

IM

Decision No. 14560.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 EAST BAY WATER COMPANY, )  
 a corporation, for an order author- ) Application No. 10812  
 izing the issue of bonds and notes. )

Jared How; and McKee, Tasheira and Wahrhaftig,  
 by A. G. Tasheira, for applicant.

W. J. Locke, for East Bay Municipal Utilities  
 District.

BRUNDIGE, Commissioner:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing East Bay Water Company to issue and sell, at not less than 98 percent of face value, \$3,000,000.00 of its Series "D" unifying and refunding mortgage, six percent 30-year gold bonds due March 1, 1955, and \$1,000,000.00 of 3-year five and one half percent unsecured notes for the purpose of reimbursing its treasury and of financing the cost of additions, improvements and extensions to its properties.

The company reports its construction expenditures for the first eleven months of 1924, its work in progress on November 30, 1924 and its estimate of expenditures during December, 1924, as \$2,915,519.88, which includes expenditures for general construction and for its Upper San Leandro Project. From this amount it deducts \$172,000.00 on account of the investment in fixed capital of moneys represented by its reserve for accrued depreciation, \$117,701.23 received from the sale of land during 1924 and

\$2,167,739.11 received from the sale of stock and bonds heretofore authorized to be issued, leaving a balance of \$457,879.54 which it reports represents uncapitalized construction expenditures as of December 31, 1924.

Applicant proposes to use \$457,879.54 to be received from the bonds and notes herein authorized to reimburse its treasury on account of these uncapitalized construction expenditures, and thereafter to pay current indebtedness. It proposes to use the remaining proceeds to be received to finance in part, the cost of its 1925 construction work, which is estimated at \$3,648,000.00.

The estimated expenditures are reported as follows:-

Franchises and water rights . . . . .	\$ 18,000.
Land capital . . . . .	5,000.
Building structures . . . . .	3,500.
Impounding reservoirs . . . . .	12,500.
Lake and river cribs . . . . .	3,000.
Intake suction mains . . . . .	8,500.
Wells . . . . .	75,000.
Pumping equipment . . . . .	25,000.
Purification system . . . . .	8,500.
Transmission mains . . . . .	25,000.
Distribution mains . . . . .	1,570,000.
Distribution reservoirs . . . . .	40,000.
Hydrants . . . . .	50,000.
Services . . . . .	98,000.
Motors . . . . .	142,000.
General equipment . . . . .	50,000.
Undistributed construction expenditures . . . . .	64,000.
Upper San Leandro Project . . . . .	1,750,000.

Sub-total..... \$3,948,000.

Deduct:

For depreciation, 1925.....\$200,000.

For estimated land sales,

1925..... 100,000.                      300,000.

TOTAL... \$3,648,000.

According to the testimony herein the estimated expenditure of \$1,570,000.00 for distribution mains includes \$1,100,000. to complete the installation and construction of the improvements, extensions and additions to the company's distribution system and facilities which the Commission directed the company to make by

Decision No. 13331, dated March 27, 1924 in Case No. 1977.

During 1925 the company estimates that it will expend \$1,750,000. on its Upper San Leandro Project. In a former proceeding the company reported the estimated cost of this project at \$2,588,991.00 and the estimated cost of lands, water rights and rights of way necessary in connection therewith at \$500,000.00, making a total of \$2,888,991.00. The record in this application shows expenditures during 1924 on the project of approximately \$974,718.00 and estimated expenditures during 1925 of \$1,750,000.00, a total of \$2,724,718.00. In addition to these expenditures it is thought that approximately \$200,000.00 will be expended during 1926 to complete the project, making the total cost of the development approximately \$3,000,000.00.

Adding the estimated expenditures of \$3,648,000.00 to the reported uncapitalized expenditures, as of December 31, 1924, of \$457,879.54, results in a total of \$4,105,879.54. It is to finance in part these expenditures of \$4,105,879.54 that the request is made for permission to issue bonds and notes.

The \$3,000,000.00 of bonds to be issued are part of a total authorized issue of \$50,000,000.00 of unifying and refunding mortgage bonds. Heretofore the Commission has authorized the company to issue and sell \$2,500,000.00 of Series "A" seven and one half percent bonds due 1936, \$3,000,000.00 of Series "B" six percent bonds due 1942 and \$2,000,000.00 of Series "C" six percent bonds due 1944. The proposed bonds are to be designated Series "D", are to be dated March 1, 1925, to mature March 1, 1955, to bear interest at six percent per annum, and to be callable in whole or in part on any interest payment date prior to maturity at 105. In the event of the sale of applicant's properties to any public corporation, the bonds are callable as a whole at 105.

The \$1,000,000.00 of unsecured notes are to be issued pursuant to the terms of an agreement dated February 1, 1925, with The American Bank, and are to be dated February 1, 1925, to mature February 1, 1928 and to bear interest at five and one half percent per annum. The notes are to be callable at 101 during the first year, at 100.5 during the second year and at 100 during the last year.

Applicant reports that it has made arrangements to sell its bonds and notes at 98 percent of face value plus accrued interest. In the event the purchasers of the bonds are able to sell them at a price in excess of 101-1/2 percent the company will receive, in addition, such excess.

The East Bay Municipal Utilities District was represented by counsel at the hearing held in this matter, but made no objection to the granting of this application.

I herewith submit the following form of order:-

#### ORDER

East Bay Water Company, having applied to the Railroad Commission for permission to issue and sell bonds and notes, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue and sale is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that East Bay Water Company be, and it is hereby, authorized to issue and sell on or before October 1, 1925 at not less than 98 percent of face value plus accrued interest, \$3,000,000.00 of its Series "D" unifying and refunding mortgage six percent bonds due March 1, 1955.

IT IS HEREBY FURTHER ORDERED that East Bay Water Company be, and it is hereby, authorized to execute an agreement substantially in the same form as that filed with the Commission in this proceeding as Exhibit No. 1, and to issue and sell on or before October 1, 1925 at not less than 98 percent of face value plus accrued interest \$1,000,000.00 of its five and one half percent three year unsecured notes due February 1, 1928.

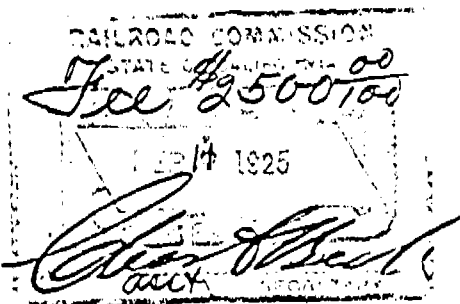
The authority herein granted is subject to the following conditions:-

1. The authority herein granted to execute an agreement is for the purpose of this proceeding only and is granted only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of such agreement as to such other legal requirements to which such agreement may be subject.
2. Applicant may use not exceeding \$457,879.54 of the proceeds to be received from the sale of the bonds and notes herein authorized to reimburse its treasury and to finance the cost of extensions, additions and betterments made prior to December 31, 1924. The remaining proceeds other than the accrued interest may be used to finance in part the estimated cost of extensions, additions and betterments to be made during 1925, referred to herein, provided that only such expenditures as are properly chargeable to capital accounts, as defined by the Classification of Accounts prescribed by the Railroad Commission may be financed with such proceeds. The accrued interest may be used for general corporate purposes.

3. 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 \$2,500.00.
4. Applicant shall keep such record of the issue, sale and delivery of the bonds and notes 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, which order in so far as applicable, is made a part of this order.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 11th day of February, 1925.



H. H. B. B. B.  
A. S. S.  
E. S. S.

Commissioners.