

Decision No. 32736

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WEST RIVERSIDE CANAL COMPANY,
a corporation, for authority to issue
and sell bonds.

}
} Application No. 23214

BY THE COMMISSION:

O P I N I O N

ORIGINAL

West Riverside Canal Company asks permission to execute a trust indenture to secure the payment of \$60,000 of First Mortgage 5% Serial Bonds and issue and sell at not less than 95% of their face value and accrued interest, \$50,000 of said bonds for the purpose of paying indebtedness and the cost of improvements to its properties.

Applicant is a corporation, organized under the laws of the State of California. It is a public utility engaged in the business of transporting water for various owners through its canals, flumes and ditches in portions of San Bernardino and Riverside Counties, California. A description of applicant's properties and business is contained in Decision No. 4040, dated January 20, 1917 (Vol. 12, C.R.C., Page 339) and in Decision No. 16486, dated April 16, 1926 (Vol. 23, C.R.C., page 44).

In Exhibit B filed in this proceeding, applicant as of December 31, 1938, reports its assets and liabilities as follows:-

A S S E T S

Fixed assets	\$167,378.02
Cash	310.75
Accounts receivable	<u>7,440.00</u>
Total assets	<u>\$175,128.75</u>

LIABILITIES

Capital stock	\$96,053.03
Bonds, first mortgage 6's	12,000.00
Current liabilities	34,563.76
Reserve for accrued depreciation	8,892.93
Canal committee advance	1,191.89
Corporate surplus	<u>22,427.14</u>
Total liabilities	<u>\$175,128.75</u>

The Commission has heretofore authorized applicant to issue and sell \$66,000 of 6% Serial Bonds. All of these bonds except \$9,000 have been paid. Said \$9,000 of bonds are due as follows:-

August 1, 1940	\$3,000
August 1, 1941	3,000
August 1, 1942	3,000

Applicant's petition shows that the holders of \$8,000 of said 6% bonds have agreed to exchange them for \$8,000 of 5% bonds, and that the holder of a \$1,000 bond has offered to accept cash in payment therefor.

Applicant's petition further shows that as a result of the floods in the spring of 1938, it suffered heavy damages; that its wooden flume across the Santa Ana River was washed out and destroyed; that a large part of the wooden flume running from Lots One (1), Two (2) and Three (3) in Block Eighty-eight(88) of the Rancho San Bernardino and connecting with the large flume across the river was likewise washed out and destroyed; that the main canal and laterals of applicant were injured in many places and filled with mud and debris, and that by reason of said floods and damages to applicant's property, applicant was forced to expend large sums of money for the replacement of the structures destroyed by the floods and for incidental expenses connected with the damage done by the flood to the remaining property of applicant. In lieu of the wooden flume running along the southerly bank of the Santa Ana River, applicant has installed a 24-inch concrete

pipe line , and in lieu and in place of the flume across the Santa Ana River, it has installed a 42-inch centrifugal, reinforced concrete pipe line with inlet, standpipe, and connecting flume. To pay the cost of these pipe lines and repair other damages caused by the flood, applicant has incurred an indebtedness of \$32,685.10, payable to the following persons:-

Note payable to Concrete Pipe Conduit Company, due January 1, 1940,	\$3,585.10
Note payable to Lambert H. Ennis, due January 1, 1940,	5,000.00
Note payable to J.H. Gobruegge, due January 1, 1940,	2,000.00
Note payable to C.L.McFarland, due January 1,1940,	1,300.00
Note payable to C.L.McFarland, due January 1,1940,	1,000.00
Notes payable to Citizens National Trust & Savings Bank of Riverside, due January 1,1940,	19,800.00
Total	<u>\$32,685.10</u>

It also proposes to install further improvements, the cost of which is reported as \$3,450.

It is for the purpose of paying said indebtedness, to make said improvements and pay expenses incidental to the bond issue that applicant desires to issue and sell \$50,000 of its First Mortgage 5% Serial Bonds. The bonds are to be dated October 1, 1939. Bonds in the amount of \$2,000 mature annually on October first, from 1940 to 1969, both years inclusive. The company reserves the right to redeem all of the bonds prior to their maturity by paying the principal thereof, the accrued interest and a premium equal to 2% of the face value of the bonds redeemed. As stated, applicant desires at this time to issue \$50,000 of said bonds. The remaining \$10,000 of bonds may be certified and delivered to the company, or upon its order, only after the Trustee, among other things, has been supplied with the original or certified copy of an order of the Railroad Commission of the State of California and/or such other governmental authority, if any, having jurisdiction,

authorizing the issue and sale of said bonds.

A copy of applicant's proposed trust indenture is filed in this proceeding as Exhibit G.

Section 5 of Article X reads-

"Any of the provisions of this Indenture and/or of the bonds and coupons secured hereby may be amended, altered or abrogated, or additional terms and provisions of this Indenture adopted, by a supplemental indenture in writing, duly executed by the Company and by the Trustee, and recorded in the same public offices in which this Indenture is recorded, provided the execution of such supplemental indenture shall be consented to in writing by the owners or holders of seventy-five per cent (75%) in principal amount of all bonds secured and then outstanding hereunder, excluding those bonds owned by the Company, and provide further that no alteration shall be made in this Indenture which shall create any discrimination or distinction whatever between any of the bonds secured and outstanding hereunder and any other of said bonds."

We believe that there should be added to this section a further provision reading-

" provided further, that no such modification or alteration shall permit the extension of the maturity of any bond or the reduction in the rate of interest thereon, or any other modification in the terms of payment of principal or interest, without the consent of the holder of said bond"

With this addition and appropriate changes in the form of the bond, we find the trust indenture to be in satisfactory form.

Applicant has offers for \$20,000 of said \$50,000 of bonds. It believes that it will be able to sell all or a large part of the remainder of the bonds at par and accrued interest, without paying any commissions. It however does request permission to sell such bonds as it is not able to sell itself, at a price of 95, plus accrued interest.

O R D E R

The Commission having considered the requests of the West Riverside Canal Company, and it being of the opinion that this is not a

matter on which a hearing is necessary, that said West Riverside Canal Company should be authorized to issue \$50,000 of its First Mortgage 5% Serial Bonds; that the money, property or labor to be procured or paid for by the issue of said bonds 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 subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. West Riverside Canal Company may, after the effective date hereof and prior to September 1, 1940, issue and sell at not less than their face value and accrued interest, \$50,000 of its First Mortgage 5% Serial Bonds and use the proceeds obtained from the sale of the said bonds to pay the indebtedness, the cost of the improvements and expenses set forth in Exhibit H filed in this proceeding, and a commission of not more than 5% on the face value of bonds not sold by itself.

2. West Riverside Canal Company may, after the effective date hereof, and prior to September 1, 1940, execute a trust indenture in substantially the same form as the trust indenture filed in this proceeding as Exhibit G, modified as indicated in the foregoing opinion; and provided further, that the authority herein granted to execute a trust indenture is for the purpose of this proceeding only, and is granted only 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.

3. West Riverside Canal Company shall file monthly reports in compliance with the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. 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 Forty-one (\$41.00) Dollars

5. Within thirty (30) days after the execution of the trust indenture herein authorized, West Riverside Canal Company shall file with the Railroad Commission two certified copies of said trust indenture.

DATED at San Francisco, California, this 16th day of January, 1940.

Ray L. Riley
Frank B. Smith
Paul Webster

Justus J. Casner

Commissioners

