

ORIGINAL

Decision No. 31075

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN GABRIEL VALLEY WATER SERVICE,
a corporation, to issue, sell and
deliver \$16,500.00 principal amount
of its first mortgage bonds. } Application No. 21383

R. H. Nicholson, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding, as amended at the hearing had on January 10, 1938, before Examiner Fankhauser, San Gabriel Valley Water Service asks permission to issue and sell at not less than 87% of their face value and accrued interest \$16,500.00 of its first mortgage 5% bonds due May 1, 1957, and use the proceeds to pay the cost of additions and betterments to its properties.

Applicant is engaged in the business of distributing water for domestic and other purposes in the vicinity of the City of El Monte, Los Angeles, County, and in the City of Indio, Riverside County.

In a statement filed in this proceeding applicant reports its assets and liabilities as of April 30, 1938 as follows:

ASSETS:

Fixed capital	\$423,318.51
Cash	6,947.62
Accounts receivable	5,807.24
Bonds unsold	10,000.00
Materials and supplies	169.32
Prepaid insurance	393.16
Prepaid interest and expense	668.05
Unamortized discount and expense on bonds	<u>5,081.57</u>
Total assets	<u>\$452,385.49</u>

LIABILITIES:

Capital stock	\$ 72,793.00
Bonds	233,500.00
Notes payable	8,075.57
Contracts payable	4,500.00
Auditor's vouchers	7,822.03
Consumers' deposits	1,590.11
Accrued liabilities	154.49
Consumers' advances for construction	29,330.77
Donations in aid of construction	19,008.73
Interest accrued	5,837.50
Reserve for depreciation	25,848.04
Surplus	<u>43,925.25</u>
Total liabilities	<u>\$452,385.49</u>

The Commission by its former decisions authorized applicant to issue \$233,500.00 face value of first mortgage bonds and 2380 shares of no par value common capital stock. Of the bonds, \$223,500.00 have been issued and sold. All of the shares of stock have been issued which are carried on the company's balance sheet at a stated value of \$72,793.00.

In its petition applicant reports that during the months of February and March of 1938 it expended the sum of \$15,077.88 for additions and betterments to its plants and properties. It further reports that it should install additional improvements as follows:

New pump, gas engine and building for Indio	\$7,000.00
New pump, gas engine and building for El Monte	3,000.00
5000 feet of 8 inch steel mains for El Monte	5,000.00
5000 feet of 6 inch steel mains for El Monte	<u>4,000.00</u>
Total	<u>\$24,000.00</u>

At the hearing applicant submitted testimony showing that the two new pumps, gas engines and buildings have been installed and that it should expend about \$10,000.00 for new pipe lines.

The record indicates that applicant's charges to fixed capital are overstated by including therein an amount of \$30,341.26 rejected by the Commission in Decision No. 30348 dated November 8, 1937, in Application No. 21741 and by amounts included in organization expenses that should be charged to bond discount and expense or to surplus. The record further shows that while applicant in its petition reports the cost of additions and betterments to its

properties during the months of February and March to have been \$15,077.89, such properties are actually recorded on its books at \$13,106.20, the difference being an allowance of 15% for overhead expenses which is not on applicant's books charged to fixed capital accounts.

The record further shows that applicant in its financial statements filed in this proceeding shows a surplus of \$43,925.25. Its books actually show a deficit of \$2,572.95 and a capital surplus of \$36,038.80. The surplus which the company submits for the purpose of this application includes the \$30,341.26 referred to above and an adjustment of the company's depreciation reserve amounting to \$10,459.40.

The order herein will authorize applicant to issue \$16,500. face value of bonds. By so doing, we are not approving applicant's practice of submitting financial statements which are not in conformity with its books. We also wish to put applicant on notice that we will not authorize it to issue any additional bonds against the properties referred to in this proceeding and that it should make arrangements to finance for a reasonable time in the future its construction costs through means other than the creation of indebtedness.

O R D E R

The Commission having considered the evidence submitted in this proceeding and it being of the opinion that the money, property, or labor, to be procured or paid for through issue of said \$16,500. of bonds is reasonably required by applicant for the purposes herein stated, that the expenditures for said 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 San Gabriel Valley Water Service be, and it is hereby, authorized, to issue and sell, after the effective date hereof and prior to September 1, 1938, at not less than 87% of their face value and accrued interest, \$16,500.00 of first mortgage 5% bonds due May 1, 1957, and use the proceeds realized from the sale of said bonds to pay in part the cost of the additions and betterments referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is \$25.00.

IT IS HEREBY FURTHER ORDERED, that San Gabriel Valley Water Service shall file with the Railroad Commission a report or reports required by the Commission's General Order # 24, which order in so far as applicable is made a part of this order.

DATED at San Francisco, California this 30th day of June 1938.

William A. Mc...
Leon Overhill
Grace B. ...
Karl ...
Ray ...
COMMISSIONERS

