from Signal Hill Gasoline Company to New Lebec Hotel Corporation.

In Decision No. 22650, dated July 9, 1930, the Commission made its order declaring that public convenience and necessity required the operation by Thomas O'Brien of a water system for the purpose of supplying water for domestic and other uses at Lebec, Kern County.

It appears that Thomas O'Brien was engaged in other enterprises of a non-utility nature at Lebec and that his properties, including the water system, were subject to a deed of trust held by Richfield Oil Company of California. In 1931 the properties were placed in the hands of a receiver and thereafter, at a foreclosure sale in 1933, were acquired by Signal Hill Gasoline Company by whom they since have been operated.

It is reported that Signal Hill Gasoline company does not desire to continue in the operation of the utility and other businesses it thus acquired at Lebec and that accordingly it has made arrangements to sell them to New Lebec Hotel Corporation for a consideration of \$100,000., payable \$10,000. in cash and \$90,000. by a six per cent. installment note, secured by a deed of trust and by a chattel mortgage, and payable in the amounts of \$1,250.00 on the fifteenth day of October, 1936, and January, April and July, 1937; \$1,875.00 on the fifteenth day of October, 1937, and January, April and July, 1938; and \$2,500.00 on the fifteenth day of October, January, April and July of each year thereafter until July 15, 1946 when the remaining balance shall become due and payable.

It seems that the properties involved in the transaction include a hotel, restaurant and garage, as well as the water works. The utility system includes but a small part of the total, having been appraised by R.E. Savage of the Commission's Engineering Department in 1933 on the historical cost depreciated basis at \$9,214.00. Applicants allege, however, that all the properties, utility and non-utility, have been operated as a unit and that the sale of only one part would be impractical.— There has been no segregation made of the purchase price to the different units of property.

New Lebec Hotel Corporation has agreed, in acquiring the properties, to assume all the obligations to furnish service to the consumers of the water plant in accordance with the rules and regulations of this Commission. It does not appear that the consumers will be adversely affected by the proposed sale and the request to transfer the properties will be granted.

New Lebec Hotel Corporation was organized under the laws of the State of California on or about June 25, 1936, with an authorized capital stock of 5,000 shares of no par value, all common. According to Exhibit "M" attached to the application no stock has been issued and

there is no request at present before the Commission for permission to make such issue.

It appears to the Commission that when the corporation acquires and operates the water system under the program outlined in this proceeding, it will become a public utility, even though most of its business will be of a non-public utility nature. As such it will be subject to the jurisdiction of this Commission, including the jurisdiction over its security issues, so that when it issues stock, or other securities, as set out in the Public Utilities Act, it will be necessary for it first to obtain permission to do so from this Commission. At this time it appears that the issue of the \$90,000. note should be passed upon by the Commission before its issue in part payment for the properties. We make no finding as to the value of the non-utility property.

O R D E R

The above entitled application having been filed, the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the requests of applicants should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the \$90,000. note is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that Signal Hill Gasoline Company be, and it hereby is, authorized to sell to New Lebec Hotel Corporation the properties referred to in this application.

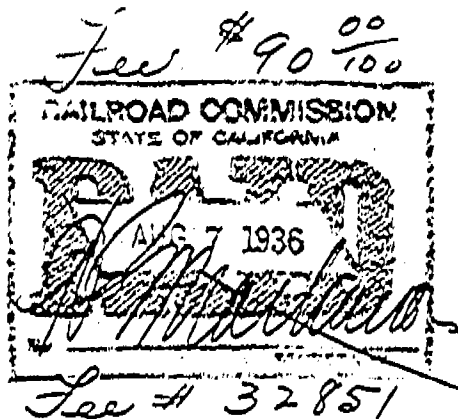
IT IS HEREBY FURTHER ORDERED that New Lebec Hotel Corporation be, and it hereby is, authorized, upon acquiring such properties, to issue its promissory note in the principal amount of \$90,000. and to execute a deed of trust and a chattel mortgage, which note, deed of

trust and chattel mortgage shall be substantially in the same form as those filed as Exhibits "F", "G" and "H", respectively, attached to the application herein, provided that the authority herein given to execute such instruments is for the purpose of this proceeding only and is given only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said instruments as to such other legal requirements to which they may be subject.

IT IS HEREBY FURTHER ORDERED that New Lebec Hotel Corporation within thirty(30) days after acquiring the properties under the authority herein granted shall file with the Commission a statement showing the exact date upon which it took possession of and commenced operating the water properties and showing that the issue of the note and execution of the deed of trust and chattel mortgage had been effected in the manner and for the purposes represented in the application.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the fee prescribed by Section 57 of the Public Utilities Act has been paid, which fee is Ninety(\$90.00) Dollars.

DATED at San Francisco, California, this 7th day of August, 1936.



[Signature]
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Commissioners