

Decision No. _____

ORIGINAL

Decision No. 3470

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application)
of Willowbrook Water Company, a)
corporation, for permission to)
issue ten year, 7% bonds in the) Application No. 2355.
amount of \$5,000.00 secured by)
mortgage upon property belong-)
ing to said corporation.)

John B. Haas for applicant.

BY THE COMMISSION:

O P I N I O N.

Applicant, a public utility engaged in the business of pumping and distributing water for domestic use to the inhabitants of Willowbrook, Los Angeles County, applies to the Railroad Commission for authority to issue ten year serial bonds bearing 7% interest in the principal sum of \$5,000, to be sold at par, and the proceeds used to replace its distribution system.

A number of years ago the Willowbrook Water Company, a corporation, was organized with a capital stock of \$25,000 divided into 2500 shares of the par value of \$10 each, and thereafter it installed applicant's system, part of it about eleven years ago and part of it about six years ago. The stock was given free to the purchasers of property in Willowbrook Tract at the rate of 4 shares of

water stock for each half acre purchased. It is stated that all of the stock was so disposed of. Subsequently, the corporate existence of said company was terminated because of failure to pay corporation tax.

On February 13, 1912, applicant was organized with a capital stock of \$25,000 divided into 2500 shares of the par value of \$10 each. The Board of Directors of the old company as trustees in liquidation transferred all of the assets of the old company to applicant, including the present system. Of the stock of the new company only 536 shares have been issued to 71 persons who owned an equal number of shares of stock in the old company. The balance remains in the treasury "not yet exchanged". We call attention to the requirement of the Public Utilities Act, effective March 23, 1912, that the authority of the Commission should be obtained before further stock is issued.

Applicant's system consists of two pieces of real estate, two pumping plants, two small pump houses, a small residence for its engineer and two storage tanks, being valued by applicant without pumps or distribution system at \$2460. No detailed valuation nor engineering testimony was presented by applicant.

Mr. E. F. Clark, one of the Commission's hydraulic engineers, made a brief examination of the property and appraised its present value without distributing system at about \$2200. He stated there might also be some salvage from the old mains. Applicant says its distributing mains are practically worthless and are only kept in service by the liberal use of redwood plugs. It wishes to replace practical-

ly all of its distributing mains except that laid in Glenn Avenue, which will be used only to furnish circulation for the remainder of its mains.

All of the streets in which applicant's mains lie are being improved by the county and the grades are being lowered in most places to a point below applicant's present mains. Its present mains are not in physical condition to justify removal and relaying. Applicant says it has arranged to have its mains installed at cost, estimated at \$1260, and for ample time for payment thereof. It now has an offer of the 4083 feet of 6 inch and the 16,906 feet of 4 inch, 16 gauge steel pipe delivered at Willowbrook for the lump sum of \$4808.71 cash. The town is at present without fire protection and the company has arranged to install about 40 two inch taps suitable for such use.

Mr. Fred Hoffman, the contractor who is improving the streets for the county of Los Angeles, stated at the hearing that he would guarantee the sale of the bonds at par, taking them himself if there were no other equal or better bid; and that he would also be willing to advance for it the cost of laying the mains if it became necessary for applicant to pay it unexpectedly. Since the hearing he has expressed willingness to lend the \$5000 on 20 notes of \$250 each, payable semi-annually, secured by trust deed providing for 90 days written notice to applicant's directors after default and before any action.

Applicant has 116 consumers on a flat rate of \$1.50 per month. It reports a healthy growth in its business and that there are 10 new houses ready to be built awaiting only the assurance of adequate water service. Applicant reports its receipts and disbursements for the

nine months ending May 31, 1916, as follows:

RECEIPTS.

September, 1915	\$175.36
October, "	155.75
November, "	188.75
December, "	152.20
January, 1916	130.00
February, "	160.00
March, "	154.00
April, "	167.70
May, "	172.40
Other than collections	81.50
Water rents credited	10.90
	<u>\$1546.36</u>

DISBURSEMENTS.

Office.	19.89
Commissions	4.39
Labor (repairs, etc.)	151.15
Maintenance.	87.99
Printing.	35.75
Attorney fees	50.00
Improvements (Lumber)	7.22
Directors salaries.	71.00
Secy-Treas salary	63.00
Engineer.	339.00
P. L. & P. Co. - Light	21.12
" Power	148.06
Oil	20.30
Taxes.	37.53
Debts of Old Board paid	450.43
Petty cash	30.00
	<u>\$1536.83</u>
Cash on hand.....	9.73
	<u>\$ 1546.56</u>

It will be noticed that no depreciation allowance is provided, but that the items labor and maintenance are relatively large and that \$450.43 of old indebtedness was paid from these collections. Applicant is not indebted at present except for current bills amounting to \$239.13.

While we do not approve of utilities becoming so heavily indebted, the necessity for adequate service to the

public and the reported inability to finance the improvement through stock assessments and the fact that less than one-fourth of applicant's capital stock has been subscribed, seem to justify such an indebtedness in this instance.

O R D E R.

WILLOWBROOK WATER COMPANY having applied to the Railroad Commission for authority to issue ten first mortgage 7% bonds of the face value of \$500 each, said bonds being payable one each year, the proceeds of the sale thereof to be used in replacing its distributing mains, and a public hearing having been held thereon and applicant having at the suggestion of the Commission arranged to use secured notes rather than bonds,

IT IS HEREBY ORDERED that Willowbrook Water Company be and it is hereby authorized and empowered to issue twenty notes for \$250 each bearing interest at the rate of 7% per annum, said notes to be payable serially, one each six months, and to secure the payment of said notes by a deed of trust upon all of applicant's property providing for 90 days written notice to applicant before beginning any proceeding to advertise or sell applicant's property, and to be in all respects in form to be approved by the Commission in writing.

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

1. Said notes shall be sold at a price which will net to applicant the face value thereof.
2. The authority herein granted shall not be considered or treated in any proceeding before this Commission or any other tribunal as a finding by this Commission for value for any purpose other than that of the present application.

3. This order is for the purposes of this proceeding only and is not intended as an approval of said notes or the instrument securing their payment as to any other legal requirement to which they may severally be subject.

4. The authority herein granted shall apply only to such notes as shall have been issued hereunder on or before 60 days from the date hereof.

5. On or before the 25th day of each month applicant shall report to the Railroad Commission in writing the notes issued and the disposition of the proceeds of the sale thereof, all in accordance with this Commission's General Order No. 24, which is made part of this order, in so far as it is applicable.

6. This order shall not become effective until applicant has paid the fee required by the Public Utilities Act.

Dated at San Francisco, California, this 29th
day of June, 1916.

Fee \$25.00
Railroad Commission State of California

JUN 17 1916
Charles R. Roberts
Secretary

H. D. Overland

Edwin O. Edgerton

Frank R. Dehner
Commissioners.