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ORIGINAL

Decision No. 5021

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

* * *

In the Matter of the Application of)
CORCORAN WATER AND GAS COMPANY,)
a corporation, for an order author-) Application Number 3028.
izing the sale of \$5,000.00 par)
value additional of its bonds.)

J.B. Mayer for applicant.

BY THE COMMISSION.

O P I N I O N .

This is an application of CORCORAN WATER AND GAS COMPANY of Corcoran, Kings County, for authority to issue \$5,000.00 face value of its first mortgage gold bonds and to use the proceeds to pay notes and accounts payable hereinafter set forth.

A public hearing in this matter was held at Corcoran by Examiner Westover.

In the Railroad Commission's "Exhibit A", Application Number 3027, relative to increase of rates, Assistant Engineer C.H. Loveland finds the cost of applicant's properties as of September 1, 1917 to have been \$30,026.53. From this amount he deducts \$3,430.00, representing the cost of replacements, leaving a net cost of \$26,596.53. In its decision of December 13, 1917, the Commission authorized applicant to put into effect a schedule of rates which are designed to yield an 8 per cent return on \$24,094.00. The engineering department of the Commission finds that applicant

from January 1, 1916 to September 1, 1917, expended \$15,078.98 for improvements to its system. The improvements comprise the erection of a 50,000 gallon tank upon an 80-foot steel tower, the installation of a new 6-inch centrifugal pump, the drilling of two 10-inch wells having a depth of 295 feet and the purchase and laying of 13,120 feet of main.

Against the \$15,078.98 of expenditures, the company pursuant to Decision Number 4208, dated March 31, 1917, issued \$10,000.00 of bonds at 91, netting the company \$9,100.00. No securities have been authorized to be issued against expenditures aggregating \$5,978.98. Applicant's reports show that these expenditures are represented by notes and accounts payable and earnings invested in plant. It reports notes and accounts payable as follows:

NOTES PAYABLE

<u>Payee</u>	<u>Date</u>	<u>Term</u>	<u>Interest</u>	<u>Amount</u>
First National Bank	Jan. 15, 1917	Demand	8%	\$400.00
First National Bank	Sept. 6, 1917	Demand	8%	500.00
First National Bank	Sept. 8, 1917	Demand	8%	600.00
First National Bank	Sept. 22, 1917	Demand	8%	500.00
Cross Hardware Co.	Oct. 1, 1917	Demand	8%	583.64
Total Notes Payable,				\$2,583.64

ACCOUNTS PAYABLE

Boynton Company,	\$762.45
Crane Company,	100.00
Wilson Machinery Company,	706.91
T.J. Eastman,	200.00
San Joaquin Light & Power Corp'n,	147.00
California Hydraulic Engineering Company,	300.00
Total Accounts Payable,	<u>2,216.36</u>
Grand Total,	\$4,800.00

Applicant reports that the \$600.00 note, dated September 8, 1917, payable to the First National Bank, and \$147.00 due San Joaquin Light and Power Corporation represent indebtedness incurred to pay operating expenses. On September 22, 1917, applicant issued its note for \$500.00 to the First National Bank. A statement filed with the Commission showing in detail the purposes for which

the moneys obtained through the issue of notes were expended, shows that \$306.00 of the moneys obtained through the issue of the \$500.00 note dated September 22, 1917, was used to pay bond interest. The payment of bond interest does not appear to be a proper capital charge. Deducting the indebtedness, which the company reports represents operating expenses together with the \$306.00 of interest from total indebtedness of \$4,800.00, leaves \$3,747.00 of indebtedness which may be paid through the issue of bonds.

Applicant, as stated, asks authority to issue \$5,000.00 face value of its bonds. Of these bonds, \$2,500.00 will mature on April 1, 1926, and a like amount on April 1, 1927. Applicant reports that it has made arrangements to sell the bonds at not less than 85 per cent of their face value, or on an approximate 8 per cent basis. While the order herein will authorize applicant to issue the full \$5,000.00 of bonds, it will provide that any proceeds remaining after the payment of \$3,747.00 of indebtedness properly chargeable to capital account, shall be expended by applicant only for such purposes as the Commission may hereafter authorize in a supplemental order.

O R D E R.

CORCORAN WATER AND GAS COMPANY having applied to the Railroad Commission for authority to issue \$5,000.00 face value of its 6 per cent first mortgage gold bonds, as hereinbefore more fully set forth;

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

and that the application should be granted subject to the conditions hereinafter set forth;

IT IS HEREBY ORDERED that Corcoran Water and Gas Company be, and it is hereby, authorized to issue and sell at not less than 85 per cent of their face plus accrued interest, \$5,000.00 of its 6 per cent first mortgage bonds, upon the following conditions and not otherwise:

- 1.--The proceeds of the bonds herein authorized to be issued shall be used by applicant to pay the following indebtedness:

<u>Payee</u>	<u>Date</u>	<u>Term</u>	<u>Int.</u>	<u>Amount</u>
First National Bank	Jan. 15, 1917	Demand	8%	\$400.00
First National Bank	Sept. 6, 1917	Demand	8%	500.00
First National Bank	Sept. 22, 1917	Demand	8% on account	194.00
Cross Hardware Co.	Oct. 1, 1917	Demand	8%	583.64
Boynton Company, . . .				\$762.45
Crane Company, . . .				100.00
Wilson Machinery Co., .				706.91
T.J. Eastman, . . .				200.00
California Hydraulic Engineering Company, .				300.00
				<u>\$2,069.36</u>
				\$3,747.00

Any balance remaining from the sale of said bonds, after the payment of the foregoing indebtedness shall be held in applicant's treasury and expended only for purposes hereafter authorized by the Commission in a supplemental order.

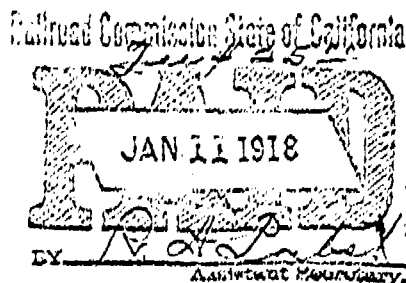
- 2.--Corcoran Water and Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said 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 Number 24, which order, in so far as applicable, is made a part of this order.

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

4.-- The authority herein granted applicant to issue bonds shall apply only to such bonds as shall have been issued on or before July 31, 1918.

Dated at San Francisco, California, this 9th day of January, 1918.



Max Thelen
H. S. Loveland
Alex Gordon
Edwin O. Edgerton
Frank R. Dehn
Commissioners.