

ORIGINAL

Decision No. 5285

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

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application )  
of S. M. WALKER to mortgage public ) Application No. 3583.  
utility properties and issue a note.)

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S. M. Walker in propria persona.

LOVELAND, Commissioner.

O P I N I O N

S. M. WALKER asks authority to issue a \$15,000.00 note and to mortgage his public utility water plant to secure the payment of the note. A copy of the proposed mortgage is attached to the petition herein.

By Decision Number 4169 dated March 7, 1917 (Vol. 12, Opinions and Orders of the Railroad Commission of California, page 662) the Railroad Commission authorized S. M. Walker to transfer his public utility properties to the Baldwin Park Domestic Water Company in exchange for \$35,000.00 of stock and \$6,000.00 of bonds. On May 3, 1917, at the request of S. M. Walker, the Commission rescinded its order of March 7, 1917, with the result that S. M. Walker still owns the public utility properties referred to in the Commission's Decision Number 4169. The testimony shows that subsequent to March 7, 1917, S. M. Walker has acquired additional public utility properties.

It appears in Decision Number 4169 that Mr. Armstrong, assistant engineer for the Commission, estimated the actual cost of the public utility properties as of December 15, 1916, plus an allowance of 10 per cent for overhead, to be approximately \$37,725.00.

For the year ending December 31, 1916, S. M. Walker reported operating revenues amounting to \$6,257.14, operating expenses amounting to \$4,587.61, leaving a net revenue of \$1,669.53. For the year ending December 31, 1917, he reported his operating revenues at \$6,927.41, the operating expenses at \$6,192.90, leaving a net operating revenue of \$734.51. The operating expenses for each year include an allowance of \$600.00 for depreciation. On December 31, 1916, he reported the number of meters at 145 and on December 31, 1917 at 215.

The testimony shows that S. M. Walker has made no definite arrangements to borrow \$15,000.00. He is of the opinion that he can obtain this money at an interest rate of 6 per cent per annum. He desires to issue either a 5 or 10 year note secured by a mortgage covering his public utility water properties. A copy of the proposed mortgage is attached to the petition herein. The mortgage is of the standard form. The testimony shows that his public utility properties are free of all liens and encumbrances.

In Exhibit Number 1, S. M. Walker reports indebtedness of \$11,383.39. He further reports that it will be necessary to expend \$250.00 to improve the power house as instructed by the Health Department, \$350.00 to overhaul the plant and \$1,500.00 to finish the State Street and Covina Boulevard lines, making a total of \$2,100.00 to be expended to improve and extend the system. The indebtedness plus the cost of improvements and extensions amounts to \$13,483.39. S. M. Walker proposes to use the proceeds obtained from the issue of the proposed \$15,000.00 note to pay the indebtedness set forth in Exhibit Number 1 and to pay for the improvements

and extensions referred to therein. After making these expenditures, he would have on hand a balance of \$1,516.61. At the hearing he was unable to inform the Commission as to the specific purposes for which this balance would be expended. The \$11,383.39 of indebtedness reported in Exhibit Number 1 includes \$7,287.21 advanced by S. M. Walker. The testimony is to the effect that all of the \$11,383.39 of the indebtedness has been incurred in the construction and operation of the water plant.

Under the facts and circumstances as presented, I am of the opinion that S. M. Walker should be granted authority to issue a 5 year 6 per cent note, having a face value of not in excess of \$13,500.00, and to execute a mortgage to secure the payment of the note.

I herewith submit the following form of Order:-

### O R D E R

S. M. WALKER having applied to the Railroad Commission for authority to issue a \$15,000.00 note and to execute a mortgage, a 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.

IT IS HEREBY ORDERED that S. M. Walker be, and he is hereby, granted authority to issue a 5-year 6 per cent note having a face value of not to exceed \$13,500.00 and to execute a mortgage substantially in the same form as the mortgage attached to the petition herein to secure the payment of the note herein authorized, all upon the following conditions:-

- 1.-The note herein authorized to be issued shall be issued at not less than the face value thereof.

2.-The proceeds obtained through the issue of the note shall be used for the purpose of paying the indebtedness set forth in Exhibit Number 1, and the cost of improving and extending the water system therein referred to.

3.-The approval herein given of said mortgage is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

4.-S. M. Walker shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the note herein authorized to be issued and on or before the twenty-fifth day of each month shall make verified reports to the Commission showing the moneys realized from the issue of the note and the use and application of such moneys, all in accordance with the 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 is conditioned upon the payment of the fee prescribed by the Public Utilities Act.

6.-The authority herein granted to issue a note shall apply only to such note as may be issued on or before August 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 6th day of April, 1918.

Max Sheter  
W. H. ...  
W. H. ...