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Decision No. 14577.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO, a  
municipal corporation,

vs

SPRING VALLEY WATER COMPANY, a corpo-  
ration.

Case Number 842

In the Matter of the Application of  
SPRING VALLEY WATER COMPANY,  
for permission to increase the rates  
and charges for water furnished by  
it to the City and County of San Fran-  
cisco and its inhabitants.

Application Number 2739

BRUNDIGE, Commissioner:

THIRD SUPPLEMENTAL ORDER

Spring Valley Water Company having asked permission to amend Condition No. 3 of the Commission's order in Decision No. 9352 dated August 12, 1921, as amended by the Commission's order of April 12, 1922 (Decision No. 10295) so as to permit the applicant to draw, to the extent indicated in this order, upon the amortization fund established by the aforesaid decisions to pay for additions and betterments to its properties not covered by the allowance for the depreciation reserve; a public hearing having been held and the Commission having considered applicant's request, and being of the opinion that such request should be granted; therefore,

IT IS HEREBY ORDERED that Condition No. 3 of the Commission's order in Decision No. 9352 dated August 12, 1921, as

amended by the Commission's Decision No. 10295 dated April 12, 1922 do, and it is hereby, amended as of the date of the original order, to read as follows:-

Commencing with the year 1922 the Spring Valley Water Company shall create and establish out of its surplus a fund for the purpose of amortizing the capital expenditures which will be incurred by the company in accordance with the above requirements, such fund being hereinafter referred to as the amortization fund. Said amortization fund shall be created and maintained as follows:

After full provision has been made during each year for the payment of operating and maintenance expenses, including the cost of operating the Hetch Hetchy conduit and pumping station (including likewise the payment of interest on the cost of construction of such conduit and pumping station as provided in condition 2 of said order), the payment of taxes and assessments, the creating of a depreciation reserve of \$300,000 per annum, the payment of interest on all bonds and notes and other interest bearing indebtedness, and the payment of dividends at the rate of 5 percent per annum upon the outstanding capital stock of the aggregate par value of \$28,000,000, there shall be set aside out of the surplus after meeting the foregoing requirements, and placed in the amortization fund, such sum, hereinafter referred to as the annual contribution, as will upon the expiration of a term of twelve years, with interest at 5 percent compounded annually, yield a total sum equivalent to the aggregate of the capital expenditures required under the provisions of condition 1 of said order; provided, however, that if the revenues of any particular year shall exceed the requirements of the Spring Valley Water Company as hereinabove set forth by more than the amount of such annual contribution, the amount of such excess shall be apportioned equally between the amortization fund and the surplus of the Spring Valley Water Company; provided further that if the revenues of any particular year shall be insufficient to yield a surplus equivalent to such annual contribution above the aforesaid requirements of the Spring Valley Water Company, the company shall not, during such year or thereafter, be required to make any contribution to the amortization fund until a surplus shall have been derived in subsequent years in a sufficient aggregate amount to make up such deficit or accumulated deficits, together with interest upon the amount thereof at the rate of 7 percent per annum; provided, further, that the Spring Valley Water Company shall not be required to make any contribution to the amortization fund during the years 1922 and 1923, but in the event that the properties of the Spring Valley Water Company which were offered for sale to the City and County of San Francisco on the fourteenth day of January, 1921, shall be purchased by the City and County of San Francisco prior to the first day of January, 1934, the sum which shall be transferred to and become the property of the City and County of San Francisco as hereinafter provided shall be not less than the sum which would have been accumulated if contribution had been made to the amortization fund in accordance with the foregoing requirements of this condition. All moneys placed in the amortization fund here-

in required to be established shall be invested by the Spring Valley Water Company in such manner as will in its judgment afford the maximum interest yield consistent with safety of principal. In the event that the depreciation reserve of \$300,000 per annum hereinbefore provided shall be insufficient to defray the expenditures of the Spring Valley Water Company for the renewal and replacement of operative properties and for additions to and extensions of its water supply and distribution system, the Spring Valley Water Company is authorized, to the extent of such insufficiency, to reimburse itself for the cost of additions to and extensions of its water supply and distribution system out of such moneys as have been or shall be placed in the amortization fund or as shall become available therefor, which are additional to the annual contributions, and to the interest accumulations upon such annual contributions; provided, that upon all moneys so expended from the amortization fund a charge of five (5) percent per annum shall be credited to the amortization fund to reimburse it for loss of interest upon said moneys and shall be paid by the Spring Valley Water Company into said fund; and provided further that the making of any such addition or betterment shall be submitted to the City Engineer and if disapproved by him within thirty days after such submission and such addition or betterment shall nevertheless be made or have been made, it shall not be permitted to the Spring Valley Water Company to reimburse itself for the cost thereof in the manner herein provided. The additions to and extensions of the water supply and distribution system of the Spring Valley Water Company, for which it is so reimbursed as aforesaid, shall, to the extent of such reimbursement, be in the place and stead of the amortization fund.

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 9352, dated August 12, 1921, as amended, shall remain in full force except as modified by this Third Supplemental Order.

The foregoing Order is hereby approved and ordered filed as the Third Supplemental Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 18<sup>th</sup> day of February, 1925.

H. B. Brundage  
J. C. Seaver  
Ernest Shore

Ernest Shore  
Commissioners