

ORIGINAL

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

*File  
25/88  
see telegram*

Decision No. 44865

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

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In the Matter of the Application of  
HERMOSA BEACH WATER CORPORATION  
for permission to issue bonds to  
reimburse the company's treasury for  
equipment and extensions added to  
capital investment.

Application  
No. 3018.

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F.D. Cornell for applicant.

BY THE COMMISSION.

O P I N I O N .

A public hearing was conducted by Examiner Westover upon the above entitled application to issue \$4,000.00 of 6% bonds and to use the proceeds to pay notes and accounts payable and reimburse applicant's treasury for capital expenditures.

In Exhibit "A" attached to the application, applicant reports that during 1915-1916, it had expended for the installation of meters and services the sum of \$2,303.05, and for extensions to its distribution system the sum of \$6,245.27 - total \$8,548.32. The Commission's engineers have checked the expenditures and found them to be reasonable.

On December 31, 1916, Hermosa Beach Water Corporation reported to this Commission assets and liabilities as follows:

ASSETS:

Fixed Capital, . . . . .	\$117,786.07
Cash, . . . . .	1,585.98
Notes Receivable, . . . . .	20.00
Accounts Receivable, . . . . .	4,992.65
Materials and Supplies, . . . . .	1,071.53
Sinking Funds, . . . . .	10,318.99
Prepaid Taxes, . . . . .	100.00
Unamortized Discount on Bonds, . . . . .	2,423.18
Construction Work in Progress, . . . . .	14.18
Other Suspense, . . . . .	1,104.32
TOTAL ASSETS, . . . . .	\$139,416.90

LIABILITIES:

Capital Stock Outstanding, . . . . .	45,006.00
Bonds Outstanding, . . . . .	73,000.00
Notes Payable, . . . . .	1,705.00
Accounts Payable, . . . . .	5,258.27
Interest Accrued, . . . . .	1,825.00
Reserves from Income on Surplus, . . . . .	498.50
Capital Surplus, . . . . .	6,544.85
Corporate Surplus Unappropriated, . . . . .	5,579.28
TOTAL LIABILITIES, . . . . .	\$139,416.90

For the years ending December 31, 1915 and 1916, applicant has reported revenues and expenses to this Commission as follows:

I t e m	1915	1916
Operating Revenues	\$21,130.10	\$18,564.64
Operating Expenses	9,882.24	11,988.18
Net Operating Revenues	<u>11,247.86</u>	<u>6,576.46</u>
Deductions:		
Interest on Funded Debt	3,592.50	3,641.37
Other Interest	258.12	255.16
Uncollectible Bills	250.00	---
Amortization of Discount	--	605.80
Total Deductions	<u>4,100.62</u>	<u>4,502.33</u>
Surplus from Operation	7,147.24	2,074.13

For the issue of stock and bonds now outstanding, reference is here made to Decision Number 1866, dated October 13, 1914 (Vol. 5, Opinions and Orders of the Railroad Commission of California, pg. 577); to Decision Number 2512, dated June 22, 1915 (Vol. 7, Opinions and Orders of the Railroad Commission of California, pg. 226) and to Decision Number 3127, dated February 25, 1916. By Decision Number 3127, dated February 25, 1916, applicant was authorized to issue \$10,000.00 of stock at par for sinking fund purposes. All of this stock has been issued and \$2,000.00 of the proceeds used to redeem bonds at 99½. The remaining \$8,000.00 is on deposit with the trustee under applicant's mortgage for the purpose of redeeming additional bonds.

Applicant asks authority to sell the \$4,000.00 of bonds at not less than 80 per cent. of their face value plus accrued interest, or pledge them to secure the payment of current

indebtedness. Bearing in mind applicant's general financial condition and the fact that it had to pay 99-1/2 for bonds which it called for redemption, we are of the opinion that it should receive for the bonds which it now proposes to issue not less than 95% of their face value plus accrued interest. Should applicant be unable to sell the bonds at the price hereby fixed or at such other price as may hereafter be determined, the Commission will give further consideration to the request of applicant to pledge the bonds to secure the payment of current indebtedness.

The proceeds obtained from the sale of the bonds, applicant desires to use to pay the following notes and accounts payable representing capital expenditures:-

Neptune Meter Company, . . . . .	\$1,177.95
H.R. Boynton Company (Note), . . . . .	900.00
H.R. Boynton Company, . (Account), . . . . .	141.30
Krogh Manufacturing Company (Note), . . . . .	455.00
	<u>\$2,674.25</u>

The remainder of the proceeds applicant desires to use to reimburse its treasury for capital expenditures.

O R D E R.

HERMOSE BEACH WATER CORPORATION having applied to the Commission for authority to issue \$4,000.00 face value of its 6 per cent. bonds,

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

IT IS HEREBY ORDERED that Hermose Beach Water Corporation be, and it is hereby, granted authority to issue \$4,000.00

face value of its 6 per cent. bonds.

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

1.- The bonds shall be sold for not less than 95 per cent. of their face value plus accrued interest, in cash.

2.- The proceeds obtained from the sale of the bonds shall be used for the following purposes:

(a) -- To pay indebtedness as follows:

Neptune Meter Company, . . . . .	\$1,177.95
H.R. Boynton Company (Note), . . . . .	900.00
H.R. Boynton Company (Account), . . . . .	141.30
Krogh Manufacturing Company (Note), . . . . .	455.00
	<u>\$2,674.25</u>

(b) -- The remainder of the proceeds may be used by applicant to reimburse its treasury for capital expenditures.

3.- On or before the 25th day of each month, Hermosa Beach Water Corporation shall file with this Commission reports in accordance with the Commission's General Order Number 24.

4.- The authority hereby granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act, as amended.

5.- The authority hereby granted shall apply only to such

bonds as shall have been issued on or before  
November 1, 1917.

Dated at San Francisco, California, this 27th day  
of July, 1917.

Commissioners State of California  
\$67,250.00  
JUL 28 1917  
J. M. Johnson  
EX. CLERK

Max Thelen

H. D. Rowland

Alex. Gordon

Edwin O. Edgerton

Commissioners.