

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

ORIGINAL

Decision No. 4108

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application  
of the CITY WATER COMPANY OF OCEAN  
PARK for order authorizing the is-  
sue of bonds.

) Application No. 2712.  
)

James E. Shelton for applicant.  
Earl M. Leaf for Title Insurance & Trust  
Company.

BY THE COMMISSION:

O P I N I O N.

A public hearing on above application was held in Los Angeles, February 1, 1917, being conducted by Myron Westover, Examiner.

City Water Company of Ocean Park, now operating a domestic water system in Venice, Los Angeles County, with about 1800 services, partly metered, formerly also operated its system in Santa Monica, the adjoining municipality.

Pursuant to authority granted by the Commission by Decision No. 3612 of September 1, 1916, applicant sold to the City of Santa Monica that portion of its system lying within the limits of that city and applied the proceeds of the sale to the retirement of its bonded indebtedness of \$150,000 face value. It had previously retired \$9000 face value of bonds. For the purpose of paying off the re-

mainder of its indebtedness at the time of the sale to the City of Santa Monica, applicant issued notes in the principal sum of \$28,302 as shown in the order herein.

Applicant now wishes to mortgage its remaining property to secure the payment of a bonded indebtedness of \$50,000 face value and issue \$30,000 thereof now, \$2,000 face value to be exchanged for \$2,000 face value of its old bonds, which have been deposited for exchange, and the proceeds of the sale of \$28,000 face value of bonds to be applied in refunding the notes referred to.

By stipulation, the records in the three proceedings in which the Commission fixed applicant's rates, granted authority to applicant to sell part of its system, and fixed the value thereof, were introduced in evidence at the hearing upon this application. (See Opinions and Orders Railroad Commission of California, Vol. 7, p. 423, decision No. 2543, p. 463, decision No. 2548, and decision No. 3612 of September 1, 1916.)

In Case No. 700, decision No. 2543, first above referred to, Mr. Jas. Armstrong, one of the Commission's assistant engineers, made an appraisal therein showing the reproduction cost new of applicant's properties located in the City of Venice to have been as of January 1, 1915, \$111,598. Using this figure as a basis, the estimated reproduction cost new of applicant's present plant as of January 1, 1917, is shown in the following table:

Estimated reproduction cost new as of January  
1, 1917.

Physical structures, as of January 1, 1915.	\$111,598.00
Additions and betterments in 1915 .....	5,704.75
Additions and betterments in 1916 .....	5,878.77
*Purchase Ocean Park Water Company's plant.	<u>6,786.42</u>

Total ..... \$129,967.94

\*Less additions and betterments made to  
plant in Santa Monica in 1915 and 1916 .... 1,975.80

\$127,992.14

Present value of real estate as per testi-  
mony ..... 8,700.00

\*See Decision No. 3612. \$136,692.14

In the former appraisal no estimate of ac-  
crued depreciation was made. However, one pumping  
plant was installed in 1912 and the other in 1913, at  
a total cost for both of about \$31,000. These plants  
are in very good condition. The main distribution and  
transmission lines are principally of cast iron in-  
stalled within the last few years, at a cost of about  
\$40,000. The smaller distribution lines principally  
of casing and standard pipe, installed at various  
times, are in only fair condition. The installation  
of meters is recent. Taken as a whole, the main plant  
investment is comparatively new, and in reasonably  
good condition.

Applicant reports for its entire plant,  
Operating revenue and expenses for the year 1916

Gross revenue

Santa Monica .....	\$11,369.65
Venice .....	<u>33,381.10</u>
Total gross revenue .....	\$44,750.75
Operating expenses including taxes ..	<u>26,377.44</u>
Net operating revenue before deduct- ing depreciation .....	\$18,373.31

Estimates of net revenue for the year 1917, based on the 1916 gross revenue from the plant in Venice, and estimated reductions in operating expenses, with proper allowance for an annual depreciation reserve calculated upon a four per cent. sinking fund basis, indicate that applicant may expect to earn at present rates about three times the interest on the \$50,000. of bonds which it seeks authorization for.

Applicant has no indebtedness other than the notes shown in the order except for current bills and a judgment for \$800. recently rendered in a personal injury suit, from which judgment applicant expects to appeal.

O R D E R

CITY WATER COMPANY OF OCEAN PARK having  
applied to the Railroad Commission for authority to

mortgage its property to secure the payment of \$50,000. face value in first mortgage six per cent. gold bonds to mature serially on the dates shown below, and to issue \$30,000. face value of said bonds; \$2,000. face value thereof for the purpose of refunding the remaining \$2,000. face value of its present bonded indebtedness and \$28,000. face value thereof to be used in refunding the notes described below,

And a public hearing having been held thereon, and the Commission being of the opinion that the money to be procured by such issue is reasonably required for the purposes specified herein, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that City Water Company of Ocean Park be, and it is hereby, authorized to mortgage all of its plant and system, including real estate situated in the City of Venice, County of Los Angeles, State of California, described as follows:

Parcel 1: Lot Twenty (20) in Block "G" of the Vawter Ocean Park Tract, as per map recorded in Book 7, Page 33, of Maps, in the office of the County Recorder of said County.

Parcel 2: Lot Seven (7) of the Subdivision of the Allotment to the Heirs of Martina M. de Cota, as per map recorded in Book 55, page 4, Miscellaneous Records of said County, said mortgage or

to secure the payment of its fifty (50) first mortgage gold bonds of the face value of \$1,000. each, bearing interest at the rate of six (6%) per cent. per annum, the principal of said bonds being payable as follows:

Bonds numbered 1 to 5 inclusive, on January 1, 1921;  
Bonds numbered 6 to 10 inclusive, on January 1, 1922;  
Bonds numbered 11 to 15 inclusive, on January 1, 1923;  
Bonds numbered 16 to 20 inclusive, on January 1, 1924;  
Bonds numbered 21 to 25 inclusive, on January 1, 1925;  
Bonds numbered 26 to 30 inclusive, on January 1, 1926;  
Bonds numbered 31 to 35 inclusive, on January 1, 1927;  
Bonds numbered 36 to 40 inclusive, on January 1, 1928;  
Bonds numbered 41 to 45 inclusive, on January 1, 1929;  
Bonds numbered 46 to 50 inclusive, on January 1, 1930.

Provided the form of said mortgage or deed of trust is first approved by supplemental order herein.

IT IS FURTHER ORDERED that applicant be, and it is hereby, authorized to issue \$30,000. face value of its said bonds, and to exchange \$2,000. face value thereof for \$2,000. face value of its bonded indebtedness now remaining outstanding, but only upon the cancellation and surrender of said bonds refunded; and to sell \$28,000 face value of said bonds at not less than ninety-eight (98%) per cent. of their face value and use the proceeds of said sale in refunding applicant's six (6%) per cent. notes, described as follows:

<u>Date</u>	<u>Payee</u>	<u>Maturity</u>	<u>Amount</u>
Sept. 1, 1916	Ocean Park Bank	Dec. 1, 1916	\$ 3,500.
Sept. 11, 1916	Security Nat'l. Bank of L. A.	Ninety days	\$ 5,000.
Sept. 11, 1916	Ocean Park Bank	Dec. 11, 1916	\$ 4,000.
-----	Olive B. Jones	Dec. 11, 1916	\$12,802.
-----	Olive B. Jones	Dec. 18, 1916	\$ 3,000.

The authority herein granted is granted upon the following conditions:

1. 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 of the value of applicant's property for any purpose other than that of the present application.

2. Applicant shall on or before the twenty-fifth day of each month make verified reports to the Railroad Commission, showing disposition of bonds and application of proceeds, as required by the Commission in its General Order No. 24, which order, so far as applicable, is made a part of this order.

3. The authority to issue bonds shall apply only to such bonds as may be issued within ninety (90) days from the date hereof.

4. The authority herein granted to issue bonds shall not become effective until the fees specified in the Public Utilities Act therefor be paid.

Dated at San Francisco, California, this 15th day of February, 1917.

Railroad Commission of California

Feb 20 1917  
BY J. H. McAllister  
Assistant Secretary.

Max Thelen  
H. H. Lamm  
W. G. Anderson

John R. Lamm  
Commissioners