

Decision No. 29772

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SANTA PAULA WATER WORKS, LTD., )  
a corporation, for an order authoriz- )  
ing it to issue unsecured notes for ) Application No. 21180  
the purpose of financing improvements )  
of its facilities. )

Farrand and Slosson, for Applicant.

BY THE COMMISSION:

**ORIGINAL**

O P I N I O N

In this proceeding Santa Paula Water Works, Ltd. asks permission to issue not exceeding \$25,000.00 face value of 5½% unsecured serial notes for the purpose of paying the cost of re-lining and covering a reservoir, to which reference will be made hereafter.

Santa Paula Water Works, Ltd. is engaged in the business of distributing and selling water for domestic, irrigation, industrial, fire protection and municipal purposes in the City of Santa Paula, Ventura County, California, and adjoining territory. For 1936 the company reports operating revenues of \$69,484.45 and operating expenses, including taxes and appreciation, of \$41,001.09, leaving a net operating revenue of \$28,483.36.

As of March 1, 1937 the company reports assets and liabilities as follows:-

ASSETS

Fixed capital . . . . .	\$546,676.02
Cash . . . . .	2,849.39
Accounts receivable . . . . .	2,937.49
Materials and supplies . . . . .	5,224.68
Prepaid insurance . . . . .	641.78
Construction work in progress . . . . .	<u>3,927.77</u>
Total assets . . . . .	<u>\$560,257.13</u>

LIABILITIES

Capital stock . . . . .		\$346,200.00
Common . . . . .	\$250,000.00	
Preferred 6½% . . . . .	<u>96,200.00</u>	
Notes payable . . . . .		9,500.00
Accounts payable . . . . .		1,464.27
Taxes accrued . . . . .		3,952.81
Consumers advances for construction . . . . .		10,742.88
Donations in aid of construction . . . . .		7,798.12
Reserve for accrued depreciation . . . . .		120,841.34
Corporate surplus . . . . .		<u>59,757.71</u>
	Total liabilities.....	<u>\$560,257.13</u>

It will be observed that the company has no bonded indebtedness and that its notes payable aggregate but \$9,500.00.

Applicant's petition shows that its main storage reservoir located on what is known as McKeivitt Hillside, has a capacity of 4,400,000 gallons. This reservoir was constructed in the later 80's and has been operated up to the present time as an open reservoir. During the early development of the City of Santa Paula and vicinity the reservoir functioned satisfactorily as an open reservoir for the reason that at that time the water system was supplied entirely from Santa Paula Creek, a perennial surface stream. With the development of Santa Paula and vicinity and the attendant increase in the use of water it became necessary to augment the Santa Paula Creek supply with water from wells. The ground water developed in this area does not keep when stored in an open reservoir. During the summer months it is necessary to clean the reservoir once a week in order to keep the water supply in a potable condition. Applicant has been unsuccessful in treating the water and therefore has concluded to place a redwood cover over the reservoir. It also intends to re-line the reservoir.

It is believed that by covering the reservoir applicant will be able to deliver to its consumers an improved quality of water and that it will also overcome the adverse criticism of the National Fire Underwriters. It is of record that it requires about 10 hours of time to clean applicant's reservoir. During such period applicant

is dependent entirely upon its pumps for a supply of water for fire protection. This hazard will be eliminated with the construction of the proposed cover over the reservoir.

Applicant has filed with the Commission a detailed statement showing the estimated cost of lining the reservoir and covering the same. The estimated cost is \$24,658.41. In order to obtain the money necessary to pay for the improvements it asks permission to issue not exceeding \$25,000.00 face value of 5 $\frac{1}{2}$ % unsecured notes. Notes in the amount of \$6,000. will mature two years after their issue, \$9,000. three years after their issue, and \$10,000. four years after their issue. It asks permission to refund, at its option, the two and three year notes when due, by the issue of like notes, maturing at the same time as the four year notes. It proposes to issue the notes only to persons resident within the State of California, in order to comply with Section 3(a)(11) of an Act of Congress of the United States, approved May 27, 1933, designated as The Securities Act of 1933. By limiting the issue of the notes to residents within California, it will not be required to file a registration statement with the Securities and Exchange Commission.

#### O R D E R

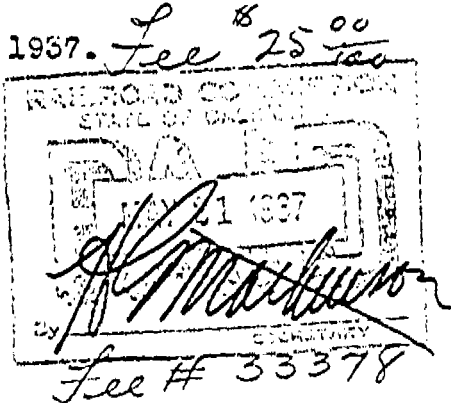
The Commission having considered applicant's request for permission to issue not exceeding \$25,000./of notes and being of the <sup>face value</sup> opinion that this is not a matter in which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said notes is reasonably required by applicant 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 Santa Paula Water Works, Ltd. be, and it is hereby, authorized to issue on or before October 1, 1937, at not less than their face value not exceeding \$25,000. of unsecured notes bearing interest at not to exceed 5 $\frac{1}{2}$ % per annum, payable quarterly, said notes to be issued only to persons resident within the State of California, and may be issued in such denominations as may be convenient to applicant, \$6,000. face value of said notes to be payable two years after their execution, \$9,000. face value of said notes to be payable three years after their execution and \$10,000. face value of said notes to be payable four years after their execution, provided that applicant may refund said two year and said three year notes when due, by the issue of like notes maturing at the same time as the said four year notes.

IT IS HEREBY FURTHER ORDERED that applicant shall use the proceeds from the issue of the aforesaid notes to pay the cost of the improvements described in Exhibit B filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five(\$25.) Dollars, and that Santa Paula Water Works, Ltd. shall keep such record of the issue, sale and delivery of the notes 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.

DATED at San Francisco, California, this 17<sup>th</sup> day of May,



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*Frank A. ...*  
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*Walter ...*  
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*W. S. ...*  
Commissioners.