

LEM

Decision No. 18648.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTH PARK WATER COMPANY) Application No. 11827
for authorization to issue bonds.)

Hugh Gordon, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding South Park Water Company asks permission to execute a deed of trust and to issue and sell \$125,000.00 of bonds for the purpose of financing in part the cost of acquiring the properties of the Morgan Water Plant and of paying for additions and betterments to its plants and properties.

South Park Water Company was organized on or about September 25, 1918 with an authorized capital stock of \$50,000., which subsequently was increased to \$150,000.00 divided into 1500 shares of the par value of \$100. each, all common. As of September 30, 1925 the company reports outstanding \$97,300.00 of stock, of which \$300. was issued to directors for qualifying purposes and \$97,000. was issued, pursuant to authority granted by the Commission, in payment for the water distributing system installed and formerly owned by South Park Land Company.

It appears that the system owned and operated by applicant is used to supply water for domestic purposes in that territory lying south of the City of Los Angeles and bounded by Main Street, 104th Street, South Park Avenue, Pacific Electric Railroad, Central Avenue, Monte Vista Avenue and Ionia Avenue, the territory

served covering about 500 acres. Recently the Commission by its decision in Application No. 11817 authorized applicant to acquire from Anna Munson for \$84,759.66, an adjoining water system, known as the Morgan Water Plant, serving a territory of about the same area. For a description of the two water systems and a statement of the consolidation approved by the Commission, reference is made to said decision in Application No. 11817.

The record shows that applicant has no bonded indebtedness and, as of September 30, 1925, other indebtedness of only \$12,823.71, and that it was authorized to acquire the Morgan Water Plant free and clear of all indebtedness. Applicant has, however, been authorized to pay \$84,759.66 to Anna Munson for her properties, of which \$79,550.00 is to be paid in cash and the balance in short term notes.

The present application for permission to create a bonded indebtedness and to issue bonds is made primarily for the purpose of obtaining the funds to make payment for the Morgan Water Plant. The company reports that it has made arrangements to sell \$125,000. of bonds at 93.5 percent of face value, a price yielding it \$116,825., and it proposes, subject to the approval of the Commission, to use \$79,550.00 of the proceeds for the purpose indicated and to use the remaining \$37,325.00 for the following purposes:-

To pay for additions and betterments:-		
Steel tank, 150,000 gallons	\$11,080.	
100,000 gallon reinforced fore-		
bay	2,800.	
Booster pump and appurtenances	3,200.	
Land for elevated tank . . .	2,500.	
Pipe lines to connect the two		
systems	9,340.	
General office equipment . .	3,005.	
Miscellaneous	3,075.	\$35,000.
To pay for expenses in connection with the		
consolidation of the two systems and		
the sale of the bonds, etc.		<u>2,325.</u>
Total		<u>\$37,325.</u>

Applicant will be required to file with the Commission a detailed statement of its construction expenditures before it will be authorized to use any moneys obtained from the sale of bonds, to pay for the same.

The proposed mortgage will secure the payment of an authorized issue of \$200,000., and will be a first lien on the properties of both systems. The \$125,000. of bonds now proposed to be issued will be designated Series "A", will be dated July 1, 1925, bear interest at seven percent per annum, be callable at 102.5 on any interest payment date prior to maturity and will mature as follows:-

July 1, 1928	\$5,000.
July 1, 1929	5,000.
July 1, 1930	5,000.
July 1, 1931	5,000.
July 1, 1932	7,000.
July 1, 1933	8,000.
July 1, 1934	9,000.
July 1, 1935	10,000.
July 1, 1936	11,000.
July 1, 1937	11,000.
July 1, 1938	12,000.
July 1, 1939	13,000.
July 1, 1940	<u>24,000.</u>

Total..... \$125,000.

On November 9th the Commission was notified that applicant desired to make certain changes in the copy of the proposed mortgage or deed of trust filed October 15, 1925. The proposed mortgage or deed of trust, as revised by the changes filed on November 9th is in satisfactory form, except Section 12 of Article III. This section should be entirely eliminated. Originally it read:-

"The company covenants and agrees that it will not increase the salary or compensation of any of its officers or directors or incur expenses of an extraordinary character, or any expense in excess of \$5,000. without the written approval of the Underwriter, Citizens National Company, of Los Angeles, California."

As amended it reads:-

"The Company covenants and agrees that it will not increase the salary or compensation of any of its officers or directors or incur expenses of an extraordinary character, or any expense in excess of Five Thousand Dollars (\$5,000.00) without the approval of the Railroad Commission of the State of California after written notice by the Company to the Underwriter, Citizens National Company, of Los Angeles, California, of the application of the Company for an order of the Railroad Commission approving the same and a reasonable opportunity to said Underwriter to appear at the hearing on said application."

Both in its original and in its amended form, said section does not meet with the Commission's approval.

O R D E R

South Park Water Company, having applied to the Railroad Commission for permission to execute a mortgage or deed of trust and to issue and sell \$125,000. 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 through such issue of bonds 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 expenses or to income,

IT IS HEREBY ORDERED that South Park Water Company 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 and modified as indicated in the foregoing opinion, and to issue and sell on or before March 31, 1926 at not less than 93-1/2 percent of face value plus accrued interest, \$125,000.00 of its first mortgage serial seven percent bonds dated July 1,

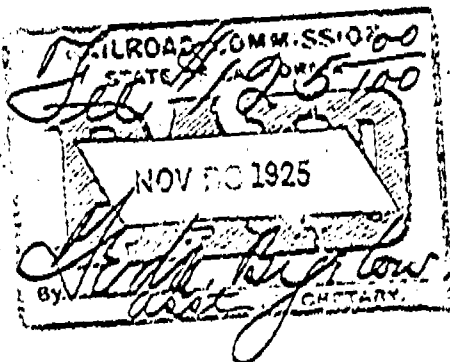
1925 and to use \$79,550.00 of the proceeds to finance in part the cost of acquiring the Morgan Water Plant and to use the remaining proceeds to pay for extensions, additions and betterments to its plants and properties, and other purposes, provided that \$35,000. of said remaining proceeds may not be expended until the Commission by supplemental order or orders has authorized the expenditure of said \$35,000.00 or any part thereof.

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 insofar 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. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$125.00.

IT IS HEREBY FURTHER ORDERED that South Park Water Company shall file within thirty days after the execution of said mortgage or deed of trust, a certified copy thereof.

DATED at San Francisco, California, this 20th day of November, 1925.



H. H. Brown

George D. Spence

Leon Whitell

Commissioners.