

LEM

Decision No. 1020A.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CONSERVATIVE WATER COMPANY,)
a corporation, for order authorizing) Application No. 9202
issue of bonds.) (Supplemental)

Finlayson, Bennett and Morrow,
by James S. Bennet, for applicant.

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

The Conservative Water Company in its supplemental petition filed on January 5, 1927, as amended on December 22, 1927, asks permission to issue and sell at not less than 88.47 percent of their face value and accrued interest \$50,000. of its first mortgage six percent bonds due July 1, 1953 and use \$13,168.67 of the proceeds to reimburse its treasury and \$21,151.95 to pay for new construction. The balance the company agrees to expend for such purposes as may hereafter be authorized by the Commission. Applicant also asks the Commission to authorize, ratify, confirm and approve the expenditure of the proceeds realized from the sale of the \$200,000 of bonds, the issue of which was authorized by Decision No. 12376 dated July 20, 1923, as amended.

The Conservative Water Company was organized on or about April 21, 1904. It is engaged in the business of serving water for domestic and industrial uses in the City of Watts and in territory outside of said city adjacent thereto, all within the County of Los Angeles. The company has outstanding \$100,000. of common stock substantially all of which is owned by W. W. Pedder, the president of the company. By Decision No. 12376, dated July 20, 1923, as amended, the Commission authorized the company to issue \$200,000. of six percent first mortgage bonds due July 1, 1953. It appears that all of these bonds have been issued and that since their issue \$6,000.00 of said bonds have been redeemed, leaving outstanding at this time \$194,000.00.

The record shows that the company has used all of the bond proceeds for construction purposes and that in so doing it has to some extent departed from the Commission's order and used part of the proceeds for purposes not authorized by the Commission. W. W. Pedder, president of the company, testified that this was done because of the economies that could be effected by replacing mains in advance of the streets being permanently paved by the City of Watts and the County of Los Angeles. A detailed schedule of all work done and the purposes for which the proceeds were expended have been filed in this proceeding. The company asks the Commission to approve such expenditures. We are satisfied from the testimony that the company did not wilfully and deliberately violate the order of the Commission. We therefore feel that the expenditures made by the company and referred to in its supplemental petition filed on December 22nd should be approved.

The record shows that the company has expended for construction purposes \$13,168.67 not obtained from the sale of the bonds. The cost of new work which is set forth in detail in schedules filed is estimated at \$21,151.95 which, added to the \$13,168.67 makes a total of \$34,320.62 of construction expenditures against which the company has not issued any bonds. It

now asks permission to issue \$50,000. of bonds and use \$34,320.62 of the proceeds to finance the expenditures to which reference has just been made. It proposes to deposit the remainder of the proceeds obtained from the sale of the \$50,000.00 of bonds in a special bank account and expend the same only as hereafter authorized by the Commission. We believe that because of the record in this proceeding that the company should not be permitted to issue more than \$35,000.00 of bonds. If the proceeds realized from the sale of such bonds are not sufficient to finance the amount heretofore expended or to be expended for construction purposes, the difference must be realized from some source other than the issue of bonds.

FOURTH SUPPLEMENTAL ORDER

Conservative Water Company having applied to the Railroad Commission for permission to issue \$50,000. of bonds and for the approval of certain construction expenditures, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the company should be permitted to issue not exceeding \$35,000. of said bonds; that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income and that the Company's supplemental application insofar as it involves the issue of \$15,000. of bonds should be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED that the Conservative Water Company be, and it is hereby, authorized to issue and sell on or

before July 31, 1928, at not less than 93 percent of their face value and accrued interest \$35,000. of its six percent first mortgage bonds due July 1, 1953 and use the proceeds to reimburse its treasury to the extent of \$13,168.67 and to pay in part the cost of the improvements set forth in schedules attached to the supplemental petition filed on December 22, 1927.

IT IS HEREBY FURTHER ORDERED that the Commission's order in Decision No. 12376, dated July 20, 1923, as amended, be, and the same is hereby further amended so as to permit the company to expend the proceeds obtained from the sale of the \$200,000. of bonds referred to in said order for the purposes indicated in the schedules attached to the supplemental petition filed on December 22, 1927, and that the expenditures referred to in said schedules be, and the same are hereby approved.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Thirty-five (\$35.00) Dollars; and that the Conservative Water Company shall keep such record of the issue, sale and delivery of the stock 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 this application insofar as it involves the issue of \$15,000. of bonds be, and the same is

hereby, dismissed without prejudice.

DATED at San Francisco, California, this 3rd day
of January, 1928.

Emmett
Chambers
Leon Whiteley
Thos. L. Lewis
M. J. Lee
Commissioners.

Fee \$ 35.00
RAILROAD COMMISSION
STATE OF CALIFORNIA
JAN 5 1928
By M. J. Lee
SECRETARY
Fee # 20223