

Decision No. 23876

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 JEAN NAYLOR, a single person, for
 permission to sell water system
 and of SOBRANTE WATER COMPANY, a
 corporation, for authority to buy
 it; and for an order authorizing
 SOBRANTE WATER COMPANY, a corporation
 to issue three hundred (300) shares
 of its stock.

ORIGINAL

Application No. 23876

BY THE COMMISSION:

O P I N I O N

In this proceeding, Jean Naylor asks for authority to sell to Sobrante Water Company, which joins in the application, the water system serving a certain subdivided portion of El Sobrante Rancho in Contra Costa County. Sobrante Water Company requests authority to issue 300 shares of stock of the par value of \$10 per share.

The major portion of this water system was constructed in 1935 and serves a small territory in El Sobrante Rancho, located eight miles south of Pinole in the Contra Costa County hills. The system comprises three wells equipped with plunger pumps, three storage tanks, having a total capacity of 32,000 gallons, and 7,950 feet of pipe ranging from 3/4 to 1-1/4 inches in diameter.

The water supply and service of the present plant has been so poor and unsatisfactory that measures for necessary improvements must be adopted without delay. The Sobrante Water Company has now been formed and incorporated to take over the

system and to extend service throughout the entire tract, including service to certain parties using private wells. This new company plans to obtain water from the East Bay Municipal Utility District and to abandon its present unproductive well sources. An agreement, dated December 30, 1940, has been entered into with the said District providing, among other things, for the extension of the District's mains to provide wholesale deliveries through a master meter at the District's regularly established charges for water furnished outside of its boundaries. The Sobrante Water Company, with this new source of supply, will unquestionably be in a position to render greatly improved service.

The new corporation asks permission to issue \$3,000 par value of its capital stock for the following purposes:

To pay the agreed purchase price for the Jean Naylor Water System	\$ 300.00
To pay organization expenses, legal fees, filing fees, and incidental charges	350.00
To finance the cost of meters, pipes, fixtures and equipment	1,000.00
To provide working capital	<u>1,350.00</u>
Total	\$3,000.00

Upon investigation by a representative of the Commission's Hydraulic Division, it appears that the original cost, less estimated accrued depreciation, of the properties to be transferred by Jean Naylor, is in excess of \$300 and that the improvements necessarily to be made by Sobrante Water Company, in order to connect with and take service from the East Bay Municipal Water District, and for additional meters and services, should call for a total expenditure of slightly more than \$1,000. In this connection, it appears that it will be necessary for the

corporation to construct some 2,000 feet of pipe line, to install one of the pumps to be acquired from Jean Naylor as a booster to lift the water to higher elevations and to purchase and install additional services and meters. We are advised that the system serves 18 consumers and that its gross revenues in 1940 amounted to \$234.

The information before the Commission does not, in our opinion, warrant the issue of stock by this applicant to provide working capital of \$1,350. The order herein accordingly will permit this corporation to issue, at this time, \$1,750 par value of its stock to pay organization expenses, to finance the cost of properties and to provide working capital. If the need for additional capital funds develops, the company can then request further authorization and the Commission, if proper and adequate showing is made of the necessity therefor, will give the matter consideration.

O R D E R

The Commission having considered applicant's request and it being of the opinion that this is not a matter in which a public hearing is necessary, and that this application should be granted subject to the provisions of this Order, and that the money, property or labor to be procured or paid for through the issue of \$1,750 par value of stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore

IT IS HEREBY ORDERED AS FOLLOWS:

1. Jean Naylor be and she is hereby authorized to sell and transfer, on or before March 31, 1941 to the Sobrante Water Company, a corporation, and the latter company is hereby authorized to

purchase that certain water system serving in El Sobrante Rancho, Contra Costa County, substantially in accordance with the terms, conditions and descriptions set forth in Exhibit B-1 attached to the application herein and hereby made a part of this Order by reference.

2. Sobrante Water Company may, on or before December 31, 1941, issue at par, \$1,750 of its common capital stock and use \$300 of the proceeds to pay for the properties to be acquired from Jean Naylor, \$350 to pay organization expenses, approximately \$1,000 to pay for improvements and additions, and the balance of the proceeds to provide working capital.
3. Jean Naylor shall, on or before April 15, 1941 refund to such consumers as may be entitled thereto all amounts, if any, deposited for main extensions, meter or service connections, and/or any other purposes, and not later than said date shall file with this Commission a certified statement to the effect that all such refunds, if any, have been duly made.
4. Jean Naylor shall, within ten (10) days after relinquishing control and possession of the property herein authorized to be transferred, file with this Commission a certified statement indicating the date upon which such control and possession were relinquished.
5. Sobrante Water Company shall file within thirty (30) days after acquiring said properties a certified copy of the final instrument of conveyance.
6. The consideration for the transfer herein authorized shall not be urged before this Commission or any other public body as a finding of value for rate fixing or for any purpose other than the transfer herein authorized.
7. Sobrante Water Company shall file with this Commission, within thirty (30) days after acquiring the properties authorized to be transferred herein, the schedule of rates, in quadruplicate, presently effective for this water system, together with four sets of rules and regulations governing relations with consumers, each set of which rules and regulations shall contain a suitable map or sketch, drawn to an indicated scale, upon a sheet approximately 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the area served, provided further, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
8. Sobrante Water Company shall file with this Commission within sixty (60) days after acquiring the properties authorized to be transferred herein, four copies of a comprehensive map drawn to an indicated scale of not

less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the territory to be served by said system. This map should be reasonably accurate, show the source and data thereof, and sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service.

9. The authority herein granted to transfer the water system shall be conditional upon the compliance by Jean Naylor with the provisions of paragraph 3 above. Upon the acquisition of the said properties by Sobrante Water Company, Jean Naylor is relieved of all further public utility obligations and liabilities in connection with the properties herein authorized to be transferred.
10. Sobrante Water Company shall keep such record of the issue 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 Commission's General Order No. 24-A, which Order in so far as applicable, is made a part of this Order by reference.

The authority herein granted shall become effective on the date hereof.

Dated at San Francisco California, this 11th day of February, 1941.

[Signature]
[Signature]
[Signature]
Justice F. Cassin
Francis K. Stevenson
(Commissioners)