

ORIGINAL

Decision No. 2668

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

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In the matter of the Application of )  
CONSOLIDATED WATER COMPANY OF POMONA )  
for authority to increase its bonded )     Application No. 1762.  
indebtedness to the total sum of )  
\$225,000. )

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Parker & Parker, for applicant;  
C.W. Guerin, for City of Pomona.

EDGERTON, Commissioner.

O P I N I O N.

In this application, CONSOLIDATED WATER COMPANY OF POMONA asks for authority to issue at not less than 95 per cent of the face value and accrued interest \$225,000 face value of 6 per cent twenty-year bonds.

Applicant desires to use the proceeds to be obtained from the sale of the bonds to redeem and refund \$175,000 face value of first mortgage bonds payable October 1, 1916, and to use the balance to discharge notes payable.

Applicant also asks for authority to execute a mortgage or deed of trust securing the payment of the \$225,000 face value of bonds heretofore mentioned.

Consolidated Water Company of Pomona was organized on July 15, 1896. It has an authorized capital stock of \$500,000 divided into 5000 shares of the par value of \$100. per share. All of the stock is outstanding. Applicant reports that instead of paying dividends, it has reinvested in plant, its surplus earnings.

Applicant has a bonded indebtedness of \$175,000. The payment of the bonded indebtedness is secured by a mortgage and deed of trust dated August 31, 1896, and executed to State Loan and Trust Company of Los Angeles. The bonds are dated August 26, 1896, and mature October 1, 1916. They bear 6 per cent interest, payable semi-annually. One hundred and twenty-five (125) bonds are of the denomination of \$1,000 each. One hundred (100) bonds are of the denomination of \$500. each. Applicant proposes to redeem or refund the bonds now outstanding.

Applicant owns, maintains and operates a water system in Pomona and adjacent territory. In application No. 1463, subsequently dismissed at the request of applicant, Consolidated Water Company of Pomona asked for authority to sell its plant to the City of Pomona. In connection with application No. 1463, the company submitted a valuation prepared by Willis S. Jones. The City of Pomona submitted a valuation prepared by F.E. Trask. The value of the property, as reported by the engineers, is as follows:

ITEM	TRASK	JONES
Real Estate	\$ 11,800	\$ 11,800
Rights of Way	2,100	2,500
Pomona Valley Protective Assn:	--	15,750
Going Value	35,000	40,000
Tunnel Water-122.65" @ 1600	196,240	--
143.5 " @ 2000	--	287,000
Pumped Water-246.7" @ 400	98,680	--
300.0" @ 428 net	--	128,627
Undeveloped Water Rights	--	11,000
Physical Property	<u>345,820</u>	<u>496,677</u>
Total - - -	<u>\$501,463</u>	<u>\$665,444</u>

A summary of the company's balance sheet, as shown

by its annual report to the Commission under date of December 31, 1914, is as follows:

ASSETS:

Total Fixed Capital, . . . . .	\$546,644.89
Cash, . . . . .	938.67
Accounts Receivable, . . . . .	5,571.31
Notes Receivable, . . . . .	9,520.00
Materials and Supplies, . . . . .	612.34
Unamortized Discount on Stock, . . . . .	<u>217,838.45</u>
Total Assets, . . . . .	\$783,125.66

LIABILITIES:

Capital Stock, . . . . .	\$500,000.00
Funded Debt, . . . . .	175,000.00
Notes Payable, . . . . .	59,894.85
Consumer's Deposits, . . . . .	7,229.75
Miscellaneous <del>Assets</del> Payable, . . . . .	5,734.80
Reserve for Accrued Depreciation, . . . . .	16,055.52
Corporate Surplus Unappropriated, . . . . .	<u>19,210.74</u>
Total Liabilities, . . . . .	\$783,125.66

The company's income accounts for the past three years show earnings as follows:

Item	Year Ended December 31, 1912	Year Ended December 31, 1913	Year Ended December 31, 1914
Operating Revenue	\$62,956.43	\$63,402.38	\$66,582.13
Operating Expenses	<u>39,564.82</u>	<u>40,612.97</u>	<u>39,239.77</u>
Total Net Op. Rev.	23,391.61	22,789.41	27,342.36
Total Non Op. Rev.	<u>7,319.56</u>	--	--
Gross Corporate Income	30,711.17	22,789.41	27,342.36
Total Deductions	<u>15,576.83</u>	<u>16,017.98</u>	<u>14,703.06</u>
Surplus for Year	\$15,134.34	\$ 6,771.43	12,639.30

Applicant reports that it owes in the form of notes payable the sum of \$67,894.85, as per Exhibit "B" attached to this application. In the application,

reference is made to the installation of a high pressure fire system costing \$27,615, and to litigation, defending title to water rights involving an expenditure of \$22,000. It is evident that the proceeds to be obtained from the sale of \$225,000 of bonds will not be sufficient to redeem or refund all of applicant's bonded indebtedness and notes payable.

While I am willing to recommend that applicant be permitted to issue \$225,000 face value of bonds, such recommendation is subject to two conditions:

(1).- That applicant file with this Commission a statement showing the notes it desires to pay or refund, such statement to contain only those notes, the proceeds of which have been used for capital expenditures.

(2).- That applicant file with this Commission for its approval a copy of the mortgage or deed of trust securing the payment of the proposed \$225,000 face value of bonds.

I herewith submit the following form of Order.

O R D E R.

CONSOLIDATED WATER COMPANY OF POMONA having applied to this Commission for authority to issue \$225,000 face value of 6 per cent twenty year bonds, and for authority to execute a mortgage securing the payment of said bonds,

And a public hearing having been held, and it appearing that the purposes for which said bonds are to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Consolidated Water

Company of Pomona be given, and hereby is given, authority to issue \$225,000 face value of 6 per cent. twenty year bonds.

IT IS HEREBY FURTHER ORDERED that Consolidated Water Company of Pomona be given, and hereby is given, authority to execute a mortgage or deed of trust securing the payment of said \$225,000 face value, of 6 per cent. twenty year bonds.

The authority herein granted is given upon the following conditions, and not otherwise:

- (1). Applicant shall file with this Commission for approval a copy of the mortgage or deed of trust securing the said \$225,000 face value of 6 per cent. twenty year bonds.
- (2). Applicant shall file with this Commission a list of the notes which it proposes to pay or refund through the issuance of the bonds herein authorized, said list of notes to include only those, the proceeds of which have been used for capital expenditures.
- (3). Applicant shall issue the bonds herein authorized to be issued only after this Commission shall have issued a supplemental order, finding that the conditions herein enumerated have been fulfilled to the satisfaction of the Commission, and setting forth the specific purposes for which the bonds may be used, the minimum price for the sale of such bonds, and such other conditions as this Commission may set out.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 4th day of August, 1915.

Max Thelen

H. D. Howard

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Frazer R. Deobin

Commissioners.