

Decision No. 14506.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
IDYLLWILD, INC., a corporation, for  
permission to issue bonds.

Application Number 10707.

Best and Best, by Raymond C. Best,  
for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Idyllwild, Inc., a corporation, to execute a mortgage or deed of trust and to issue and sell \$150,000. of first mortgage seven and one-half per cent serial bonds for the purpose of paying indebtedness and of financing the cost of additions and betterments.

The application sets forth that Idyllwild, Inc., is the owner of approximately 850 acres of land, situate in Township 5 South, Range 3 East, San Bernardino Base and Meridian, riparian to Strawberry Creek in the San Jacinto Mountains, Riverside County and that it is engaged in the business of buying and selling land, building, leasing and selling houses, and furnishing water to the occupants thereof, operating a hotel and store, and in general doing all things necessary for the management and maintenance of a mountain resort.

It is reported that for a number of years applicant had been furnishing water free of charge, but that in order to provide adequate service for its rapidly increasing business, it decided to become a public utility and to make reasonable charges for its services. Accordingly, it made application to the Railroad Commission and by Decision Number 10301, dated April 12, 1922, in Application No. 7382, the Commission declared that public convenience and necessity required the operation of a public utility water system by Idyllwild, Inc. in Township 5 South, Range 3 East, S. B. B and M., in the County of Riverside, and authorized and directed the company to file with the Commission a schedule of rates which was set forth in the decision, such schedule to be effective for water delivered subsequent to April 30, 1922. It now appears that pursuant to the Commission's decision the company has been operating its water system as a public utility and has been charging for its services in accordance with the rate schedule authorized by the Commission.

As of November 30, 1924, Idyllwild, Inc. reports its assets and liabilities as follows:--

ASSETS

Fixed capital:	
Real estate. . . . .	\$126,153.06
Cottages, furnishings. . . . .	104,979.25
Livery equipment. . . . .	1,052.53
Machinery. . . . .	9,592.60
Livestock . . . ; . . . . .	3,449.82
Electric lines . . . . .	3,222.81
Fencing. . . . .	920.73
Water system. . . . .	29,514.93
Total fixed capital. . . . .	\$278,865.73
Cash. . . . .	2,458.51
Trust deeds, etc. representing amounts due from sale of lots, etc. . . . .	34,697.95
Notes receivable. . . . .	5,498.40
Accounts receivable. . . . .	3,714.29
Materials. . . . .	10,476.35
Prepaid interest. . . . .	1,800.00
Total assets. . . . .	\$337,711.23

LIABILITIES

Capital stock . . . . .	\$127,000.00
Mortgages . . . . .	30,900.05
Notes payable . . . . .	24,646.99
Accounts payable . . . . .	12,152.18
Reserve for depreciation . . . . .	17,892.35
Surplus . . . . .	125,119.66

Total liabilities . . . . . \$337,711.23

The company's Articles of Incorporation show that it has an authorized capital stock of \$200,000. consisting of 2,000 shares of the par value of \$100. each and divided equally into common and preferred stock. The preferred stock bears cumulative dividends at the rate of seven per cent per annum and, after dividends of like amount have been paid on the common stock, participates equally with the common stock in additional dividends. At the option of the company the preferred stock is redeemable, on any interest payment date on or after five years from the date of payment of the first dividend declared, at par, plus a premium of \$10.00 for each share.

Of the authorized stock, the company on November 30, 1924, had \$127,000. outstanding, of which amount \$100,000. was common stock and \$27,000. preferred. On the outstanding stock, dividends have been paid as follows:-

<u>Date</u>	<u>Rate Per Cent</u>	<u>Amount Of Stock</u>	<u>Dividends</u>
Nov. 30, 1921	25	\$ 50,000.00	\$ 12,500.00
Sept. 29, 1922	10	50,000.00	5,000.00
July 1, 1923	3.5	124,300.00	4,348.53
Dec. 31, 1923	3.5	125,000.00	4,383.75
July 1, 1924	3.5	126,500.00	4,427.50
Total dividends . . . . .			<u>\$ 30,659.78</u>

Should the present application be granted and the \$150,000. of seven and one half per cent bonds be issued, applicant will incur annual fixed interest charges of \$11,250. Financial statements filed with the Commission show that applicant's gross revenues for 1923 amounted to \$178,053.93, and for 1924 to \$162,185.89. The amount available for payment of interest is reported at \$20,074.01 for 1923, and at \$20,364.02 for 1924.

The company at present supplies water to approximately 200 consumers, as compared with about 150 a year ago.

Applicant now plans to execute a mortgage or deed of trust covering all its properties, both public utility and non-public utility, with certain exceptions, to secure the payment of a total authorized issue of \$150,000. of first mortgage bonds. These bonds are to be dated December 1, 1924, bear interest at the rate of seven and one half per cent per annum and mature as follows:-

December 1, 1927	. . . . .	\$ 10,500.00
December 1, 1928	. . . . .	10,500.00
December 1, 1929	. . . . .	21,000.00
December 1, 1930	. . . . .	21,000.00
December 1, 1931	. . . . .	21,000.00
December 1, 1932	. . . . .	21,000.00
December 1, 1933	. . . . .	21,000.00
December 1, 1934	. . . . .	24,000.00
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Total	. . . . .	<u>\$150,000.00</u>

Upon giving notice the company may, on any interest payment date prior to maturity, redeem or pay all or any number of the bonds of the next ensuing maturity or maturities by payment of the principal and accrued interest and a premium of five per cent if redeemed between December 1, 1924, and December 1, 1927, or thereafter a premium of one-half of one per cent less for each year of the unexpired term of the bonds. A sinking fund provision is contained in the proposed mortgage or deed of trust, by the terms of which applicant agrees to deposit with the trustee at least fifty per cent of all money received, subsequent to December 1, 1924, from the sale of land. If such deposits do not amount to \$5,000.00 for each of the years 1925, 1926 and 1927 and to a sum sufficient in any year to retire the bonds maturing in any such year and all fees, disbursements and expenses of the trustee in connection with the trust, the company agrees, on demand of the trustee, to deposit such additional sums as the trustee may deem necessary.

A copy of the proposed mortgage or deed of trust has been filed in this proceeding as Applicant's Exhibit No. 2. The form of the proposed mortgage or deed of trust is unsatisfactory, except that Article IV thereof should be modified so that the company may remit the sinking fund payment to the trustee from the first to the tenth day of each month, instead of being required to remit the same on the first day of each month.

The company plans to sell the entire authorized issue of \$150,000.00 of bonds at this time. It proposes to use proceeds to pay its outstanding indebtedness, as shown on the foregoing balance sheet, to use \$10,000.00 to reimburse its treasury on account of expenditures for its public utility properties, to use \$5,000.00 for additions and betterments to such properties, and to

use the remaining proceeds to pay for additions, extensions and improvements to its non-public utility properties. The proposed expenditures of \$5,000. consist of approximately 10,000 feet of pipe lines, from three-fourths of an inch to five inches in diameter, which will serve a new subdivision now being opened and which will add about 150 consumers to the water system.

Permission is asked to sell the \$150,000. of 7½ % bonds at not less than 90 per cent of their face value. Although a large portion of applicant's business and properties are of a non-public utility nature, the company has accepted the certificate of public convenience and necessity granted by the Commission and is operating as a public utility. We do not think that we are justified in authorizing the issue of bonds on the basis requested by applicant. The order herein will permit the issue and the sale of the bonds at not less than 92% of their face value and accrued interest.

#### O R D E R

Idyllwild, Inc. having applied to the Railroad Commission for an order authorizing the execution of a mortgage or deed of trust and the issue and sale of \$150,000. of bonds, a public hearing having been held before Examiner Williams, and the Railroad Commission being of the opinion that the application should be granted, as provided herein, and that the money, property or labor to be procured or paid for through the issue and sale of such bonds is reasonably

required for purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED THAT Idyllwild, Inc. be, and it is hereby, authorized to execute a mortgage or deed of trust substantially in the same form as that filed in this proceeding as Exhibit "2" provided the same be modified as indicated in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED THAT Idyllwild, Inc. be, and it is hereby, authorized to issue and sell on or before August 1, 1925, at not less than ninety-two (92) per cent of face value plus accrued interest, \$150,000. of its first mortgage serial seven and one-half per cent bonds for the purpose of paying indebtedness, reimbursing its treasury and financing the cost of extensions, additions and improvements, all as referred to in the opinion which precedes this order.

The authority herein granted is subject to the following conditions:-

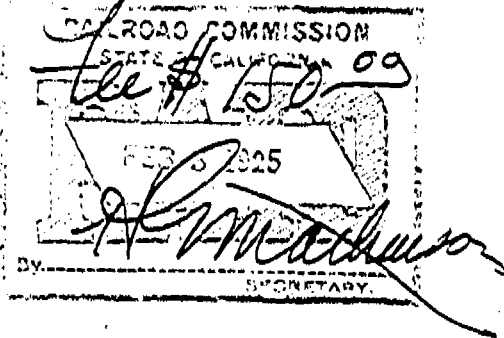
1. The authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only and is granted only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such mortgage or deed of trust as to such other legal requirements to which such mortgage or deed of trust may be subject.
2. 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.

3. Applicant shall file with the Railroad Commission a certified copy of its mortgage or deed of trust within thirty days after the same has been executed.

4. The authority herein granted will become effective when Idyllwild, Inc. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$150.

Dated at San Francisco, California, this 30<sup>th</sup> day of January, 1925.



H. B. Burdige  
C. Beatty  
Egerton Shore  
George D. Squires  
Emmerson  
Commissioners.