

Decision No. 23764

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
FONTANA DOMESTIC WATER COMPANY,
a corporation, for orders authorizing
it to (a) issue a note for \$200,000.00;
(b) issue 546 shares of its stock; and
(c) encumber property to secure said
note.

ORIGINAL

Application No. 23764

BY THE COMMISSION:

O P I N I O N

In this proceeding Fontana Domestic Water Company, hereinafter some times referred to as applicant, seeks permission to issue for the purposes hereinafter stated, \$54,600 par value (546 shares) of common stock, a \$200,000 four per cent installment note, and to execute a deed of trust to secure the payment of the note.

The Fontana Domestic Water Company is a corporation, organized on or about March 10, 1923, under the laws of California. It is engaged in the business of supplying water for domestic and other purposes at and in the vicinity of Fontana, San Bernardino County. It has outstanding \$145,400 par value of common stock, of which \$145,100 is owned by Fontana Farms Company. The remaining three shares of stock are owned by applicant's directors. For 1938, applicant's operating revenues are reported at \$55,009.08 and for 1939 at \$57,691.10. Its gross income for the year 1938 was \$16,215.70 and for 1939, \$17,529.96. The gross income represents the amount available for the payment

of nonoperating expenses, interest and dividends.

As of August 31, 1940, applicant reports assets and liabilities as follows:

ASSETS

Property and equipment	\$396,395.27
Organization expense	683.42
Stock in Fontana Union Water Company (500 shares)	100,000.00
Cash in bank	8,558.74
Accounts receivable	3,630.08
Supplies	2.87
Deferred charges	<u>4,176.37</u>
Total	<u>\$513,446.75</u>

LIABILITIES

Capital stock	\$145,400.00
First mortgage 6% bonds	168,000.00
Advances by Fontana Farms Company	27,000.00
Advances for construction of pipe lines	3,771.45
Accounts payable	2,058.29
Accrued taxes	1,094.90
Accrued assessment on water company stock	666.58
Accrued interest	5,162.55
Customers' deposits for service	571.51
Donations in aid of construction	47,449.65
Depreciation reserve	153,307.89
Deficit	<u>41,536.07</u>
Total	<u>\$513,446.75</u>

The company's balance sheet, as of August 31, 1940, shows that as of January 1, 1940, it had a surplus of \$25,789.16. During the current year it adjusted its depreciation for pipe lines and services to a 3% straight line basis. This adjustment accounts for applicant's deficit on August 31, 1940. We are not in this proceeding passing upon the reasonableness of such adjustment.

Applicant under the authority heretofore granted by the Commission issued \$200,000 of its first mortgage 6% bonds. Of these bonds \$168,000 are now outstanding. In addition, ap-

plicant's balance sheet as of August 31 shows it was indebted to Fontana Farms Company in the amount of \$27,000 on account of advances and \$962.55 for accrued interest. Applicant asks permission to issue to the Fontana Farms Company at par \$29,600 par value of its common stock in payment of said \$27,962.55 of indebtedness and realize cash in the amount of \$1,637.45.

Applicant obtains its water supply from the Fontana Union Water Company, a mutual water company, supplying water solely to its shareholders. As indicated, applicant owns 500 shares of the capital stock of Fontana Union Water Company. In order to assure to itself a greater supply of water, it asks permission to issue 250 shares of its common stock in exchange for 250 shares of Fontana Union Water Company stock. At various times it has been necessary for applicant to loan Fontana Union Water Company stock in order to obtain an adequate supply of water.

It is of record that the Fontana Union Water Company, conditioned upon the sale of its bonds, has offered to loan to applicant the sum of \$192,000. Applicant desires to obtain the \$192,000 through the issue of a \$200,000 four per cent installment note. The note would be issued to Fontana Union Water Company at 96, a price at which Fontana Union Water Company intends to issue its bonds. The Fontana Union Water Company will deposit the note with the Trustee under its bond issue as security for the payment of its bonds. The proceeds which applicant will realize through the issue of the note will be used to redeem its outstanding \$168,000 of bonds and to pay the cost of constructing additions and betterments to its water system. The

additions and betterments to be paid through the use of \$24,000 realized from the issue of the note and the \$1,637.45, which applicant will obtain through the issue of stock, will be expended for the following purposes:

1. Improvements designed to reduce inflow of sand and trash into mains, and thus to reduce service connection maintenance costs:

A. Sand Trap at #31 Well	\$ 700.00	
B. Screen Box at Reservoir #1	2,500.00	
C. Screen Box at Reservoir #2	<u>2,500.00</u>	\$ 5,700.00

 2. Improvements designed to reinforce and replace certain mains on Sierra Ave. now inadequate to carry full pressure and in danger of failure at any time:

A. Concrete line between Base Line and Etiwanda, reinforce with steel wire	\$1,600.00	
B. Steel pipe between Etiwanda and Foothill portion only, replace with new	2,200.00	
C. Steel pipe between Foothill and Upland, portions only, replace with new	<u>3,000.00</u>	6,800.00

 3. Improvements designed to take care of present and future overloading of mains in areas south of townsite:

A. Lay 8" Steel pipe on Merrill and Hemlock to connect present 8" main at Merrill and Catawba to 8" main at Hemlock and Randall		9,000.00
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 4. Purchase new meters for system for more accurate registration of water used by consumers

	<u>4,137.45</u>
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- Total requirements and use \$25,637.45

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 The \$200,000 note which applicant proposes to issue is payable in ^{semi} annual installments of varying amounts, from 1941 to 1960, both inclusive.

The following tabulation shows the ^{semi}annual payments
on the principal of the note: HGM

<u>Installments falling due in years of</u>	<u>Amount of each semi- annual installment</u>
1941	\$3,000.00
1942, 1943	3,500.00
1944, 1945, 1946	4,000.00
1947, 1948, 1949	4,500.00
1950, 1951, 1952	5,000.00
1953, 1954	5,500.00
1955, 1956	6,000.00
1957, 1958, 1959	6,500.00
1960	7,000.00

To secure the payment of the note, applicant asks permission to execute a deed of trust to the Bank of America National Trust and Savings Association, as trustee. A copy of the proposed deed of trust is on file in this proceeding. It will be a lien on all of applicant's properties, excepting moneys now or hereafter on hand, in bank, or owing to Fontana Domestic Water Company for any purpose in the ordinary course of its ordinary business.

O R D E R

Fontana Domestic Water Company having asked permission to issue \$54,600 par value of common stock, a \$200,000 four per cent installment note, and execute a deed of trust to secure the payment of said note, the Commission having considered the requests of applicant and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said stock and said note is reasonably necessary for the purposes herein stated, and 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 subject to the provisions of this order, therefore

IT IS HEREBY ORDERED as follows:

1. Fontana Domestic Water Company may, after the effective date hereof, and on or before February 1, 1941, issue at not less than par, \$54,600 par value of its common capital stock for the purpose of paying indebtedness due Fontana Farms Company in the amount of \$27,962.55, of acquiring 250 shares of the common capital stock of Fontana Union Water Company, and for cash in the amount of \$1,637.45.

2. Fontana Domestic Water Company may, after the effective date hereof and prior to February 1, 1941, issue at not less than 96% of its face value and accrued interest, its \$200,000 four per cent installment note, said note to be in the form of the note filed in this proceeding, and may use the proceeds realized from the sale of said note to the extent of \$168,000 to pay and redeem its outstanding 6% first mortgage bonds and may use the remaining proceeds obtained through the issue of said note, together with said \$1,637.45, to pay the cost of the additions and betterments described in the foregoing opinion.

3. Fontana Domestic Water Company may, after the effective date hereof and prior to February 1, 1941, execute a deed of trust substantially in the same form as the deed of trust filed in this proceeding, provided the authority herein granted to execute said deed of trust is for the purpose of this proceeding only, and is granted insofar as this Commission has authority under the Public Utilities Act and is not intended

as an approval of said deed of trust as to such other legal requirements to which said deed of trust may be subject.

4. The authority herein granted will become effective when Fontana Domestic Water Company has paid the Fifty (\$50.00) Dollar filing fee prescribed by Section 57½ of the Public Utilities Act and the Thirty-two (\$32.00) Dollar fee prescribed by Section 57 of the Public Utilities Act.

5. Within thirty (30) days after the issue of the note and execution of the deed of trust herein authorized, Fontana Domestic Water Company shall file with the Railroad Commission a copy of the note issued under the authority herein granted, and a copy of the deed of trust executed under the authority herein granted.

6. Fontana Domestic Water Company shall file with the Railroad Commission from time to time such reports as are required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

Dated at San Francisco, California, this 29th day of October, 1940.

Ray & Riley
George B. Denton
Karl B. Johnson
H. H. Baker
Justus F. Casner
Commissioners.

