

ORIGINAL

Decision No. 4804

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Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

* * *

In the Matter of the Application of)
INGLEWOOD WATER COMPANY)
for an order authorizing the issue)
of its two notes for \$20,041.11 and)
\$46,762.61 respectively.)

Application Number 3251.

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Willis I. Morrison and Karl E. Steinhauser for applicant.

LOVELAND, Commissioner.

O P I N I O N.

In this application, INGLEWOOD WATER COMPANY asks authority to issue a 3-year 6 per cent note to Charles Lloyd for \$20,041.11 and a 3-year 6 per cent note to Centinela Land Company for \$46,762.61.

On December 31, 1912, Inglewood Water Company issued its note for \$58,764.64 to Charles Lloyd and another note for \$137,117.48 to Centinela Land Company. The holders of these notes waived their interest to January 1, 1916. Through the issue of bonds authorized by the Commission, a part of the principal of the notes has been refunded. The unpaid principal of the note now held by Charles Lloyd amounts to \$17,254.66 and by the Centinela Land Company to \$40,260.85. The testimony shows that the proceeds of the notes issued on December 31, 1912 have been expended for capital purposes.

From January 1, 1916 to October 1, 1917, applicant reports that no interest has been paid on either of the notes. The accrued interest on the Charles Lloyd note is reported at \$2,786.45 and on the

Centinela Land Company note at \$6,501.76, making a total of \$9,288.21. This amount applicant now desires to add to the principal and issue 3-year 6 per cent notes for the amounts above indicated.

Reports filed by applicant with the Commission show - -

| <u>I t e m</u> | <u>December 31/16</u> | <u>August 31/17</u> |
|--------------------------|-----------------------|---------------------|
| Cash on Hand and in Bank | \$7,768.79 | \$9,172.71 |
| Accounts Receivable | 10,709.59 | 11,422.04 |
| Notes Receivable | <u>2,441.60</u> | <u>2,300.00</u> |
| Total, | \$20,919.98 | \$22,894.75 |

The testimony indicates that more than \$10,000.00 of the notes and accounts receivable represent amounts due from applicant's stockholders. No evidence was submitted showing why the amounts due from the stockholders should not be at once collected. I suggest to applicant that it take immediate steps to collect the amounts due from its stockholders and use the moneys so collected to pay its corporate obligations. If this is done, applicant will be in a position to pay its accrued interest without drawing to any material extent upon its cash balance as reported on August 31, 1917.

It is urged by applicant that it should be permitted to fund the accrued interest on the notes for the reason that it has expended for capital purposes earnings which might have been used to pay interest on the notes. No testimony was offered on this point except a general statement and a reference to applicant's annual report. The interest on the notes, as already stated, has been accrued from January 1, 1916 to October 1, 1917. The annual report referred to covers the year ending December 31, 1916. No statement was submitted showing the expenditures for capital purposes from January 1, 1917 to October 31, 1917. The earning

statement submitted by applicant covers the eight months ending August 31, 1917. Obviously, if applicant intends to justify the funding of the interest because of earnings invested in the plant, it should furnish the Commission with a statement showing capital expenditures as well as the earnings during the period for which interest has been accrued. There is no desire on my part to recommend any action which might be interpreted as denying the issue of securities by applicant to capitalize proper capital expenditures, but I do feel that it is incumbent upon applicant to make a specific showing as to how much of its earnings have been expended for capital purposes from January 1, 1916 to October 1, 1917. When this is done and if applicant should be unable to pay the accrued interest from moneys collected from stockholders or from earnings, a further consideration will be given to that portion of this application relating to the funding of accrued interest.

I herewith submit the following form of order.

O R D E R.

INGLEWOOD WATER COMPANY having applied to the Railroad Commission for authority to issue a 3-year 6 per cent note to Charles Lloyd for the principal sum of \$20,041.11 and a 3-year 6 per cent note to the Centinela Land Company for the principal sum of \$46,762.61,

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

IT IS HEREBY ORDERED that INGLEWOOD WATER COMPANY be, and it is hereby, granted authority to issue a 3-year 6 per cent note to Charles Lloyd for the principal sum of \$17,254.66 and a 3-year 6 per cent note to the Centinela Land Company for the principal sum of \$40,260.85.

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

- 1.- The notes herein authorized to be issued shall be issued at not less than the face value thereof.
- 2.- The proceeds of the note herein authorized to be issued to Charles Lloyd shall be used to pay or refund the balance due on the principal of the note dated December 31, 1912, said balance being reported at \$17,254.66.
- 3.- The proceeds of the note herein authorized to be issued to the Centinela Land Company shall be used to pay or refund the balance due on the principal of the note dated December 31, 1912, said balance being reported at \$40,260.85.
- 4.- Inglewood Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the notes 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 disposition of the notes herein authorized to be issued and of the proceeds of each thereof, and in this and all other respects applicant shall comply fully with this Commission's General Order No. 24, which order in so

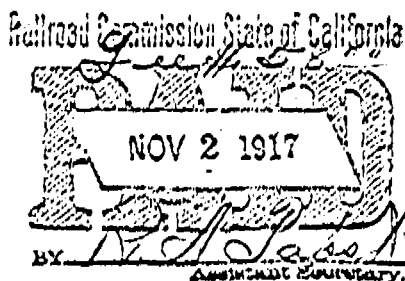
far as applicable is made a part of this order.

5.- The authority herein granted to issue notes is conditioned upon the payment by applicant of the fee prescribed by the Public Utilities Act.

6.- The authority herein granted to issue notes shall apply only to such notes as may be issued on or before March 1, 1918.

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 31st day of October, 1917.



Man Thole
Robertland
Alfred Gordon

Commissioners.