

Decision No:       

ORIGINAL

Decision No. 3078

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

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In the Matter of the Application of )  
                  WHITTIER WATER COMPANY )     Application No. 2030.  
for an order authorizing issue of )  
bonds. )

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A.M. Chaffey for applicant.

BY THE COMMISSION.

O P I N I O N.

In this application, WHITTIER WATER COMPANY asks authority to issue \$120,000.00 face value of 6 per cent. serial bonds at not less than 92½ per cent of the face value thereof and accrued interest, and to use the proceeds obtained from the sale of the bonds for purposes hereinafter indicated.

Whittier Water Company was organized April 18, 1907. Under its <sup>original</sup> articles of incorporation, it was authorized to distribute, supply and deliver water at cost among its stockholders only for domestic purpose and for the irrigation of lands owned by them. In June 1913, applicant amended its articles of incorporation so as to permit it to sell water to its stockholders, other corporations or natural persons for domestic purposes, for irrigation, for the generation of power and all other beneficial uses to which water may be put, and collect lawful compensation for such water and the use thereof.

Applicant reports that it owns approximately 538½ acres of water bearing land. Of this land, 400 acres, more or less, are located in the San Gabriel River wash, about one-mile northwest of Bassett Station, Los Angeles County; 80 acres are located about 5 miles northwest of Whittier and 40 acres are located about 2 miles southwest of Whittier. In addition to the water bearing land, the company owns 40 acres of citrus land and 4 lots located in the City of Whittier.

The capital stock of the company, amounting to \$200,000.00 was issued in payment for water bearing land.

Whittier Water Company obtains its water supply from wells as follows:

<u>Number</u>	<u>Dimension</u>	<u>Depth</u>	<u>Miners Inch Yield</u>	
Bassett Plant	) 1	12"	90 ft.	70"
	) 1	12"	90 ft.	80"
	) 1	16"	600 ft.	90"
	) 5	12"	120 ft.	60" each
Bartola Plant	) 2	10"	400 ft.)	250"
	) 1	14"	620 ft.)	
Judson Plant	) 1	12"	632 ft.	200"

According to its annual report for the year ending December 31, 1914, Whittier Water Company owns approximately 4-6/10ths miles of transmission and distribution mains and a half interest in 5.7 miles. The major portion of its transmission and distribution pipes has a diameter of 25 inches or more.

Applicant does not sell any water in the City of Whittier. It serves communities located northwest of Whittier, south of Whittier, east of Whittier and the La Habra Valley located in northern Orange County and the northeastern portion of Los Angeles County. The company has 244 consumers, of which 127 purchase water for domestic purposes, 112 for irrigation purposes and 5 for industrial purposes. During the year 1915,

applicant reports the sale of 147,736 inch-hours of water to mutual water companies; 1,110,293 inch-hours of water to irrigators; 15,793,280 cubic feet to oil companies and 2,626,098 cubic feet to domestic consumers. Approximately 40 per cent of the operating revenue of Whittier Water Company is obtained from the sale of water to oil companies. The company states that should the oil wells become extinct, it would have no difficulty in disposing of its surplus water for irrigation purposes.

In addition to the foregoing property, Whittier Water Company owns \$6,800.00 par value of stock of the Associated Investment Corporation, which it values at \$6,800.00; 8 shares of stock of California Domestic Water Company, which it values at \$763.25; 140 shares of stock of the La Habra Valley Bank, which it values at \$16,300.00, and 167-3/4 shares of stock of the La Habra Water Company, which it values at \$22,344.25.

Among the assets of the company are listed notes receivable, aggregating \$77,776.27.

Whittier Water Company has an authorized stock issue of \$200,000.00, divided into 4000 shares of the par value of \$50.00 per share. All of the stock is outstanding. It is owned by the following persons:

<u>Name of Stockholder</u>	<u>No. of Shares</u>
Geo. Chaffey	1596
A.M. Chaffey	1066
J.B. Chaffey	4
W.J. Hole	1330
A.H. Rose	<u>4</u>
Total, . . . . .	4000

The company reports that it has never paid any dividends. All of the surplus operating revenues have been reinvested in the property of the company.

Whittier Water Company has an authorized serial bond issue of \$150,000. The bonds are secured by a deed of trust

dated July 1, 1907 and executed to Title Insurance and Trust Company. The lien of the deed of trust covers all the real and personal property of the company owned at the time the instrument was executed or thereafter acquired.

Bonds of Whittier Water Company bear 6 per cent interest per annum, payable semi-annually. The bonds are of the denomination of \$500.00 each. Fifteen of the bonds mature July 1, 1918 and fifteen of said bonds mature on the first day of July of each year thereafter to and including July 1, 1937. Bonds in the sum of \$30,000.00 were issued January 30, 1908 at par. The bonds, which applicant desires to issue, are numbered as follows:

<u>Numbers</u>	<u>Date of Maturity</u>	<u>Face Amount</u>
1 - 15	July 1, 1918	\$7,500.00
16 - 30	July 1, 1919	7,500.00
31 - 45	July 1, 1920	7,500.00
46 - 60	July 1, 1921	7,500.00
61 - 75	July 1, 1922	7,500.00
76 - 90	July 1, 1923	7,500.00
91 -105	July 1, 1924	7,500.00
106 -120	July 1, 1925	7,500.00
121 -135	July 1, 1926	7,500.00
136 -150	July 1, 1927	7,500.00
151 -165	July 1, 1928	7,500.00
166 -168	July 1, 1929	1,500.00
229 -240	July 1, 1933	6,000.00
241 -255	July 1, 1934	7,500.00
256 -270	July 1, 1935	7,500.00
271 -285	July 1, 1936	7,500.00
286 -300	July 1, 1937	7,500.00
	Total, . . . .	\$120,000.00

During 1911, Whittier Water Company issued \$115,000 face value of 5 year 6 per cent collateral trust notes to refund

outstanding short term indebtedness and secure funds to pay for the cost of extensions. The notes are dated May 1, 1911, and mature May 1, 1916. Collateral trust notes in the sum of \$22,000.00 have been redeemed and cancelled. In addition, applicant has re-acquired collateral trust notes, which it now holds in its treasury, in the sum of \$41,000.00. Notes in the sum of \$52,000.00 remain outstanding. The payment of these notes is secured in part by the hypothecation of the bonds which applicant now desires to issue. The proceeds from the sale of the bonds are to be used to pay off the outstanding collateral trust notes amounting to \$52,000.00 and to reimburse applicant's treasury in the sum of \$63,000.00 expended heretofore in the acquisition and redemption of a like amount of collateral trust notes. The income and profit and loss statements submitted by applicant show that its surplus earnings have been in excess of the amount which it alleges to have used to redeem collateral trust notes. Applicant reports assets and liabilities as of November 30, 1915, as follows:

ASSETS:

Franchises, . . . . .	\$1,325.00
Fixed Capital, . . . . .	425,719.13
Lands, . . . . .	\$265,269.60
Buildings & Structures, . . . . .	10,987.39
Pumping Equipment, . . . . .	26,077.33
Aqueducts, Intakes & Wells, . . . . .	20,294.12
Transmission Mains, . . . . .	71,124.01
Distribution, . . . . .	11,864.20
General Structures, . . . . .	<u>20,102.48</u>
Investments, . . . . .	73,707.50
Cash, . . . . .	9,751.53
Accounts Receivable, . . . . .	15,196.02
Notes Receivable, . . . . .	77,776.27
Materials and Suspense, . . . . .	2,306.86
Miscellaneous, . . . . .	<u>606.38</u>
TOTAL ASSETS, . . . . .	\$606,388.69

LIABILITIES:

Capital Stock, . . . . .		\$200,000.00
Bonds outstanding, . . . . .		30,000.00
Authorized, . . . . .	\$150,000.00	
Pledged, . . . . .	<u>120,000.00</u>	
Collateral Trust Notes, . . . . .		52,000.00
Authorized, . . . . .	\$115,000.00	
Retired in Treasury, . . . . .	<u>63,000.00</u>	
Accounts Payable, . . . . .		19,088.14
Notes Payable, . . . . .		5,400.00
Interest accrued but not due, . . . . .		1,096.10
Reserve for accrued depreciation, . . . . .		33,903.24
Reserve for Amortization of Franchise, . . . . .		62.10
Surplus, . . . . .		<u>264,839.11</u>
TOTAL LIABILITIES, . . . . .		\$606,388.69

Whittier Water Company for years 1912, 1913, 1914 and 1915 has reported operating revenues and expenses as follows:

Item	1912	1913	1914	1915 <sup>(2)</sup>
Operating Revenue	\$46,594.87	\$80,631.26	\$98,714.77	\$100,385.02
Operating Expenses	68,855.84	88,807.19	74,615.42	70,366.54
Net Operating Revenue	22,260.97 <sup>(1)</sup>	8,175.93 <sup>(1)</sup>	24,099.35	30,018.48
Non-Operating Rev.-				
Rents	1,300.10	144.00	145.00	57.50
Interest & Div-				
dend Revenue	8,527.24	9,602.41	8,762.14	8,379.79
Miscellaneous				
Non-Operating				
Revenue	--	--	126.50	665.16
Total	9,827.34	9,746.41	9,033.64	9,102.45
Gross Corporate				
Income	12,453.63 <sup>(1)</sup>	1,570.48	33,132.99	39,120.93
Deductions:				
Int. on funded debt	8,617.50	9,327.50	7,956.35	6,630.42
Other Interest	1,060.96	2,257.64	1,493.60	691.66
Miscellaneous Non-				
Operating Expenses	--	3,707.50	5,273.98	4,577.46
Miscellaneous Rent:				
Deductions	--	500.00	696.00	634.00
Other Contractual:				
Deductions	--	8,517.30	--	22.50
Total Deductions	\$ 9,678.46	\$24,309.94	\$15,419.93	\$12,556.04
Loss for Year	\$22,112.09	\$22,739.46	--	--
Surplus for Year	--	--	\$17,713.06	\$26,564.89

(1). ----- Loss

(2). ----- Figures approximate.

The operating expenses, as shown above, include depreciation charges as follows:

1912, - - - - -	None
1913, - - - - -	\$23,149.28
1914, - - - - -	16,203.57
1915, - - - - -	10,000.00

Applicant reports that these amounts have been charged to reserve for accrued depreciation and that the only charges against these reserve are for adjustments or capital retired.

On November 30, 1913, the reserve for accrued depreciation was reported at \$33,903.24.

It is clear from an analysis of the affairs of this company that the value of its property is considerably in excess of the amount of bonds which it desires to issue, thus obviating the necessity of a valuation at the present time.

While applicant in its application asks to be allowed to sell bonds at not less than 92½ per cent of the face value thereof and accrued interest, it now has reason to believe that it will be able to market its bonds at a better figure, possibly as high as 97½ per cent of the face value and accrued interest. The order in this proceeding will, therefore, provide that the bonds herein authorized shall not be issued for less than 95 per cent of the face value thereof and accrued interest.

We herewith submit the following form of order.

O R D E R.

WHITTIER WATER COMPANY having applied to the Railroad Commission for authority to sell \$120,000.00 face value of its 6% first mortgage serial bonds at a price to net applicant not less than 92½, the proceeds of said sale to be used to pay off \$52,000.00 outstanding collateral trust notes and reimburse applicant's treasury in the sum of \$63,000,

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

IT IS HEREBY ORDERED that Whittier Water Company be given, and it is hereby given, authority to issue \$120,000.00 face value of 6 per cent serial bonds, said bonds being numbered as follows:

<u>Number</u>	<u>Date of Maturity</u>	<u>Face Amount</u>
1 - 15	July 1, 1918	\$7,500.00
16 - 30	July 1, 1919	7,500.00
31 - 45	July 1, 1920	7,500.00
46 - 60	July 1, 1921	7,500.00
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241 - 255	July 1, 1934	7,500.00
256 - 270	July 1, 1935	7,500.00
271 - 285	July 1, 1936	7,500.00
286 - 300	July 1, 1937	7,500.00

Total, . . . . . \$120,000.00

The authority to issue bonds is given upon the following conditions and not otherwise:

- 1.- The bonds herein authorized to be issued shall be sold so as to net Whittier Water Company not less than 95 per cent of the face value thereof and accrued interest.
- 2.- The proceeds from the sale of the bonds may be used for the following purposes:
  - (a).- To pay outstanding 6% collateral trust notes due May 1, 1916, . . . . . \$52,000.00
  - (b).- To reimburse applicant's treasury for moneys expended in the purchase of \$63,000.00 face value of 6 per cent collateral trust notes, and to be thereafter reinvested in additions and betterments to applicant's property. 63,000.00



- 3.- Whittier Water Company shall keep a separate, true and accurate account showing the receipt and application in detail of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make verified reports to the Commission stating the sale or sales of said bonds, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24 which order, in so far as applicable, is made a part of this order
- 4.- The authority herein granted shall not become effective until Whittier Water Company has paid the fee specified in Section 57 as amended of the Public Utilities Act.
- 5.- The authority herein granted shall apply only to such bonds as may have been issued on or before January 1, 1917.

Dated at San Francisco, California, this 19<sup>th</sup> day of January, 1916.

\$  
 Fee 120<sup>00</sup>/<sub>100</sub>  
 JAN 21 1916  
 H. M. Hansen  
 Assistant Secretary.

W. H. Woodland  
W. G. Gordon  
Samuel Rubin  
 Commissioners.