

Decision No. 32933

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN FINANCE SERVICE, a corporation, to sell and transfer a portion of its public utility properties to PALM VILLAGE WATER COMPANY, a corporation, for cancellation of a portion of the certificate of Southern Finance Service, and to operate under the fictitious name of SAIDY GROVE WATER COMPANY; also PALM VILLAGE WATER COMPANY for certificate of public convenience and necessity and permission to issue stock.

ORIGINAL

Application
No. 26656

CANNON and CALLISTER, by
REED E. CALLISTER, for applicants.

BY THE COMMISSION:

O P I N I O N

The Commission, by Decision No. 33271, dated July 3, 1940, in Application No. 23195, granted Southern Finance Service, a corporation, doing business under the fictitious name of Palm Village Water Company, a certificate of public convenience and necessity authorizing it to operate water systems in two disconnected areas described in said Decision. By said Decision No. 33271 the Commission also fixed the rates that Southern Finance Service may charge.

One area, referred to in the decision as Unit No. 1, covers approximately 320 acres. It comprises the northeast quarter of Section 20 and northwest quarter of Section 21, Township 5 South, Range 6 East, S. B. B. & M. This area is

about 16 miles east of Palm Springs on the highway between Palm Springs and Indio.

The other area, referred to in the decision as Unit No. 2, covers about 86 acres, and is situated adjacent to the westerly corporate limits of the City of Indio.

Exhibit "K" shows that the property in Unit No. 1 was formerly owned by Johnson, Inc., a corporation, which, through stock ownership, controls Southern Finance Service. Johnson, Inc., has sold its properties in Unit No. 1 to Mollin Investment Company. At the same time it was agreed to sell the water properties situated in Unit No. 1 to Mollin Investment Company. Subsequently it was concluded by the management of Mollin Investment Company to cause the water properties to be transferred to Palm Village Water Company, a corporation.

In the pending application, Southern Finance Service asks permission to sell its public utility water properties in Unit No. 1 to Palm Village Water Company, a corporation, which will be under the control of Mollin Investment Company. The Commission is further asked to cancel that portion of the certificate of public convenience and necessity granted by said Decision No. 33271, which authorizes Southern Finance Service to operate a public utility water system in Unit No. 1 and to grant to Palm Village Water Company a certificate of public convenience and necessity to operate a public utility water system in Unit No. 1. Palm Village Water Company also asks permission to issue 2,500 shares of no par value capital stock in payment for said properties.

The properties which Southern Finance Service has agreed to transfer to Palm Village Water Company are described in Exhibit "C" on file in this application. The net cost of the

properties is reported at \$45,035.93, segregated as follows:

Land	\$ 3,000.00
Buildings, structures and pump house	9,982.32
Well	1,052.00
Pumping equipment	2,236.31
Distribution mains	24,966.33
Distribution reservoir and tanks	1,950.30
Hydrants	117.37
Meters	270.31
Material and supplies	1,143.48
Tools	105.60
Furniture and fixtures	211.91
Total	<u>\$45,035.93</u>

Applicants allege in their petition that the fair market value of the properties is \$50,000. They, however, offered no evidence in support of such allegation. Counsel for applicants stated that applicants had no objection to the Commission limiting the stock issue to the \$45,035.93. The order herein will authorize Palm Village Water Company to issue not exceeding 2,250 shares of no par value capital stock in payment for said properties.

The 2,250 shares of stock will be delivered to Mollin Investment Company, which is interested in subdividing the area for which Palm Village Water Company is seeking a certificate of public convenience and necessity. The testimony shows that Mollin Investment Company will provide Palm Village Water Company, through loans or through the purchase of additional stock, with whatever additional funds it may need to extend its water system.

Palm Village Water Company will charge the rates fixed by Decision No. 33271. It should in due time file with the Commission its rates, rules and regulations.

Southern Finance Service has operated the water properties in both Unit No. 1 and Unit No. 2 under the fictitious

name of Palm Village Water Company. It will continue to operate the properties in Unit No. 2; but conduct the operations under the fictitious name of Sady Grove Water Company.

O R D E R

A public hearing having been held in the above-entitled application by Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and it being of the opinion that Palm Village Water Company should be authorized to issue 2,250 shares of its no par value capital stock in payment for the properties described in said Exhibit "C", that the money, property or labor to be procured or paid for through the issue of said shares of stock is reasonably required by Palm Village Water Company for the purposes herein stated, 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern Finance Service, a corporation, may, on or before September 30, 1945, transfer to Palm Village Water Company the properties described in Exhibit "C" on file in this application.

2. Concurrently with the transfer of said properties to Palm Village Water Company, the certificate of public convenience and necessity granted by said Decision No. 33271 to Southern Finance Service and authorizing Southern Finance Service to operate a public utility water system in the northeast quarter of Section 20 and northwest quarter of Section 21, Township

5 South, Range 6 East, S. B. B. & M. is cancelled.

3. Palm Village Water Company may, on or before September 30, 1945, issue in payment for the properties described in said Exhibit "C", 2,250 shares of its no par value capital stock.

4. The Railroad Commission of the State of California hereby declares that public convenience and necessity require the construction, maintenance and operation of a water system by Palm Village Water Company, a corporation, in the northeast quarter of Section 20 and northwest quarter of Section 21, Township 5 South, Range 6 East, S. B. B. & M., and hereby grants to said Palm Village Water Company, a corporation, a certificate of public convenience and necessity for said purposes.

5. If Palm Village Water Company, a corporation, acquires said properties, it shall file, on or before September 30, 1945, four copies of rates for water service furnished by said properties in the area for which it is herein granted a certificate of public convenience and necessity, which rates shall not be higher in any particular than the applicable rates now on file with the Commission.

6. If Palm Village Water Company, a corporation, acquires said properties, it shall file with the Commission, on or before September 30, 1945; four sets of rules and regulations applicable to the area in which it is herein granted a certificate of public convenience and necessity, each set of which shall contain a map or sketch drawn to an indicated scale on sheets approximately $8\frac{1}{2}$ x 11 inches in size, delineating thereon in distinctive markings the boundaries of the service area and

the location thereof with reference to the surrounding territory, it being understood, however, that the filing of such a sketch shall not be considered as conclusive determination of the area dedicated.

7. If Palm Village Water Company, a corporation, acquires said properties, it shall file with the Commission, on or before September 30, 1945, four copies of a comprehensive map drawn to an indicated scale of not less than 600 feet to the inch, delineating the service area for which it is hereby granted a certificate of public convenience and necessity and its location with reference to the surrounding territory. Such a map shall show the source and date thereof and include data to determine clearly the location of the various properties comprising the service area.

8. The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

9. If Palm Village Water Company, a corporation, acquires said properties, it shall file with the Railroad Commission a copy of the deed under which it holds title to said properties, together with a statement showing the number of shares of stock issued under the authority herein granted, to whom said shares of stock were issued, and the consideration received for the stock.

10. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 29th day
of May, 1945.

Howard Rubin
Justice J. Craven
Richard L. Tucker
Harvey Green
Edward L. Quinn
Commissioners