

Decision No. 33748

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CATHEDRAL CITY WATER COMPANY for per-  
 mission to issue notes for a term  
 greater than one year.

**ORIGINAL**

Application No. 23244

BY THE COMMISSION:

O P I N I O N

Cathedral City Water Company asks permission to issue to Cathedral City Development Company a five-year 6% unsecured note or notes for \$14,500 for the purpose of refunding demand notes having an aggregate face value of \$14,500.

Cathedral City Water Company is engaged in the business of supplying water for commercial and domestic use in the service area known as Cathedral City. For 1939 it reports operating revenues of \$3,502.70. As of December 31, 1939, applicant's assets and liabilities are reported as follows:

ASSETS AND OTHER DEBITS

Fixed capital	\$17,090.54
Cash	361.62
Accounts receivable	606.60
Deficit	<u>10,354.02</u>
Total assets and other debits	<u>\$28,412.98</u>

LIABILITIES AND OTHER CREDITS

Capital stock	\$10,000.00
Notes payable	14,500.00
Accounts payable	39.54
Taxes accrued	212.81
Reserve for accrued depreciation	<u>3,660.63</u>
Total liabilities and other credits	<u>\$28,412.98</u>

It is of record that Cathedral City Development Company has, from time to time, advanced funds to applicant to enable it to extend and improve its water properties. As these advances were made applicant issued to Cathedral City Development Company its 6% demand notes. A demand note for \$5,000 was issued on June 24, 1937, a demand note for \$6,500 on January 1, 1938, a demand note for \$1,000 on March 11, 1938, and a demand note of \$2,000 on April 18, 1938. All of said demand notes are outstanding. To pay them applicant proposes to issue to Cathedral City Development Company a 6% note or notes for the face value of \$14,500 maturing five years after date of issue.

In our opinion there is no question about the validity of the demand notes. Their issue need not be authorized by the Commission. Were such authorization necessary we would not have permitted their issue, because the face amount of such notes exceeds the net investment in applicant's fixed capital. The face amount of the note or notes which applicant now desires to issue is likewise in excess of its net investment in fixed capital. In our opinion this application should be denied without prejudice. If applicant desires authority to refund a part of the demand notes it may file a new application.

#### O R D E R

A public hearing having been held on this application by Examiner Cameron, the Commission having considered the testimony submitted at such hearing, and it being of the opinion that this application should be denied without prejudice, therefore

IT IS HEREBY ORDERED that the above entitled application

be, and the same is hereby, denied without prejudice.

Dated at San Francisco, California, this 21<sup>st</sup> day of  
December, 1940.

Ray & Riley

[Signature]  
Justice J. Coe  
Commissioners