

Decision No. 23146**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CORONA CITY WATER COMPANY,)
 a corporation, for a permit author-) Application No. 16912
 izing the issuance and sale of its)
 first mortgage bonds.)

Walter S. Clayson, for applicant.

BY THE COMMISSION:

OPINION

Corona City Water Company asks permission to issue and sell at not less than 95-1/2 percent of their face value and accrued interest, \$150,000.00 of first mortgage six percent sinking fund bonds due November 1, 1945, and use the proceeds for the purposes hereafter stated. The company also asks permission to execute a trust indenture to secure the payment of an authorized bond issue of \$200,000.00, which issue includes the \$150,000.00 of bonds which applicant asks permission to issue and sell at this time.

Corona City Water Company is a public utility engaged in the sale and distribution of water for domestic purposes in the City of Corona and vicinity. It obtains its water supply from the Temescal Water Company, a mutual water company, through the ownership of 700 shares of that company's common capital stock. For the year ending December 31, 1929, the company reports operating revenues of \$54,126.40 and operating expenses, including taxes and depreciation, of \$32,320.80, leaving net operating revenue of \$21,805.60.

The assets and liabilities of the company as of September 1, 1930 are reported as follows:

ASSETS

Capital invested.....		\$269,135.73
Water rights (stock of Temescal Water Company).....	\$ 92,500.00	
Reservoirs.....	9,523.40	
Mains.....	125,848.36	
Services.....	12,083.26	
Meters.....	23,376.75	
Hydrants.....	2,529.12	
Tools and equipment.....	3,274.84	
Materials and supplies.....		1,730.77
Accounts receivable.....		2,144.55
Cash.....		1,827.11
Prepaid taxes.....		<u>135.72</u>
Total Assets.....		<u>\$274,973.88</u>

LIABILITIES

Capital stock.....	\$ 75,000.00
Notes payable.....	62,500.00
Amount due Temescal Water Company on open account...	19,327.57
Advances for construction due Temescal Water Company	2,043.99
Consumers deposits.....	586.55
Accrued interest.....	387.66
Reserve for depreciation.....	50,180.72
Reserve for Federal taxes.....	930.00
Donations in aid of construction.....	10,860.13
Surplus.....	<u>53,157.26</u>
Total Liabilities.....	<u>\$274,973.88</u>

It is of record that applicant is indebted to the Temescal Water Company in the sum of \$30,000.00, which is represented by a note dated October 1, 1929. In addition, it owes the First National Bank of Corona \$14,500.00, represented by a note dated October 1, 1929; A. J. Davis of Corona \$15,000.00, represented by a note dated October 1, 1929; and A. J. Davis \$3,000.00, represented by a note dated May 1, 1930. It is of record that the note of \$3,000.00 has been paid since the filing of the application. It owes the Temescal Water Company approximately \$21,000.00 on open account, which represents advances which the Temescal Water Company has made to applicant to enable it to construct additions and betterments to its properties. Applicant proposes to use the proceeds obtained from the issue of its bonds to pay the aforesaid indebtedness and to reimburse its treasury by the amount of \$3,000.00 because of income

used to pay the \$3,000.00 note due to A. J. Davis.

The testimony shows that applicant should own additional stock of Temescal Water Company in order that its water supply during peak demand conditions will be adequate. It is of record that during the past several years applicant's water supply was not adequate during peak demand. The Temescal Water Company during such periods as applicant's water supply was inadequate has permitted it to draw on water to which applicant was not entitled. Applicant proposes to acquire 300 additional shares of stock of the Temescal Water Company at a cost of \$150.00 per share. While the order herein will permit applicant to use proceeds obtained from the sale of bonds to pay for stock of Temescal Water Company, we have made no determination of the value of such stock. The order herein is based on testimony submitted by applicant. If we are hereafter called upon to fix a value for the stock, such value will be determined without any regard to any action taken in this proceeding.

In Exhibit No. 2 applicant reports construction expenditures of \$63,821.66, as follows:

	<u>Cost</u>
No. 1 1300 feet 12" cement pipe from reservoir Lemon Street to Garretson Avenue.....	\$ 598.00
No. 2 750,000 gal. concrete reservoir at Ontario and Garretson Avenues.....	19,000.00
No. 3 800 feet 6" C.I. pipe, Carretson Avenue west in Alley South of Olive Street.....	704.00
No. 4 1600 feet 6" C.I. pipe between 10th and 11th Streets west from Main Street.....	1,424.00
No. 5 1000 feet 4" C.I. pipe on Park Street.....	690.00
No. 6 300 feet 4" C.I. pipe in Alley South of Commercial St.	198.00
No. 7 400 feet 4" C.I. pipe on Rimpau Street.....	264.00
No. 8 4600 feet 6" C.I. pipe in Alley north of Third Street, Joy to Vicentia Street.....	4,094.00
No. 9 3950 feet 4" C.I. pipe on Second Street and East Boulevard to Second and West Boulevard.....	2,646.50
No. 10 3000 feet 6" C.I. pipe on Vicentia Street from Sixth Street to Railroad Street.....	2,640.00
No. 11 3100 feet 6" C.I. pipe in Alley West of Sheridan St.	2,758.00
No. 12 2900 feet 6" C.I. pipe in Alley south of 11th Street West to Vicentia.....	2,581.00
No. 13 3000 feet 4" C.I. pipe West 9th Street Buena Vista to Lincoln Street.....	2,040.00
No. 14 2250 feet 4" C.I. pipe in Alley North of Francis Street Main to Taylor.....	1,507.00
No. 15 8260 feet 6" C.I. pipe Ontario Street from Lester to Fullerton Avenue thence North.....	7,516.00
No. 16 1450 feet 6" C.I. pipe on Rimpau to Cemetery.....	1,270.00
Total cost estimated pipe and laying.....	49,930.50
Valves and fittings.....	4,367.16
Paving.....	1,200.00
Overhead-15%.....	8,324.00
Total.....	<u>\$63,821.66</u>

Applicant asks permission to use some of the proceeds from the sale of its bonds to pay part of the cost of the additions and betterments set forth in its Exhibit No. 2.

Applicant has filed with the Commission a copy of its proposed trust indenture. We find the same to be unsatisfactory in several respects. We will mention some of them. The granting clause refers to a bond issue of \$150,000.00, while elsewhere the authorized issue is referred to as being \$200,000.00. It provides for Series A bonds in the sum of \$130,000.00, yet in its application the company asks permission to issue \$150,000.00 of bonds. The face value of the coupon attached to bonds of the denomination of \$500.00 is reported at \$20.00, whereas it should be \$15.00. The maturity date of the first coupon is fixed at November 1, 1930. The company covenants to carry all necessary insurance, such as fire, public liability, employer's liability, workmen's compensation, etc., as may be determined by Andrew W. Stewart & Company, in amounts and companies satisfactory to it. (Andrew W. Stewart & Company has agreed to buy the \$150,000.00 of bonds which applicant asks permission to issue.) We believe that this provision should be changed so as to obligate the company to carry adequate insurance in companies authorized to do business in this State and that neither the amount of the insurance nor the companies with whom it is carried should be determined by Andrew W. Stewart & Company. There appears to be a possible conflict between the prices at which the bonds can be redeemed. One provision of the instrument provides that proceeds from the sale of property under eminent domain proceedings must be used for the retirement of bonds; another provision authorizes the company to use such proceeds either for the retirement of bonds or for the payment of additions and betterments. We believe that the trust indenture should be revised by applicant and a revised copy filed with the

Commission. The order herein will permit applicant to issue and sell \$150,000.00 of six percent fifteen year bonds, subject to the condition that the authority so granted will not become effective until the Commission has authorized applicant to execute a trust indenture to secure the payment of said bonds, nor until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

ORDER

Corona City Water Company having asked permission to execute a trust indenture and issue \$150,000.00 of first mortgage six percent sinking fund bonds, due November 1, 1945, 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 through the issue of such bonds is reasonably required for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED, as follows:

(1) Corona City Water Company may, on and after the effective date of this order and prior to June 30, 1931, issue and sell at not less than 95-1/2 percent of their face value and accrued interest, \$150,000.00 of its first mortgage six percent sinking fund bonds due November 1, 1945, and use the proceeds for the following purposes:

- | | | |
|----|---|--------------|
| a. | To pay outstanding notes..... | \$ 59,500.00 |
| b. | To pay outstanding accounts payable.. | 21,371.56 |
| c. | To acquire 300 shares of Temescal
Water Company..... | 45,000.00 |

- d. To reimburse its treasury.....\$ 3,000.00
- e. To pay in part the cost of the additions and betterments referred to in Exhibit No. 2..... 14,378.44

(2) The authority herein granted to issue and sell bonds will not become effective until the Commission has authorized applicant to execute a trust indenture to secure the payment of such bonds, nor until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$150.00.

(3) Applicant shall keep such record of the issue and sale 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.

DATED at San Francisco, California, this 10th day of December, 1930.

[Signature]
[Signature]
Leon Whiteley
[Signature]
[Signature]
 Commissioners.

Fee \$150.00
 RAILROAD COMMISSION
 STATE OF CALIFORNIA
 DEC 15 1930
[Signature]
 SECRETARY
 Fee # 28492