

Decision No. 26491

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HOME FARMS WATER COMPANY,)
formerly known as Watson Water Com-)
pany, a corporation, for an order)
authorizing the issuance of bonds)
and for a certificate of public con-)
venience and necessity.)

Application No. 19045

BY THE COMMISSION:

ORIGINAL

FIRST SUPPLEMENTAL OPINION

The Commission by Decision No. 26427 dated October 16, 1933, granted to the Home Farms Water Company a certificate of public convenience and necessity to maintain and operate, and to extend the water system described in said decision for the purpose of supplying water for domestic, commercial and/or irrigation purposes to the residents or owners of land in the area within the red line marked on the map filed as Exhibit "A" of this proceeding.

In its decision the Commission commented on the request of the company for permission to issue bonds and execute a mortgage or deed of trust. It recites that the issue of the bonds and the execution of the trust indenture will be the subject matter of a supplemental order.

Applicant has now filed with the Commission a revised copy of its mortgage or deed of trust securing the payment of an authorized issue of \$300,000.00 of bonds. If authorized by the Commission, about \$180,000.00 of these bonds may eventually be issued in exchange for existing indebtedness or for the purpose of securing the payment of present indebtedness. The \$180,000.00 of bonds, or such thereof, as may be exchanged for existing indebtedness or deposited to secure such

indebtedness, will be endorsed by the following guarantee:-

"Home Farms Corporation, a corporation, in consideration of Home Farms Water Company issuing its bonds in exchange for some or all of the indebtedness listed in Exhibit "B" in Application No. 19045 before the Railroad Commission of the State of California, or depositing its bonds to secure the payment of any of such indebtedness, agrees to guarantee and does hereby guarantee for itself, its successors and assigns the prompt and punctual payment of the principal and interest upon this bond and on all the bonds to be issued in exchange of said indebtedness or deposited to secure the payment of such indebtedness."

The Commission in its decision refers to \$131,810.38 of indebtedness which may be exchanged for applicant's outstanding bonds. It also refers to an \$18,500.00 indebtedness due to J. F. Wilson. Applicant asks permission to deposit \$37,000.00 of its bonds as security for the payment of such indebtedness.

In addition to the indebtedness referred to in said Decision No. 26427, applicant reports the following:-

<u>Name</u>	<u>Amount</u>
Harriet & J. E. S. Heath.	\$12,000.00
E $\frac{1}{2}$ of NW $\frac{1}{4}$ Sec. 13- Twp. 5 So., R 3 W. SBEM	
First National Bank (Santa Ana)	\$20,000.00
SW $\frac{1}{4}$ Sec. 14- Twp. 5 So., R 3 W. SBEM	
SW $\frac{1}{4}$ Sec. 13- Twp. 5 So., R 3 W. SBEM	
NE $\frac{1}{4}$ Sec. 23- Twp. 5 So., R 3 W. SBEM	
N $\frac{1}{2}$ Sec. 24- Twp. 5 So., R 3 W. SBEM	
N $\frac{1}{2}$ Sec. 19- Twp. 5 So., R 2 W. SBEM	

Applicant reports that the holders of \$107,359.58 of indebtedness have agreed to exchange the same for \$104,500.00 of first mortgage 5 percent bonds. The names of those who have agreed to exchange their indebtedness for bonds are as follows:-

<u>Name</u>	<u>Amount of indebtedness</u>	<u>Amount of bonds agreed to be exchanged</u>
K. G. Stewart.....	\$49,095.67.....	\$50,000.00
David J. Park.....	3,925.53.....	4,000.00
Mary S. Phillips & Saidee Benson.....	7,193.50.....	7,500.00
Lucy M. Corey	11,612.50.....	9,000.00
Harriet & J.E.S.Heath	13,406.72.....	12,000.00
First National Bank...	20,000.00.....	20,000.00
Alice E. Thomas.....	2,125.66.....	2,000.00
	<u>\$107,359.58</u>	<u>\$104,500.00</u>

The guarantee of Home Farms Corporation should be modified so as to cover the bonds issued in exchange for the \$32,000.00 of indebtedness referred to herein, as well as the indebtedness mentioned in Exhibit "B" in Application No. 19045.

It appears that J. F. Wilson has agreed to accept in payment of \$18,500.00 of indebtedness due from Watson Water Company, now Home Farms Water Company, a note of \$18,500.00 issued by the Home Farms Corporation, provided that such note, among other things, is secured by the deposit of \$37,000.00 of applicant's first mortgage bonds. The Home Farms Corporation, which owns all of the outstanding stock of Home Farms Water Company, assures the Commission that the coupons attached to the bonds deposited for the purpose of securing the J. F. Wilson indebtedness, so long as such bonds are held as a deposit will, as they become due, be returned to applicant for cancellation, and that upon the payment of the indebtedness the bonds will be returned to applicant.

We believe that the amount of bonds which applicant should now be permitted to issue should be limited to \$141,500.00. If others agree to accept applicant's bonds in payment for amounts due them, applicant may file a supplemental application or applications for permission to issue additional bonds.

We have examined applicant's revised mortgage or deed of trust filed with this Commission on October 30 and find the same to be in satisfactory form, except that the guarantee by Home Farms Corporation should be modified, as stated above.

FIRST SUPPLEMENTAL ORDER

The Commission having considered applicant's request for permission to issue bonds and being of the opinion that it should be authorized to issue \$141,500.00 of bonds and use \$104,500.00 to pay indebtedness and \$37,000.00 to secure the payment of indebtedness,

that the issue of said bonds for said purposes is reasonably necessary and that the expenditures for the purpose of paying indebtedness are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. Home Farms Water Company be, and it is hereby, authorized to execute a mortgage or deed of trust substantially in the same form as the mortgage or deed of trust filed in this proceeding on October 30, 1933, provided that the guarantee by Home Farms Corporation be modified, as indicated in the foregoing opinion; and provided further that the authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which said mortgage or deed of trust may be subject.
2. Home Farms Water Company be, and it is hereby, authorized to issue on or before December 31, 1933, \$104,500.00 face value of its 5 percent first mortgage bonds in payment of the \$107,359.58 of the indebtedness referred to in the preceding opinion.
3. Home Farms Water Company be, and it is hereby, authorized to issue on or before December 31, 1933, \$37,000.00 face value of its first mortgage 5 percent bonds and deposit such bonds as collateral to secure the payment of \$18,500.00 indebtedness due to J. F. Wilson, provided that so long as such bonds are deposited as

collateral, the interest coupons attached thereto shall, as they mature, be returned to applicant for cancellation; and provided further that upon the payment of the \$18,500. indebtedness due J. F. Wilson, said \$37,000.00 of bonds shall be returned to applicant and thereafter not sold or otherwise disposed of, except as permitted by the Commission.

4. Home Farms Water Company shall keep such record of the issue, sale and delivery of the bonds herein authorized and of the disposition 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, insofar as applicable, is made a part of this order.
5. The authority herein granted shall become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Forty-two (\$142.00) Dollars.
6. Within thirty (30) days after the execution of the mortgage or deed of trust herein authorized, applicant shall file with the Commission a certified copy of said mortgage or deed of trust.

DATED at San Francisco, California, this 6th day of November, 1933.

Fee \$142 ⁰⁰/₁₀₀
RAILROAD COMMISSION
NOV 10 1933
A. M. M...
Fee # 30571

C. H. ...
Leon ...
W. J. ...
M. B. ...
...
Commissioners.