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Decision No. 13481.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTH LOS ANGELES LAND AND WATER COMPANY, )  
a corporation, for an order authorizing ) Application Number 9883.  
the issue of bonds. )

ORIGINAL

O'Melveny, Milliken, Tuller & Macneil,  
by Paul Fassell and Guy T. Graves, for Applicant.

BY THE COMMISSION:

OPINION

In this application the Railroad Commission is asked to make an order authorizing South Los Angeles Land and Water Company to execute a deed of trust and to issue and sell at not less than 93 percent. of face value plus accrued interest, \$150,000.00 of first mortgage six and one half percent. bonds due January 1, 1949, for the purpose of paying indebtedness and of financing the cost of additions and betterments.

South Los Angeles Land and Water Company is engaged in supplying water for domestic, commercial and agricultural purposes. The territory served comprises the City of Vernon, a small portion of the City of Huntington Park and that district of Los Angeles County known as Goodyear Park. On December 31, 1921, 3026 consumers were reported served; on December 31, 1922, 3735 consumers; and on December 31, 1923, 5001 consumers. It is estimated by applicant's officers that during 1924 more than 1200 new services and meters must be installed.

The company has an authorized capital stock of \$300,000.00 divided into 3,000 shares of the par value of \$100. each, of which \$75,000. was reported outstanding on December 31, 1923. In addition, as of the same date, the company reports outstanding \$36,500. of first mortgage six percent. bonds due on or before July 1, 1931; \$7,400.00 of short term notes; and \$47,953.06 of accounts payable.

The company's revenues and expenses for the years ending December 31st are reported as follows:-

	<u>1921</u>	<u>1922</u>	<u>1923</u>
Operating revenues	\$51,682.96	\$59,805.50	\$80,993.70
Operating expenses	<u>39,726.78</u>	<u>36,883.61</u>	<u>50,570.17</u>
Balance .....	11,956.18	22,921.89	30,423.53
Depreciation	<u>5,241.41</u>	<u>6,613.25</u>	<u>8,649.03</u>
Net operating revenues	<u>6,714.77</u>	<u>16,308.64</u>	<u>21,774.50</u>
Nonoperating revenues	<u>40.00</u>	-	<u>40.00</u>
Gross corporate income	<u>6,754.77</u>	<u>16,308.64</u>	<u>21,814.50</u>
DEDUCT:			
Bond interest	1,770.00	2,055.00	2,115.00
Other interest	532.86	974.70	2,289.34
Amortization	1,082.73	75.88	79.63
Other deductions	<u>51.30</u>	<u>141.10</u>	<u>583.15</u>
TOTAL.....	<u>\$3,436.89</u>	<u>\$3,246.68</u>	<u>\$5,067.12</u>
Profit for year	3,317.88	13,061.96	16,747.38
Miscellaneous additions	-	1,011.84	35.33
Miscellaneous deductions	3,000.00	1,283.99	-
Surplus beginning of year	12,386.26	12,704.14	25,493.95
Surplus at end of year	12,704.14	25,493.95	42,386.66

Applicant intends to execute a new deed of trust to secure the payment of a total authorized issue of \$250,000.00 of bonds. At this time it is proposed to issue and sell at ninety-three only \$150,000.00 of bonds and to use the proceeds for the purposes to which reference is made hereafter. Applicant's present deed of trust secures the payment of a total authorized issue of \$75,000.00 of bonds, all of which have heretofore been issued. From time to time, however, \$38,500.00 of bonds have been paid, leaving \$36,500.00 at present outstanding. The company reports that the population of the

territory in which it operates is rapidly increasing and that to adequately take care of the corresponding increased demand for service and to finance the cost of extensions, it is thought necessary to execute a new deed of trust to enable it to issue additional bonds from time to time and to pay the bonds now outstanding.

Applicant asks permission to use \$37,412.50 of the proceeds from the sale of the \$150,000.00 of six and one half percent. bonds now applied for, to refund at a premium of two and one half percent., \$36,500.00 of six percent. bonds now outstanding. This request will not be granted. We will authorize the issue of \$36,500.00 of six and one half percent. bonds to refund the \$36,500.00 of six percent. bonds. If applicant sells the \$36,500.00 of six and one half percent. bonds at ninety-three, as proposed by it, and redeems the \$36,500.00 of six percent. bonds at a premium of two and one half percent., it must draw on its surplus earnings to make up the difference between the amount received from the sale of the \$36,500.00 of six and one half percent. bonds and the amount expended to redeem the \$36,500.00 of six percent. bonds.

The proceeds from the sale of the remaining \$113,500.00 of six and one half percent. bonds herein authorized to be issued and sold may be used to pay the following indebtedness or pay the cost of the following improvements:-

A. The discharge of obligations incurred for the construction, extension and improvement of facilities, as follows:-

Redwood Manufacturing Company .....	\$5,394.42
(Balance due on tanks installed at Vernon and Goodyear plants)	
Neptune Meter Company .....	23,788.10
(New meters installed)	
James Jones Company .....	536.06
(Materials for services)	
Thomas Haverly Company .....	1,296.25
(Materials for pipe lines)	
E.D.Loomis .....	1,214.00
(New pipe lines)	
Art Concrete Works .....	237.50
(Meter boxes)	
Western Pipe and Steel Company .....	4,228.85
(Purchase of pipe)	
Shinn Holtz Lyon Company .....	1,509.92
(Pipe fittings)	
Sydney Smith Company .....	5,383.71
(New pipe lines)	
H. Mueller Mfg. Co. ....	160.84
(Pipe fittings)	
Layne and Bowler .....	1,200.00
(New pump-Goodyear plant)	
Electrical Service Company .....	1,200.00
(New motor-Goodyear plant)	
DeWitt Blair Co. ....	2,000.00
(Lot in Goodyear Park)	

B. The construction, extension and improvement of facilities, as follows:-

250,000 gallon concrete collecting reservoir at the Vernon Plant, approximately.....	10,000.00
Distribution mains for the extension of plant, approximately .....	15,000.00
75,000 gallon redwood tank at Vernon Plant, approximately .....	7,500.00
New services and meters, approximately .....	24,905.35

TOTAL..... \$105,555.00

The record indicates that the proposed deed of trust securing the payment of the bonds will be a first lien on all of applicant's properties. A report on the value of these properties has been filed with the Commission in this proceeding as "Exhibit B". This report, which was prepared by The Chester E. Loveland Engineers,

consulting engineers, shows an estimated historical cost of \$471,274.; an estimated reproduction cost new of \$513,679.00; and an estimated reproduction cost new less depreciation of \$425,709.00. These figures include \$73,500.00 for landed capital and \$6,200.00 for organization, franchises and water rights. For the purpose of this proceeding, it is not necessary to determine the cost or the value of the properties.

Applicant has not as yet filed with the Commission a copy of its proposed deed of trust in satisfactory form. For this reason the Commission, at this time, can issue only a preliminary order. The final order will be entered when applicant has submitted to the Commission a copy of its proposed deed of trust in satisfactory form.

#### ORDER

South Los Angeles Land and Water Company, having applied to the Railroad Commission for permission to execute a deed of trust and to issue and sell \$150,000.00 of bonds, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue and sale is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that South Los Angeles Land and Water Company be, and it is hereby, authorized to issue and sell at not less than ninety-three percent. of face value plus accrued interest, \$150,000.00 of its first mortgage six and one-half percent. bonds, due January 1, 1949.

The authority herein granted is subject to further conditions as follows :-

1. Applicant may use the proceeds, other than accrued interest, from the sale of \$36,500.00 of the bonds herein authorized to be issued and sold, to pay, in part, the cost of refunding the present outstanding bonds.
2. Applicant may use the proceeds, other than accrued interest, from \$113,500.00 of the bonds herein authorized to be issued and sold, to pay the indebtedness and the cost of the improvements referred to in the opinion which precedes this order, provided that only such expenditures as are properly chargeable to capital account under the uniform system of accounts prescribed by the Commission, may be financed with such proceeds.
3. The accrued interest may be used for general corporate purposes.
4. Applicant shall keep such record of the issue, sale and delivery of the bonds 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 Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
5. The authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is

\$114.00, nor until the Commission, by supplemental order has authorized applicant to execute a mortgage or deed of trust to secure the payment of the bonds. No bonds may be issued or sold after December 31, 1924.

DATED at San Francisco, California, this 24<sup>th</sup> day of April, 1924.

*C. L. Seaver*

*I. Irving Martin*

*J. T. Whittsey*  
Commissioners.

