

Decision No. 16430

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ROSEVILLE WATER COMPANY, )  
a corporation, for an order author- )  
izing the creation of bonded indebt- )  
edness in the sum of \$200,000.00 )  
and the issuance and sale of bonds )  
in the sum of \$180,000.00. )

Application No. 11381

Morrison, Hohfeld, Foerster, Shuman and Clark,  
by R. C. Foerster, for applicant.

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

In this application, as originally brought before the Commission, Roseville Water Company applied for permission to create a bonded indebtedness in the sum of \$200,000.00, to issue and sell \$171,000.00 of bonds and to issue \$15,000.00 of promissory notes.

A public hearing was held on the application and a preliminary opinion and order made, Decision No. 15193, dated July 18, 1925, authorizing the issue of \$15,000.00 of eight percent notes payable on or before three years after date for the purpose of financing the cost of additional pipe lines. These notes, it appears, were not issued.

On March 16, 1926, applicant filed a supplemental petition requesting a further order authorizing the issue and sale of \$180,000.00 of bonds, instead of \$171,000.00, for the purpose

of refunding outstanding bonds and of financing the cost of improvements, additions and betterments. Public hearings were held on the supplemental petition before Examiner Fankhauser on March 29, and April 1, 1926. At the latter hearing the matter was submitted and it is now ready for decision.

Roseville Water Company was organized during March, 1912, and since then has been engaged in supplying water for domestic and irrigation purposes in and about the City of Roseville, Placer County. It reports 1,937 consumers on December 31, 1925, and 1,746 on December 31, 1924. For the years ending December 31st the company reports its revenues and expenses as follows:-

<u>Item</u>	<u>1925</u>	<u>1924</u>	<u>1923</u>
Operating revenues . . . . .	\$40,078.47	\$37,795.50	\$32,310.73
Operating expenses exclud- ing depreciation. . . . .	28,067.32	25,059.83	23,919.61
Balance. . . . .	\$12,011.15	\$12,735.67	\$8,391.12
Depreciation . . . . .	4,079.44	3,779.52	3,401.77
Net operating revenue . . . . .	7,931.71	8,956.15	4,989.35
Non-operating revenue . . . . .	2,529.80	2,351.90	2,444.44
Gross corporate income. . . . .	\$10,461.51	\$11,308.05	\$7,433.79
DEDUCT:			
Interest on funded debt . . . . .	\$6,000.00	\$6,000.00	\$6,000.00
Other deductions . . . . .	-	145.53	240.58
Total deductions . . . . .	\$6,000.00	\$6,145.53	\$6,240.58
Balance for year . . . . .	\$4,461.51	\$5,162.52	\$1,193.21

The company, as of December 31, 1925, reports outstanding \$100,300.00 of common stock, \$61,000.00 of bonds, \$1,676.49 of short term notes and \$10,148.91 of accounts payable. The bonds are part of an authorized bonded debt of \$100,000.00 all of which originally was issued and outstanding. It appears, however, that \$39,000.00 of the bonds have been re-acquired by the company and are held alive in its sinking fund, leaving \$61,000.00 outstanding in the hands of the public. These bonds are designated

first mortgage bonds, are dated March 15, 1912, bear interest at the rate of six percent per annum, mature March 15, 1937, and are callable at a premium of five percent of face value.

Applicant now proposes to create a new mortgage on its properties and to issue \$180,000.00 of bonds secured thereby. The proposed bonds will bear interest at the rate of six and one half percent, will mature March 15, 1951, and will be subject to redemption at 103 percent of face value. The company asks permission to sell its bonds at not less than 91 and proposes to use the bonds or the proceeds for the following purposes:-

To refund or retire bonds now outstanding . . . .	\$61,000.
To pay accounts now owing for pipe purchased and installed . . . . .	10,000.
To pay for enlargements and replacements . . . . .	37,537.
To pay for installation and enlargement of main pipe line leading from reservoir of applicant to City of Roseville . . . . .	30,000.
To pay for three wells, pumps, motors, land on which situated, rights-of-way and all matters appertaining thereto . . . . .	<u>25,000.</u>
Total . . . . .	<u>\$163,537.</u>

Roseville Water Company obtains its supply of water from Pacific Gas and Electric Company delivered through that company's ditch system, about 76 miles long, extending from Lake Spaulding and Lake Bowen into applicant's system in Roseville. Applicant has two reservoirs; one capable of storing 2,000,000 gallons and the other 17,000,000, a total of 19,000,000 gallons, and it reports the average daily consumption during the summer months at about 3,200,000 gallons, indicating available storage for about six days' supply. To provide an auxiliary supply, in the event of interruption of delivery of water by Pacific Gas and

Electric Company, applicant has been renting three wells and pumping plants from W. G. Hemphill and his associates, for \$3,250.00 annually. According to the testimony of W. G. Hemphill, who is also applicants' general manager, and of Albert Givan and F. M. Faude, consulting engineers called by applicant as witnesses, the use by applicant of these wells is not only desirable but necessary.

Applicant now proposes to purchase the wells, instead of continuing to rent them and asks permission to use \$25,000.00 obtained from the sale of bonds to pay for the wells. The record shows that one of the wells has been in service for about eight years, is drilled to a depth of 520 feet and has a capacity of 1,250 gallons per minute; the second has been in service for about three years, is drilled to a depth of 390 feet and has a capacity of about 400 gallons per minute; and the third has been in service about one year, is drilled to a depth of 385 feet and has a capacity of 600 gallons per minute. The supply of water from the wells is adequate, it is said, to take care of applicant's domestic demand if necessary.

Estimates of the original costs of the three wells are in evidence in this proceeding. An estimate of the cost of the first well, which was constructed in 1917, was filed in Case No. 1127 and by consent of counsel might be considered in this matter. This estimate indicates that the original cost was about \$9,157.55. Estimates of the costs of the second and third wells, constructed in 1923 and 1925, were filed in the present proceeding as Exhibits Nos. "5" and "6" and show a total of \$6,063.60 for the second well and of \$6,774.80 for the third. It appears, however, that there is included in these two totals the sum of \$1,010.70, for the second well, and the sum of \$1,129.80 for the third, representing

allowances for testing, guaranteeing, etc. equal in amount to 20 percent of the costs. We believe these two sums should be eliminated, reducing the total for the three wells to \$19,860.45. The order herein will authorize the use of \$20,000.00 of bond proceeds to purchase these properties. The granting of such permission, however, is not to be considered as binding the Commission or other court or public body having jurisdiction as a measure of value of such properties for the purpose of fixing rates or for any purpose other than this transfer.

Applicant asks permission to use \$67,537.00 of the proceeds to pay for additions, enlargements and replacements. Of this amount it is thought that about \$30,000.00 will be used to construct a twenty-two inch riveted steel pipe line leading from applicant's lower reservoir to a point in the City of Roseville, a distance of approximately 10,000 feet. The remaining \$37,537.00 will be used to purchase and install 6,050 feet of six inch cast iron pipe and 21,800 of four inch cast iron pipe for the distributing system described in applicant's Exhibit No. "7".

The testimony in this proceeding clearly indicates that applicant's distributing system is inadequate. The record shows that applicant temporarily has installed a considerable quantity of two inch pipe to take care of demands for service. It appears that a great portion of this pipe is laid close to the surface and that there are, in some cases, as many as twelve connections on one two-inch pipe. The installation of the four and six inch pipe is designed to better service conditions and enable applicant to deliver an adequate volume of water.

While applicant's annual interest charges will be

increased if it refunds its six percent outstanding bonds, through the issue of six and one half percent bonds, such increase may be justified by the improved service made possible by the issue of the six and one half percent bonds. The order herein will permit applicant to use \$61,000.00 of its six and one half percent bonds or the proceeds thereof to refund or redeem its outstanding six percent bonds. If applicant concludes to redeem its six percent bonds, its stockholders should advance the difference between the cost of redeeming the six percent bonds and the amount realized from the sale of \$61,000.00 of six and one half percent bonds.

Applicant has not yet filed a copy of the proposed mortgage or deed of trust securing the payment of the bonds. The order herein, therefore, while authorizing the issue of the bonds will not become effective until applicant has filed with the Commission a copy of the proposed instrument and has received from the Commission a supplemental order authorizing its execution.

#### FIRST SUPPLEMENTAL ORDER

Roseville Water Company having applied to the Railroad Commission for permission to issue and sell bonds, further hearings having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue and sale is reasonably required by applicant for the purposes specified herein and that the expenditures herein authorized for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Roseville Water Company be, and it is hereby, authorized to issue on or before December 15, 1926, \$61,000.00 of six and one half percent bonds due 1951, for the purpose of refunding its outstanding \$61,000.00 of six percent bonds, or sell on or before December 15, 1926, said \$61,000.00 of six and one half percent bonds at not less than ninety-one percent of their face value and accrued interest and use the proceeds other than accrued interest to redeem said \$61,000.00 of six percent bonds. The accrued interest may be used for general corporate purposes.

IT IS HEREBY FURTHER ORDERED that Roseville Water Company be, and it is hereby, authorized to issue and sell on or before December 15, 1926, at not less than ninety-one percent of their face value and accrued interest, \$119,000.00 of six and one half percent bonds due 1951, and use approximately \$97,537.00 of the proceeds for the following purposes:

- (1) To pay outstanding accounts now owing for pipe purchased and installed . . . . . \$10,000.
- (2) To pay for the three wells, pump, motors, land on which situated, rights-of-way and appurtenances referred to in this application . . . . . \$20,000.
- (3) To pay for pipe line and its installation from reservoir to City of Roseville, approximately . . . . . \$30,000.
- (4) To pay for additions, enlargements and replacements as set forth in Exhibit No. "7", approximately . . . . . \$37,537.

The remaining proceeds \$10,563.00 and such part of the \$97,537.00 not expended for the aforesaid purposes, may be expended only for such purposes as the Commission may hereafter authorize. The accrued interest on the \$119,000.00 of bonds may be used for general corporate purposes.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$180.00, nor until applicant has filed with the Commission, in satisfactory form, a copy of the mortgage or deed of trust securing the payment of the bonds and the Commission by supplemental order has authorized its execution.

IT IS HEREBY FURTHER ORDERED that applicant shall keep such record of the issue and sale of the bonds 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.

DATED at San Francisco, California, this 9<sup>th</sup> day of April, 1926.

H. B. Brundage  
C. S. Seaver  
Ernest W. Scott

Fee \$180.00  
for

APR 9 1926

H. G. Matson

By

Commissioners.