

Decision No. 23571

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION of)
Donald Jackson, W. C. Robertson, Fred)
Ehlers, Sr., Phil R. McCormick, E. H.)
Hillary, and L. C. Graham, representing)
the Consumers of Associated Water)
Company in and around the Town of)
McKittrick, County of Kern, State of)
California, herein designated as)
"Consumers", Associated Water Company,)
a California corporation, herein)
designated as "Water Company," and)
Tide Water Associated Oil Company, a)
Delaware corporation, herein desig-)
nated as "Oil Company," for Approval of)
agreement entered into June 28, 1940.)

ORIGINAL

Application No.
23571.

BY THE COMMISSION:

O P I N I O N

This is an application made jointly by Associated Water Company, Tide Water Associated Oil Company and Donald Jackson, W. C. Robertson, Fred Ehlers, Sr., Phil R. McCormick, E. H. Hillary and L. C. Graham, representing the consumers of Associated Water Company, for an order of the Railroad Commission approving a certain agreement, dated June 28, 1940, by and between said applicants, and authorizing the parties to said agreement to carry out the provisions thereof.

Associated Water Company is a corporation engaged in the business of serving water for domestic and industrial purposes in and about the town of McKittrick, Kern County. All of its outstanding stock, \$25,000 par value, is reported owned by Tide Water Associated Oil Company.

Heretofore, on December 22, 1937, a complaint, Case No.

4274, was filed against said water company by certain consumers in which a reduction in rates was requested. Thereafter, on February 11, 1938, the water company filed an application, No. 21768, requesting an increase in certain rates. The two matters were consolidated for hearing and thereafter, on June 6, 1939, the Commission entered its order, Decision No. 32056, temporarily revising the rates of the water company for a period of one month (which period, however, was extended indefinitely by a supplemental order, Decision No. 32110, dated June 27, 1939), during which time the water company and the consumers were to endeavor to devise a plan whereby the consumers would take over and operate the water distributing system for their own benefit.

The present application shows that an agreement, dated June 28, 1940, now has been made whereby, among other things, Tide Water Associated Oil Company, as the owner of all the outstanding stock of Associated Water Company, will cause to be organized under the laws of the State of California a corporation to be known as "McKittrick Water Company" and to have an authorized capital stock of \$25,000 divided into shares of the par value of \$1.00 each; Associated Water Company will transfer to McKittrick Water Company certain properties set forth and described in said agreement; and McKittrick Water Company will issue to Associated Water Company \$1,000 par value of common capital stock. It is further agreed that thereafter Tide Water Associated Oil Company will cause Associated Water Company to be dissolved and wound up and, after receiving the stock of McKittrick Water Company upon the distribution of the assets of Associated Water Company, will assign said stock to the consumers of the water system.

Upon the completion of these acts it thus appears that of the properties now owned by Associated Water Company, a certain portion, including the wells constituting the source of supply

and part of the pipe line system, will be held by Tide Water Associated Oil Company, while the remainder of the pipe line system, and the operative right to operate the water distribution system, will be held by McKittrick Water Company, a new corporation whose stock will be held by the present consumers. The agreement further provides that the oil company will sell to the new water company, from the present water wells, at a price of 1/48¢ per gallon, all of the new water company's water requirements up to a maximum of 900,000 gallons per month. The agreement contains provisions for the sale of water in excess of said maximum amount and other features, as set forth therein.

The agreement is designed to resolve the differences existing between the water company and its consumers. However, McKittrick Water Company, the proposed new corporation and operator of the public utility business, has not yet come into existence. Accordingly, the only applicant now before the Commission over which it has any jurisdiction is Associated Water Company and the only issue presented at this time is whether that company should be authorized to execute and enter into an agreement.

In our opinion the plan outlined in this proceeding is in the public interest. If McKittrick Water Company were organized and before us as a petitioner, party to the proceeding, with full information relating to the transfer of properties and issue of stock, no doubt we would make an order at this time, based on the record now before the Commission, authorizing the transfer of properties to it and the issue of stock by it. We cannot, however, grant authorization permitting the transfer of properties to, or the issue of stock by, a corporation not yet organized and, accordingly, the order herein will be limited to one authorizing Associated Water Company to execute and enter into an agreement.

The order does not carry with it any authorization permitting Associated Water Company to transfer its properties or McKittrick Water Company, when it is organized, to issue stock. Before such authorization can be obtained it will be necessary for these two corporations to file with the Commission a joint petition for an order authorizing Associated Water Company to transfer properties and McKittrick Water Company to issue stock. Such a petition must show all the terms of the proposed transfer and must contain a certified copy of the Articles of Incorporation of McKittrick Water Company, a copy of the contract, or agreement, if any, for the transfer of properties and a copy of the proposed deed of conveyance.

O R D E R

The Railroad Commission having received the above numbered and entitled application and having considered the matter fully,

IT IS HEREBY ORDERED that Associated Water Company be, and it hereby is, authorized to execute and enter into an agreement in, or substantially in, the same form as the agreement dated June 28, 1940, on file in this proceeding, provided that the authorization here given is for the purpose of this proceeding only and is not an approval of the terms of said agreement if they, or any of them, become matters of issue in other proceedings.

Dated at San Francisco, California, this 30th day of

July, 1940.

Frank A. Quinn
Railroad Commissioner
John D. Cramer
Commissioner