

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)
The San Antonio Irrigating Company)
for permission to borrow the sum of)
\$30,000 and execute its promissory)
note or notes to evidence the same,)
and a trust deed to secure the same,)
and also authorization to improve)
its water system.)

Application No. 519

Ward Chapman for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by The San Antonio Irrigating Company for an order authorizing said company to issue its promissory note or notes in the total sum of \$30,000 and to mortgage or encumber its property to secure the payment of the same.

Applicant is a corporation which was organized in 1869 under articles of incorporation, which provided that the object of the corporation was to supply water for domestic and irrigation purposes to its stockholders, but in May, 1912, its articles of incorporation were amended to provide that the purposes of the corporation are to deliver water to a farming community on the Heyman tract in the San Antonio Rancho in the County of Los Angeles, State of California.

The representatives of applicant stated at the hearing that while at present only stockholders of the company are being served with water, it is proposed hereafter if sufficient water is developed, to furnish other than stockholders. Therefore, this application was filed because of the strong probability that applicant would become what its articles empower it to be, a public utility serving water to others than

stockholders, for compensation.

Applicant's authorized capital stock is \$50,000. of which stock there have been issued 9,070 shares, of the par value of \$5.00 each, or a total of \$45,350. water being served by applicant only to the owners of such shares.

Applicant has no income but pays the expenses of conducting its business of distributing this water by levying assessments on its stockholders.

It is proposed to use the money obtained from the issuance of the promissory notes herein asked to be authorized to construct a cement concrete pipe line needed for the carrying on of applicant's business.

A contract has been entered into between applicant and Fred Gould for the construction of such pipe line and said contract and the specifications attached thereto, both of which are on file with the application herein, set out in detail the materials to be used in the construction of such pipe line and the price to be paid therefor.

It is proposed to pay the interest and principal of these notes by the assessment of the stockholders.

The plant of applicant consists of water rights and a system for distributing water controlled thereunder, and while we are not furnished with a physical valuation thereof, it appears that there is sufficient property in the possession of applicant, together with the security hereinafter mentioned, to warrant the issuance of these notes.

This other security, or rather assurance that the principal and interest on these notes will be paid, is that applicant's water system furnishes the only available water for approximately 1500 acres of land, worth probably from \$750,000. to \$1,000,000. Deprived of the water, this land would be worth only a fraction of its present value. Therefore, the need of the owners of this valuable land to protect their water system will be such as to insure their prompt payment of assessments for the payment of the principal and interest on these notes, in order to avoid a foreclosure upon and loss of the water system.

In addition to the above, applicant expects to derive a considerable revenue from the sale of surplus water. Its estimate of the revenue thus to be derived is at least \$2,500. per month.

It is proposed to issue six promissory notes in the sums of \$5,000. each, payable one in one year, two in two years, and three in two years and nine months after date, with interest at seven per cent per annum, and to issue said notes in pursuance of the terms of a deed of trust conveying all of the property of applicant to Los Angeles Title and Trust Company as security for the payment of said notes.

I recommend that the application be granted, and submit herewith the following form of order:

O R D E R

Application having been made to the Railroad Commission of the State of California by The San Antonio Irrigating Company for an order authorizing the issue by said company of \$30,000. face value of promissory notes and for an order to mortgage or encumber its property to secure the payment of the same,

And a hearing having been duly held and it appearing to the Commission that the money to be secured by the issue of said notes is necessary and reasonably required by said company for the acquisition, construction, completion, extension and improvement of its facilities and that the purposes for which the proceeds of the sale of said notes are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize the issue by the San Antonio Irrigating Company of six promissory notes of the face value of \$5,000. each, payable one in one year, two in two years and three in two years and nine months from their date, to draw interest at the rate of seven per cent per annum.

Said notes to be issued under and in pursuance of the terms of a trust deed to be executed by The San Antonio Irrigating

Company to the Los Angeles Title and Trust Company, a copy of which said deed of trust is on file with the application herein, upon the following conditions and not otherwise, to-wit:

1. The San Antonio Irrigating Company shall receive full face value for said promissory notes.

2. The proceeds derived from the issuance of said notes shall be used for the following purpose only:

(a) For the purpose of acquiring property, and the construction of a cement concrete pipe line, the details of the materials to be used and the work to be done, and the price to be paid therefor, being set out in full in a copy of a contract between applicant and Fred Gould, dated the 5th day of March, 1913, and the specifications attached to said contract, both said contract and said specifications being on file with the application herein.

3. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds derived from the issuance of said notes hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such notes during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

4. The authority hereby given to issue notes shall apply only to notes issued by said company on or before the 30th day of June, 1914.

5. This order shall not become effective until applicant has paid the minimum fee specified in section 57 of the Public Utilities Act.

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 19th day of June, 1913.

John W. Eckman
John Gordon
Max Thelen

Commissioners.

Railroad Commission State of California

Fee \$ 250.00

JUN 24 1913

BY H. G. Hutchinson
Assistant Secretary