

LEM

Decision No. 17960.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MONTEBELLO LAND AND WATER COMPANY,)
a corporation, for a permit to sell)
\$50,000.00 of its first mortgage six)
and one half percent serial gold)
bonds.)

Application No. 13416

ORIGINAL

Fogel and Beman, by M. M. Fogel, for applicant.

BY THE COMMISSION:

O P I N I O N

Montebello Land and Water Company asks permission to issue and sell at 95 and accrued interest \$50,000.00 of its first mortgage six and one half percent serial gold bonds for the purpose of paying indebtedness and obtaining moneys to extend and improve its water system.

The company alleges that it is engaged primarily in the business of furnishing water to its stockholders residing in Montebello and vicinity.

Applicant as of December 31, 1925 reports its assets and liabilities as follows:-

ASSETS:

Fixed capital	\$147,995.79
Cash	724.55
Notes receivable	118.93
Accounts receivable	1,869.37
Materials and supplies	756.17
Prepayments	567.10
Discount on stock	47,186.94
Total.....	<u>\$199,218.85</u>

LIABILITIES:

Capital stock	\$125,000.00
Notes payable	13,731.41
Accounts payable	362.50
Donations in aid of construction	24,442.98
Reserve for depreciation	30,935.46
Corporate surplus	4,746.50
Total.....	<u>\$199,218.85</u>

Applicant has filed in this proceeding a report signed by Wm. Mulholland (Exhibit F) in which he estimates the value of applicant's properties including water rights, at \$400,000.00. He, however, was not produced as a witness, and his report is so general in its nature that we are unable to give it any consideration.

The company for 1923, 1924 and 1925 reports revenues and expenses as follows:-

ITEM	1923	1924	1925
Gross income	\$45,705.17	\$44,883.95	\$40,334.86
Operating revenues, excluding depreciation	24,117.06	30,503.32	33,686.85
Net operating revenue	21,588.11	14,380.63	6,648.01
Nonoperating revenue	25.79	-	-
Gross income	21,614.90	14,380.63	6,648.01
Depreciation	8,302.43	9,236.49	7,302.71
Balance	<u>\$13,311.47</u>	<u>\$5,144.14</u>	<u>\$ 654.70(1)</u>

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For 1926 the gross income of applicant is reported at \$46,497.83 and operating expenses at \$32,121.60, leaving a balance of \$14,376.23 available for depreciation, interest and surplus.

Applicant reports that it has entered into an arrangement with John M.C.Marble Co. for the sale of \$50,000.00 of serial bonds at 95 percent of their face value. It proposes to use the proceeds obtained from the sale of the bonds to pay indebtedness and to improve and extend its water system, more fully set forth in the following statement:-

To pay and discharge note held by First State Bank of Montebello, covering portion of the expense of the new lines in the business district of Montebello	\$4,000.00
To pay balance on notes to Los Angeles Manufacturing Company for new lines installed on Beverly Boulevard, Washington Avenue, Maple Avenue and alley paralleling boulevard to west city limits	5,800.00
To pay and discharge note given to William Driggers for digging in connection with the new lines installed as aforesaid	2,600.00
To pay and discharge the obligation to S.F.Catey for drilling new twenty-inch well	14,850.00
To pay for laying and installing proposed water lines on Beverly Boulevard and Washington Boulevard	10,000.00
To pay for purchase of pumping equipment for 1-1/4 mile 14" steel pipe for the new 20-inch well-Byron Jackson bid accepted	5,000.00
For meeting estimated expense of new mains to connect new well with the company's system-actual bid	5,000.00
Miscellaneous	350.00
Total	<u>\$47,500.00</u>

The testimony of Fred H. Howard, president of applicant corporation, shows that it became necessary during 1926 to obtain an additional water supply and it was for that reason that it proceeded with the drilling and equipping of an additional well. His testimony further shows that on account of paving the streets in the territory throughout which applicant operates, it became advisable to re-lay many of its pipe lines, which necessitated the borrowing of money which it is now needed to pay through the issue of bonds.

Applicant has filed in this proceeding a copy of its proposed mortgage which it intends to execute to the Merchants National Trust and Savings Bank of Los Angeles. The mortgage secures the payment of an authorized bond issue of \$100,000.00 payable serially as follows:-

August 1, 1927	\$5,000.00	August 1, 1934	\$7,000.00
August 1, 1928	5,000.00	August 1, 1935	7,000.00
August 1, 1929	5,000.00	August 1, 1936	7,000.00
August 1, 1930	5,000.00	August 1, 1937	10,000.00
August 1, 1931	5,000.00	August 1, 1938	10,000.00
August 1, 1932	7,000.00	August 1, 1939	10,000.00
August 1, 1933	7,000.00	August 1, 1940	10,000.00

The proposed mortgage is in satisfactory form and we believe that its execution should be authorized.

O R D E R

Montebello Land and Water Company having applied to the Railroad Commission for permission to execute a mortgage and to issue \$50,000.00 of bonds, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, therefore,

IT IS HEREBY ORDERED that Montebello Land and Water Company be, and it is hereby, authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding on December 27, 1926 and marked "Applicant's Exhibit B", provided that the authority herein granted to execute said mortgage or deed of trust is for the purpose of this proceeding only and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.

IT IS HEREBY FURTHER ORDERED that Montebello Land and Water Company be, and it is hereby, authorized to issue and sell for cash on or before June 30, 1927 at not less than 95 percent of their face value and accrued interest \$50,000.00 of six and one half percent serial bonds, and use the proceeds for the purpose of paying the indebtedness and extending and improving its water system, as indicated in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to execute a mortgage and issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$50.00 and that 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 insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that within thirty days after the execution of the mortgage herein authorized, Montebello Land and Water Company shall file with the Railroad Commission a certified copy thereof.

DATED at San Francisco, California, this 5th day of February, 1927.

Ernesto
H. B. Boudiger
C. S. Searles
Leon Whitell
Thos. B. Rowell

Commissioners.

