

LEM

Decision No. 17241.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
NORTH SACRAMENTO LIGHT AND WATER COMPANY, )  
a corporation, for an order authoriz- ) Application No. 13040  
ing the issue of bonds. )

Henry and Bedean,  
by J. L. Henry, for applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In the above entitled application North Sacramento Light and Water Company asks permission to execute a mortgage and/or deed of trust to secure the payment of an authorized issue of \$250,000. of bonds and issue and sell at not less than 95 percent of their face value and accrued interest, \$60,000.00 of said bonds for the purpose of paying indebtedness incurred on account of the acquisition and construction of properties.

Applicant was organized in 1911 and has an authorized stock issue of \$250,000.00. Stock in the amount of \$44,550.00 is outstanding. Substantially all of applicant's outstanding stock is owned by the North Sacramento Land Company.

By Decision No. 15693 dated November 30, 1925 (Vol. 27, Opinions and Orders of the Railroad Commission of California, page 247) the Commission authorized applicant to increase its rates and charges for water service, provided said applicant submit prior to January 1, 1926 plans for the necessary improvement of service.

Such plans were filed with the Commission and approved by the Commission. It is of record in this proceeding that all of the improvements have been installed and that the cost of the improvements amounted to \$21,068.49. In Decision No. 15693 it appears that the engineering department of the Commission estimated the historical cost of applicant's operative properties as of January 1, 1925 at \$62,847.00 and of its nonoperative properties at \$16,224.00, making a total of \$79,071.00. Adding the \$21,068.49 to the estimated original cost of applicant's properties, to-wit, \$79,071. results in a total actual or estimated cost of applicant's properties of \$100,139.49.

In order to acquire and construct the improvements which this Commission directed applicant to make, applicant found it necessary to borrow \$12,500.00 from the California National Bank and \$8,568.49 from the North Sacramento Land Company. It is of record that applicant is indebted to the North Sacramento Land Company in the sum of \$73,264.09. A part of this indebtedness was incurred for capital purposes and part for the maintenance of applicant's service and payment of operating expenses.

It is for the purpose of paying the indebtedness of \$12,500. due the California National Bank and for the purpose of paying in part the indebtedness due the North Sacramento Land Company that applicant asks permission to issue \$60,000.00 of bonds. The testimony shows that the California Trust and Savings Bank has agreed to purchase the bonds and pay applicant therefor 95 percent of their face value and accrued interest. The bonds are to be dated July 1, 1926 and mature July 1, 1946. They are to bear interest at the rate of six and one half percent per annum and be redeemable at the option of the company at 102 and accrued interest.

As of July 1, 1926 applicant had 719 consumers. It estimates its operating revenues for 1926 at \$18,000.00 and its ordinary operating expenses including depreciation at \$9,000. This estimate includes actual revenues and expenses for a period of seven months of the current year.

Applicant has filed with the Commission a copy of its proposed mortgage and/or deed of trust. This instrument has been reviewed by the Commission and should in its opinion be revised in several particulars. Provision should be made for the issue of bonds in series. The \$60,000. of bonds which applicant now asks permission to issue should be designated as Series "A". The Board of Directors of applicant should reserve the right to determine the interest rate and the redemption price of the remaining \$190,000.00 of authorized bonds at the time that it authorizes the execution of such bonds. The trustee should be authorized to certify the remaining \$190,000.00 of bonds only in amounts equal to not exceeding 75 percent of the cost or value (whichever is less) of additional properties acquired by the company and then only if the net earnings of the company for a period of twelve consecutive months out of the fourteen calendar months next preceding the time at which the application for the certification of bonds by the trustee is made, has been at least one and one half times the interest on the company's outstanding bonds, plus the interest on the bonds which the trustee is then asked to certify. Such changes necessitate the re-writing of article one relating to the execution, authentication and issue of bonds. There should also be eliminated from the proposed mortgage article eleven relating to the immunity of officers, stockholders and directors and the reference to an order of the Commission having authorized the entire issue of bonds.

Article three concerning the control of pledged securities should be revised), as should other provisions of the mortgage and/or deed of trust, so that it may conform in its entirety with the suggestions herein made.

#### ORDER

North Sacramento Light and Water Company having applied to the Railroad Commission for permission to execute a mortgage and/or deed of trust and to issue \$60,000.00 face amount of bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized, is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as provided in this order, therefore,

IT IS HEREBY ORDERED that upon the effective date of this order North Sacramento Light and Water Company be, and it is hereby, authorized to issue and sell for not less than 95 percent of their face value and accrued interest, \$60,000. of its first mortgage sinking fund six and one half percent gold bonds due July 1, 1946 and use the proceeds, other than accrued interest, obtained from the sale of such bonds to pay the \$12,500.00 of indebtedness due the California National Bank and to pay in part the indebtedness due the North Sacramento Land Company, referred to in this application. The accrued interest may be used for general corporate purposes.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the Railroad Commission has authorized applicant to execute a mortgage and/or deed of trust to secure the payment of said bonds and when applicant has paid

the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$60.00.

IT IS HEREBY FURTHER ORDERED that North Sacramento Light and Water Company shall keep such record of the issue, sale and delivery 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 18<sup>th</sup> day of August, 1926.

H. B. Brundage

Chase

Leon Whitell

Thas. S. Kautts

Commissioners.

Fee \$60<sup>00</sup>

W. M. Bigelow  
ADJ. SECRETARY