

ORIGINAL

Decision No. 4169

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of BALDWIN PARK DOMESTIC WATER
COMPANY, S. M. Walker, Proprietor,
for an order authorizing it to sell
a certain water plant and system
to Baldwin Park Domestic Water Com-
pany, a corporation.

Application No. 2538

In the Matter of the Application
of BALDWIN PARK DOMESTIC WATER COM-
PANY, a corporation, for an order
authorizing the issue of stocks and bonds,
the execution of a trust deed, and for
permission to purchase and acquire a
certain water plant and system and
franchise.

Application No. 2539

Hunsaker and Britt and LeRoy M. Edwards,
by Daniel M. Hunsaker, for applicants.

EDGERTON, Commissioner.

O P I N I O N

In Application Number 2538, Baldwin Park Domestic Water Company, S. M. Walker, proprietor, an unincorporated company, asks for authority to sell its plant and system to a new corporation known as Baldwin Park Domestic Water Company for \$15,000.00 face value of bonds and \$60,000. face value of stock of the latter company.

In Application Number 2539, Baldwin Park Domestic Water Company, a corporation, applies for authority to purchase the properties above referred to and also asks for authority to issue stocks and bonds as follows:-

\$ 15,000.00 face value of bonds at par.

60,000.00 face value of stock at par.

\$ 75,000.00 for properties of Baldwin Park
Domestic Water Company, S. M. Walker,
proprietor.

\$ 15,000.00 face value of bonds at a price
to be fixed by the Commission.

40,000.00 face value of stock at not less
than 90 per cent of par.

\$ 55,000.00 for additions and betterments.

Baldwin Park Domestic Water Company, a corporation, also asks for authority to execute a mortgage or deed of trust upon its properties securing an issue of \$30,000.00 face value of bonds.

Baldwin Park Domestic Water Company, S. M. Walker, proprietor, serves water for domestic, irrigation and commercial purposes in the unincorporated town of Baldwin Park, Los Angeles County. It is operating under a forty year franchise granted by the Board of Supervisors of Los Angeles County on July 20, 1911. Its water system consists of a pumping plant, a storage tank, having a capacity of about 280,000 gallons; and about 70,000 feet of distributing mains. Water is obtained from a 16 inch well, 502 feet in depth. The system is entirely metered.

In connection with Application Number 2538, Baldwin Park Domestic Water Company, S. M. Walker, proprietor, has filed a complete schedule of debts which it is proposed shall be assumed by Baldwin Park Domestic Water Company, a corporation. These debts consist of accounts payable totaling \$6,903.38. The former company has also filed a statement of assets totaling \$188,054.02, of which \$150,000.00 is represented by water rights, and a valuation prepared by Mr. Jeff McElvaine, showing a total value of the properties as of July 1, 1916 of \$158,468.48. Mr. McElvaine has allowed \$120,000.00 for water

rights.

Subsequent to the hearing a valuation of the water utility properties proposed to be transferred was made by James Armstrong, assistant engineer, for the Commission. Mr. Armstrong estimates the actual cost of the properties as of December 15, 1916, plus an allowance of 10 per cent for overhead, to be approximately \$37,725.00. Mr. Armstrong has also estimated the company's earnings for 1917 as follows:-

Revenue	\$7,000.00
Expense	<u>4,500.00</u>
Net Revenue	\$2,500.00

Mr. Armstrong estimates that the sum of \$600.00 should be allowed for depreciation annuity. Subtracting this amount from the company's net revenue, approximately \$1,900.00 would be available for bond interest. Interest on \$30,000.00 of bonds at 6 per cent amounts to \$1,800.00.

The showing made by applicant as to assets and earnings does not appear to warrant an issue of stocks and bonds in the amount asked for. I am of the opinion that the needs of Baldwin Park Domestic Water Company will be served if it is permitted to issue \$6,000.00 face value of bonds and \$35,000.00 par value of stock at 90 in exchange for the properties of Baldwin Park Domestic Water Company, S. M. Walker, proprietor, which properties it appears cost approximately \$37,500.00. The \$6,000.00 face value of bonds issued as part of the purchase price should be applied upon the outstanding indebtedness. When Baldwin Park Domestic Water Company, a corporation, has filed with this Commission a detailed statement as to the additions and betterments which it proposes to construct, I am of the opinion that it may reasonably be allowed to issue \$24,000.00 face value of bonds, at par and \$30,000.00 par value of stock at 90.

This is not a type of enterprise which would appear to justify a large issue of bonds. A water property of this nature is best financed to a large extent through an issue of stock.

Applicant has submitted a copy of a proposed form of mortgage or deed of trust to Citizens Trust and Savings Bank of Los Angeles, providing for an issue of \$30,000.00 face value of 6 per cent twenty-year first mortgage bonds of the denomination of \$100.00 each., said bonds to be secured by a mortgage on all property now owned or hereafter acquired and to be callable at 103. A sinking fund is provided for amounting to 3 per cent per annum of the outstanding bonds.

Inasmuch as this deed of trust provides for the granting of the applications in substantially the same form as presented to the Commission, it will be necessary for applicant to make certain changes in its deed of trust so that the same will conform with the terms of the Order herein.

The authority herein granted will be made subject to the subsequent approval by the Commission of applicant's proposed deed of trust.

Herewith a form of Order:-

O R D E R

BALDWIN PARK DOMESTIC WATER COMPANY, S. M. Walker, proprietor, having applied to this Commission for authority to transfer its water utility properties to Baldwin Park Domestic Water Company, a corporation, and the latter company having applied for authority to acquire said properties and to issue stocks and bonds as hereinbefore set forth;

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

IT IS HEREBY ORDERED that Baldwin Park Domestic Water Company, S. M. Walker, proprietor, be and it is hereby authorized to transfer to Baldwin Park Domestic Water Company, a corporation, the following described property:-

A franchise from the County of Los Angeles, granted July 20, 1911 under Ordinance No. 273, (new series);

The northeast corner acre, square in shape, of lot two (2), tract 1917, as per map in book 21, page 48, of maps, Los Angeles County records, and

Lots twenty-one (21) and twenty-two (22), Shultis tract, as per map in book 13, page 170, of maps, Los Angeles County records;

All other property that is necessary and needful for the operation of said public utility company known and designated as the Baldwin Park Domestic Water Company, S. M. Walker, proprietor, including tanks, pumps, engines, motors, pipe, pipe-lines, valves, gates, hydrants, connections, etc.

IT IS HEREBY FURTHER ORDERED that Baldwin Park Domestic Water Company, a corporation, be and it is hereby authorized to execute a mortgage or deed of trust upon its properties in the total sum of \$30,000.00 and to issue stocks and bonds as follows:

\$35,000.00 par value of stock to be issued in part payment for water utility properties of Baldwin Park Domestic Water Company, S. M. Walker, proprietor.

30,000.00 par value of stock, the proceeds to be used for additions and betterments.

6,000.00 face value of bonds to be issued in part payment for water utility properties of Baldwin Park Domestic Water Company, S. M. Walker, proprietor, and to be used in extinguishing outstanding indebtedness on said properties.

24,000.00 face value of bonds, the proceeds to be used for additions and betterments.

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

1.-The stocks and bonds herein authorized to be issued for additions and betterments shall only be issued after Baldwin Park Domestic Water Company, a corporation, shall have filed with this Commission a statement in detail of the additions and betterments which it proposes to construct and shall have secured from this Commission a supplemental order approving the same.

2.-The \$35,000.00 par value of stock herein authorized to be issued in part payment for the water utility properties of Baldwin Park Domestic Water Company, S. M. Walker, proprietor, shall only be issued in exchange for a good and sufficient title to said properties and a copy of the said deed shall be filed with this Commission within 30 days after the execution thereof.

3.-The stock herein authorized to be sold shall be sold so as to net Baldwin Park Domestic Water Company, a corporation, not less than 90 per cent of the par value thereof.

4.-The bonds herein authorized to be sold shall be sold so as to net Baldwin Park Domestic Water Company, a corporation, not less than the par value thereof plus accrued interest.

5.-The bonds herein authorized to be issued shall not be issued until Baldwin Park Domestic Water Company shall have submitted to this Commission for its approval a revised copy of its mortgage or deed of trust and secured from this Commission a supplemental order approving the same.

6.-The stocks and bonds herein authorized to be issued shall not be binding upon this Commission or any

other body as a measure of the value of the water properties which Baldwin Park Domestic Water Company, a corporation, is herein authorized to acquire.

7.-Baldwin Park Domestic Water Company, a corporation, shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the stocks and bonds herein 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 stocks and bonds, during the preceding month, the terms and conditions of the sale, 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.

8.-Within 60 days from the date of this order Baldwin Park Domestic Water Company, a corporation, shall file with the Railroad Commission a stipulation, duly authorized by the Board of Directors, declaring that Baldwin Park Domestic Water Company, a corporation, will never claim before the Railroad Commission or any court or other public body a value for the franchise acquired from Baldwin Park Domestic Water Company, S. M. Walker, proprietor, in excess of the actual cost to Baldwin Park Domestic Water Company, S. M. Walker, proprietor, of acquiring said franchise, which cost shall be stated in the stipulation, and shall receive from the Railroad Commission a supplemental order declaring that such stipulation in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

9.-The authority herein given is conditioned upon the payment of the fee prescribed in the Public Utilities Act as amended.

10.-The authority herein given to issue stock and bonds and to transfer property shall apply only to such stock and bonds as shall have been issued and such property as shall have been transferred on or before October 31, 1917.

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 7th
March
day of ~~February~~, 1917.

Max Thelen
H. B. Leland
Alfred Gordon
Edwin C. Edgerton
Frank R. Perkins

Commissioners.