

Decision No. 23364

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of NEWHALL WATER COMPANY, a corporation, for authority to sign a mortgage indenture for \$100,000.00 and issue at this time bonds to the value of \$50,000.00 under said mort- gage.	} Application No. 20570
---	-------------------------

A. B. Perkins, for applicant.  
Robert H. Dunlap, for Edgerton, Riley and Walters.

BY THE COMMISSION:

O P I N I O N

**ORIGINAL**

Newhall Water Company asks permission to issue for the purposes hereinafter stated, \$50,000.00 of 5% 15-year bonds and execute a trust indenture which will be a lien on its real and personal property to secure the payment of an authorized bond issue of \$100,000.00.

Newhall Water Company is engaged in the public utility water business in and about the townsite of Newhall, Los Angeles County. As of December 31, 1935 the company had 361 consumers. Its operating revenues for the 12 months ending May 31, 1936 are in Exhibit No. 1 reported at \$9,835.54 and its operating expenses at \$4,067.97, leaving net operating income of \$5,767.57.

Its assets and liabilities as of May 31, 1935 are reported as follows:-

ASSETS

Fixed capital .....	\$80,150.73
Cash and special deposits .....	280.37
Due from consumers .....	2,224.03
Miscellaneous accounts receivable .....	17.00
Due from A. B. Perkins salary account .....	462.13
Due from subscribers to capital stock .....	500.00
Prepaid insurance .....	18.38
Unamortized discount and expense applicable to proposed bond issue .....	347.50
Total assets .....	<u>\$84,000.14</u>

LIABILITIES

Common capital stock .....	\$32,900.00
Preferred capital stock ..;	4,300.00
Common capital stock subscribed .....	500.00
Notes payable .....	19,271.06
Accounts payable .....	2,011.06
Amount due A.B.Perkins account of stock sales	25.00
Taxes accrued .....	93.33
Interest accrued .....	207.81
Dividends payable on 8% preferred stock .....	171.00
Advances in aid of construction .....	51.72
Reserve for accrued depreciation .....	17,157.20
Capital surplus .....	1,827.51
Corporate surplus unappropriated .....	<u>5,484.45</u>
Total liabilities.....	<u>\$84,000.14</u>

The testimony shows that applicant intends to sell to Edgerton, Riley and Walters at 90% of their face value and accrued interest, \$50,000.00 of 5% 15-year bonds. The bonds are to be dated July 1, 1936 and mature July 1, 1951. The company reserves the right to redeem the bonds at 102-1/2 and accrued interest.

It is of record that some of applicant's distribution lines are wholly inadequate to enable it to render good service. At an estimated cost of \$20,463.00 it proposes to install about 1,664' of 8" cast iron pipe, 6317' of 6" cast iron pipe, 2458' of 4" cast iron pipe and 683' of 2" cast iron pipe, to install about 145 meters and services and to make improvements to its pumping equipment. It is reported that the new improvements will replace property carried in the balance sheet at \$4,646.00.

Applicant estimates that the installation of the proposed improvements will increase its operating revenues by \$1,180.00 per annum and reduce its operating expenses by about \$300.00 per annum.

Applicant asks permission to use approximately \$24,503.64 realized from the sale of its bonds to refund its outstanding 8% preferred stock amounting to \$4,300.00, and to refund a \$15,700.00 8% note, a \$1,000.00 8% note, \$2,271.06 of 6% notes, and pay outstanding accounts payable in the amount of \$1,232.58. Through the refunding of the

outstanding preferred stock and notes applicant will effect a saving in its annual interest charges.

We feel that it is necessary that applicant construct the improvements to which reference has been made and that it should take advantage of refunding its outstanding preferred stock and outstanding note, and thereby reduce its annual charges.

There has been filed in this proceeding as Exhibit No. 3 a copy of applicant's proposed trust indenture. At the time of the hearing the Commission's attention was called to certain changes in the trust indenture suggested by the attorney for the trustee, The Farmers and Merchants National Bank of Los Angeles. We have no objection to the changes proposed by the attorney for the Bank. We believe, however, that the proposed trust indenture should be further modified so as to provide for a sinking fund adequate in amount to redeem at least \$1,000. face value of bonds annually from July 1, 1941 to July 1, 1951. The trust indenture should be further modified so that no modification or alteration of the trust indenture shall permit the extension of the maturity of the principal of the bonds or the reduction in the rate of interest on the bonds or any other modification in the terms of payment of such principal or interest without the consent of the holder of the bonds.

The order herein will provide that no bonds may be delivered until the Commission has authorized applicant to execute a trust indenture securing the payment of the bonds.

#### ORDER

Newhall Water Company having asked permission to issue \$50,000. of 5% 15-year bonds for the purposes indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission having considered the evidence submitted at such hearing, and being of the opinion that the money, property or labor to be pro-

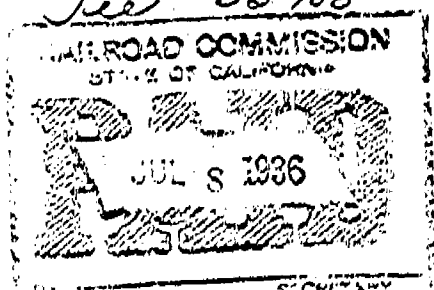
cured or paid for by the issue of said bonds is reasonably required for the purposes herein stated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED that Newhall Water Company may, after the effective date hereof and prior to December 1, 1936, issue and sell for not less than 90% of their face value and accrued interest, \$50,000. of first mortgage 5% bonds due July 1, 1951, and use the proceeds realized from the sale of said bonds for the purposes set forth in Exhibit No. 2/<sup>filed</sup>in this proceeding, provided that none of said bonds may be delivered until the Commission by a supplemental order has authorized Newhall Water Company to execute a trust indenture to secure the payment of such bonds.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue and sell bonds will become effective when Newhall Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Thirty-five (\$35.) Dollars.

IT IS HEREBY FURTHER ORDERED that Newhall Water Company shall keep such record of the issue, sale and delivery of the bonds herein authorized to be issued 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 Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 6<sup>th</sup> day of July, 1936.



M. B. Lewis  
W. J. Curry  
W. H. ...  
Allen ...

Commissioners.