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Decision No. 7641

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
THE HANFORD WATER COMPANY, a corpo-
ration, for an order permitting and
authorizing it to borrow money and
issue and deliver its promissory
notes in evidence thereof, and to
secure same by issuing and deliver-
ing certain of its corporate bonds.)

Application Number 7264.

ORIGINAL

F. N. Isaac, for Applicant.

LOVELAND, Commissioner.

O P I N I O N

THE HANFORD WATER COMPANY asks permission in this proceeding to issue \$20,000.00 face value of 6-1/2% notes and to secure the payment of such notes by the deposit of \$20,000.00 of its 6% bonds.

Applicant has an authorized stock issue of \$200,000. of which \$191,000. is outstanding. It has no outstanding bonded indebtedness. In 1907 it executed a trust deed securing an authorized issue of \$100,000.00 of 6% bonds payable March 1, 1930. Of these bonds \$60,000.00 face value have been heretofore issued. The testimony, however, shows that all of the \$60,000.00 of bonds have been redeemed and cancelled. Applicant's authorized but unissued bonds amount to \$40,000.00. Of these it proposes to issue \$20,000. to secure the payment of two notes; one note for \$10,000. payable in five years, the other for \$10,000. payable in 10 years.

The record shows that during the past two years the City of Hanford has caused extensive paving to be done upon several of its streets in which water mains and service pipes of applicant are located. In some instances the efficiency of the pipes had become impaired, while in other instances the mains were of insufficient capacity to supply the growing needs of the inhabitants of the City of Hanford. For these reasons and in order to avoid the greater expense of replacing its water mains after the streets had been paved, applicant concluded to replace some of its water mains with new and larger pipes.

F. N. Isaac, Secretary of The Hanford Water Company, testified that the company expended approximately \$26,000.00 to replace water mains and service pipes. Of the amount so expended, it secured \$17,500.00 from the First National Bank of Hanford through the issue of 1-year notes bearing interest at the rate of 7% per annum. Applicant also reports that it has sunk a new well on which there remains due \$1,210.00. To pay its current indebtedness, applicant has made arrangements to borrow \$20,000.00 from P. McRae, one of its directors. It appears that P. McRae is willing to loan the company \$20,000.00 with interest at the rate of 6 $\frac{1}{2}$ % per annum, such loan to be evidenced by two promissory notes in the sum of \$10,000.00 and \$10,000.00 respectively; the first of which shall be payable in 5 years after its date and the second in 10 years after its date. P. McRae desires that the company secure the payment of the notes by the issue and deposit of \$20,000.00 of its first mortgage 6% bonds.

According to the testimony of F.N. Isaac, it is possible that the City of Hanford will, within the near future, pave additional streets, and if this is done it may become advisable for applicant to replace additional mains. It is for this purpose that applicant will use \$1,290.00, which is the difference between the \$20,000.00 loaned from P. McRae and applicant's present indebtedness consisting of \$17,500.00 of notes payable to the First National Bank; and \$1,210.

due on its new well. I believe that this application should be granted and herewith submit the following form of order:-

O R D E R

THE HANFORD WATER COMPANY, having applied to the Railroad Commission for permission to issue \$20,000.00 face value of notes and issue and deposit \$20,000.00 of its first mortgage bonds, 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 through the issue of the note and bonds herein authorized, is reasonably required by applicant and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that The Hanford Water Company be, and it is hereby, authorized to issue at not less than face value thereof, two promissory notes in the principal sum of \$10,000.00 each; one payable in 5 years after its date and the other payable 10 years after its date; said notes to bear interest at the rate of not exceeding $6\frac{1}{2}\%$ per annum, and to issue and deposit as security for the payment of the notes herein authorized \$20,000.00 face value of its first mortgage 6% bonds payable March 1, 1930.

The authority herein granted is subject to further conditions as follows:-

1. Of the proceeds realized through the issue of the \$20,000.00 face value of notes, \$17,500.00 may be used to pay the notes held by the First National Bank of Hanford and \$1,210.00 to pay the balance due on applicant's new well. The remainder of the proceeds realized through the issue of the notes herein authorized shall be expended only for such purposes as the Railroad Commission may hereafter authorize by supplemental order.

2. As payments are made on the notes herein authorized, a proper proportion of the bonds deposited as collateral to secure the payment of such notes shall be returned to applicant and thereafter not disposed of by applicant in any manner whatsoever except as permitted by the Railroad Commission.

3. The Hanford Water Company shall keep such record of the issue, sale and deposit of notes and bonds herein authorized and of the use of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

4. The authority herein granted will not become effective until applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

5. The authority herein granted will apply only to such notes and bonds as may be issued on or before December 31, 1921.

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 26th day of October, 1921.

Fee \$25.00
OCT 26 1921
[Signature]

[Signature]
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Commissioners