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Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CORONA CITY WATER COMPANY,
a corporation, for a permit author-
izing the issuance and sale of its
First Mortgage Bonds.

} Application No. 22175

Walter S. Clayson, for applicant

ORIGINAL

BY THE COMMISSION:

O P I N I O N

Corona City Water Company, a corporation, has applied to the Railroad Commission for permission to issue and sell \$160,000.00 of its First Mortgage Four Per Cent Sinking Fund Bonds at 95½ percent of the principal amount thereof for the purpose of financing the cost of redeeming its outstanding 6% bonds and of paying other indebtedness.

The corporation is engaged in the business of supplying water primarily for domestic purposes in and about Corona, Riverside County. Its properties, according to its reports filed with the Commission, consist of 1,000 shares of stock of Temescal Water Company, a mutual water company, a concrete reservoir of one million gallons capacity, approximately 278,000 feet of distribution mains, varying from one inch to twenty-two inches in diameter and on December 30, 1937, 2027 connections. It obtains its supply of water by reason of its ownership of the stock of the mutual company.

As of August 1, 1938 applicant reports its assets and liabilities as follows:

ASSETS

Capital accounts:		
Mains	\$175,141.54	
Services	14,751.05	
Hydrants	2,983.80	
Meters	27,151.62	
Reservoirs	9,523.40	
Purification plant	908.97	
Misc. tools and equipment	2,509.45	
Office equipment	447.43	
Water rights, Temescal Water Company stock	137,500.00	\$370,917.26
Accounts receivable		7,133.67
Materials and supplies		1,770.40
Cash		3,694.45
Unamortized Bond Discount and Expense		4,309.91
Total		<u>\$387,825.69</u>

LIABILITIES

Funded debt First Mortgage 6% Bonds		\$123,000.00
Accounts payable, Current		53,620.38
Consumers' service deposits	\$ 930.85	
Advances for construction	673.30	
Accrued interest	1,692.62	
Accrued taxes	692.10	
Temescal Water Company	34,631.51	
Notes, unsecured	15,000.00	
Reserve for accrued depreciation		101,834.82
Capital stock (750 shares par value \$100.)		75,000.00
Surplus		34,370.49
Total		<u>\$387,825.69</u>

All of the outstanding stock is reported held by R. L. Willitts, J. G. Jameson and C. M. Scoville as trustees for the stockholders of Temescal Water Company.

The company's reports show its revenues and expenses as follows:

<u>Item</u>	<u>Calendar Years</u>		
	<u>1936</u>	<u>1937</u>	<u>1938 to Aug. 1</u>
Operating revenue	\$55,022.71	\$51,919.33	\$29,423.47
Operating expenses	<u>32,085.61</u>	<u>33,901.35</u>	<u>16,319.35</u>
Balance	<u>\$22,937.10</u>	<u>\$18,017.98</u>	<u>\$13,104.12</u>
Interest and amortization	\$ 8,925.30	\$ 9,926.52	\$ 4,328.10
Depreciation	6,723.08	6,694.67	4,241.44
Miscellaneous	50.00	-	-
Profit for Year	<u>\$ 7,233.72</u>	<u>\$ 1,396.79</u>	<u>\$ 4,474.58</u>

The balance sheet of the company and its application indicate that it has financed the cost of its properties in part through the issue of \$123,000 of First Mortgage Six Per Cent Sinking Fund Bonds, due November 1, 1945, the issue on August 11, 1938 of a \$15,000.00 90-day 4% note, and through advances of \$34,631.51 from Temescal Water Company on which it pays 5% interest. The bonds now outstanding are part of an original issue of \$150,000. authorized by the Commission by Decision No. 23146, dated December 30, 1930, in Application No. 16912.

To pay its outstanding 6% bonds, its 4% note and part of its indebtedness due, Temescal Water Company, applicant desires to issue and sell at 95½% of their face value, \$160,000.00 of 4% bonds. Such bonds will be dated September 15, 1938 and mature September 15, 1958. In the trust indenture securing the payment of the bonds, the company covenants and agrees to pay to the trustee, for a sinking fund, on or before the 15th day of September of each year, commencing September 15th, 1943, and continuing so long as any bonds outstanding remain unpaid, the sum of \$3,000.00. In lieu of making such cash payment the company may deliver bonds to the trustee. The delivery of bonds shall be considered to the extent of the face value of the bonds so delivered as a payment on account of the sinking fund obligation. Any cash payments into the sinking fund shall be used to redeem bonds.

Applicant may at its option, redeem before their maturity all of the bonds at any time outstanding, on any interest payment date, by paying the principal thereof, the accrued interest and a premium of 2% upon the principal of the bonds. Applicant may on any interest date, at its option, redeem less than the total amount of bonds, by paying the principal thereof, the accrued interest and the following premiums upon the principal of the bonds redeemed, to wit, 4% on bonds redeemed during 1939, 3 3/4% on bonds redeemed during 1940; 3½% on bonds redeemed during 1941; 3½% on bonds redeemed during 1942; 3% on bonds redeemed

during 1943; 2 3/4% on bonds redeemed during 1944; 2 1/2% on bonds redeemed during 1945; 2 1/4% on bonds redeemed during 1946; and 2% on bonds redeemed on March 15, 1947 and on each interest date thereafter.

Applicant's proposal will result in an increase of \$9,660 in its indebtedness and a reduction of its annual interest charges by the sum of \$2,197.00.

It appears that applicant's assets and earnings, as set forth in its financial reports, should be ample to support a 4% bond issue in the amount of \$160,000. as here proposed. In arriving at this conclusion we have considered the company's book figures for its fixed capital and depreciation reserve. Nothing in this opinion and order should be construed as a finding of the value of the company's properties, for the purpose of fixing rates.

The company has filed a copy of the trust indenture to be executed to secure the payment of the proposed bond issue. We find the same to be in satisfactory form.

O R D E R

Corona City Water Company having applied to the Railroad Commission for permission to issue and sell \$160,000. of bonds and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the bonds is reasonably required for the purposes specified herein and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that Corona City Water Company be, and it hereby is authorized to issue and sell on or before December 31, 1938, \$160,000. of First Mortgage Four Per Cent Sinking Fund Bonds due

September 15, 1958, at not less than 95½% of their face value plus accrued interest and to use the proceeds received to pay and redeem \$123,000. of 6% bonds, the \$15,000. short term note and \$12,340.00 due Temescal Water Company now outstanding.

IT IS HEREBY FURTHER ORDERED, that Corona City Water Company, be, and it is hereby authorized to execute a trust indenture, substantially in the same form as the trust indenture filed in this proceeding on September 2, 1938, provided that the authority herein granted to execute said trust indenture 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 trust indenture as to such other legal requirements to which said trust indenture may be subject; and provided further, that said trust indenture may not be amended except as authorized by the Railroad Commission of the State of California.

IT IS HEREBY FURTHER ORDERED that upon paying and redeeming the \$123,000. of 6% bonds now outstanding, Corona City Water Company shall forthwith charge to its surplus account the unamortized discount and expense applicable to said bonds then remaining on its books and the premiums necessary to redeem said bonds.

IT IS HEREBY FURTHER ORDERED that Corona City Water Company shall file with the Commission on or before January 31, 1939, a statement showing in some detail the expenses incurred by it because of the issue and sale of the bonds herein authorized and the accounts to which said expenses were charged.

IT IS HEREBY FURTHER ORDERED that Corona City Water Company shall keep such record of the issue and sale 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-A, which order,

insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that Corona City Water Company shall file with the Railroad Commission a copy of the engineering report which it is required to furnish Battson & Co., said report to be filed at the time it files the same with said Battson & Co.

IT IS HEREBY FURTHER ORDERED that within thirty(30) days after the execution of said trust indenture, Corona City Water Company shall file with the Commission a certified copy of said trust indenture.

IT IS HEREBY FURTHER ORDERED that 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 Thirty-seven(\$37.) Dollars.

DATED at San Francisco, California, this 6th day of September, 1938.

Ray W. Whittell
Frank P. DeWitt
Ray L. Rice

COMMISSIONERS.

