

ORIGINAL

Decision No. 18048

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

SUTTER BUTTE CANAL COMPANY,

a corporation, to issue bonds of
the face value of \$95,000.00.

Application No. 13532.

Devlin and Brookman,
by Douglas Brookman, for applicant.

BY THE COMMISSION:

O P I N I O N

Sutter Butte Canal Company has applied to the Railroad Commission for permission to issue and sell \$95,000.00 of its first mortgage Series "A" 6-1/2 percent twenty year bonds, due 1943, for the purpose of refunding outstanding indebtedness.

The application sets forth that the corporation is engaged in the business of a public utility, distributing water for irrigation purposes to lands situate in the Counties of Butte and Sutter. It appears that as of December 31, 1926, it had outstanding \$1,542,800.00 of stock, consisting of \$1,219,800.00 of common and \$323,000.00 of seven percent preferred, \$850,000.00 of bonds, similar to those now proposed to be issued, and \$119,000.00

of notes consisting of the following:-

<u>Payee</u>	<u>Date Issued</u>	<u>Date Due</u>	<u>Interest</u>	<u>Amount</u>
Bank of Italy	Dec. 1, 1922	Nov. 30, 1923	7	\$9,000.
Reno National Bank	Sept. 15, 1926	Mch. 15, 1927	8	50,000.
Reno National Bank	Oct. 14, 1926	Apr. 14, 1927	8	10,000.
Crocker First National Bank	Aug. 30, 1926	Jan. 30, 1927	6	40,000.
Crocker First National Bank	Dec. 3, 1926	June 30, 1927	6	10,000.
Total-----				\$119,000.
				=====

In now asking permission to issue additional bonds against its properties, applicant reports that it proposes to use \$60,000.00 of the proceeds to pay the notes due Reno National Bank and to use the remaining proceeds to pay in part the notes due Crocker First National Bank. The testimony shows that the money obtained through the issue of the notes or an equivalent sum was used for capital purposes in making additions, extensions and improvements to its physical properties. It shows, in this connection, in its Exhibit "I", that since March 1, 1923, it has expended for such purposes the sum of \$129,288.51 against which no bonds have been issued. The \$50,000.00 note due Reno National Bank, which applicant proposes to liquidate, was issued under authority granted by the Commission by Decision No. 17424, dated October 5, 1926. The issue of the other notes has not been authorized by this Commission.

The \$95,000.00 of bonds proposed to be issued are part of an authorized issue of \$2,000,000.00 of bonds dated March 1, 1923 and due March 1, 1943, secured by a first mortgage or deed of trust executed by applicant pursuant to authority granted by the Commission by Decision No. 12068, dated May 12, 1923. (Vol. 23, Opinions and Orders of the Railroad Commission of California, page 437). Under the terms of the indenture \$850,000.00 of bonds,

which are now outstanding, were issuable forthwith and the remainder may be issued in amounts not exceeding seventy-five per cent of the actual and reasonable expenditures made on or after March 1, 1923, for extensions and additions when the net earnings of the company, before depreciation, for a period of twelve consecutive calendar months ending not more than sixty days prior to the date of making a request for the certification of additional bonds by the trustee, have been at least one and three fourths times the total annual interest charges on bonds then outstanding plus the annual interest on the bonds for which certification is requested. The indenture further provides that bonds may be issued in series, each series to bear such rate of interest and to contain such other provision as the Board of Directors may determine at time of issue. The bonds are callable at 105.

The company asks permission to sell the \$95,000.00 of bonds at not less than 96 percent of face value plus accrued interest. An examination of the company's annual financial statements filed with the Commission shows revenues and expenses for the years ending December 31, as follows:-

Items	1924	1925	1926
Operating Revenues	\$200,500.00	\$218,522.00	\$258,940.00
Operating expenses, excluding depreciation.	122,934.11	132,213.78	146,372.36
Net Operating Revenue	77,565.89	86,308.22	112,567.64
Non-operating Revenue	19,952.69	18,951.59	13,605.71
Gross Corporate Income	97,518.58	105,259.91	126,173.35
Interest on funded debt.	55,250.00	55,250.00	55,250.00
Other Interest.	11,724.45	13,378.34	12,035.31
Balance	30,544.13	36,631.57	58,888.04
Depreciation	19,709.00	19,709.00	19,000.00
Balance	10,835.13	16,922.57	39,888.04
Other deductions from income	9,966.73	12,871.90	11,889.21
Profit for year	\$868.40	\$4,050.67	\$27,998.83

At the conclusion of the proposed financing, applicant will have \$945,000.00 of first mortgage bonds outstanding against its properties. From time to time the Commission has had before it the matter of the value of applicant's properties, the last time being in connection with Case No. 2126, a rate proceeding, wherein the Commission used as a rate base, for the operative properties, in adjusting applicant's rates, the sum of \$1,760,000.00 (Decision No. 16289, dated March 20, 1926, Vol. 27, Opinions and Orders of the Railroad Commission of California, page 765).

We believe that if the company issues 6-1/2 percent bonds that it should sell such bonds at not less than 98 or on at least a 6.7 percent basis. We have, however, no objections to the company selling a six percent bond on a 6.7 percent basis or at a price of about 93.

O R D E R

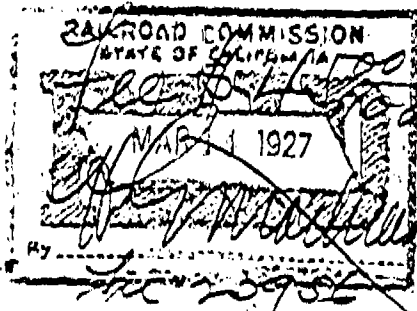
Satter Butte Canal Company having applied to the Railroad Commission for permission to issue and sell bonds, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the application should be granted as herein provided and that the money, property or labor to be procured or paid for through the issue and sale of the bonds is reasonably required for the purpose specified herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Sutter Butte Canal Company be, and it hereby is, authorized to issue and sell on a 6.7 percent basis or better \$95,000.00 of its first mortgage 6-1/2 percent bonds, or \$95,000.00 of its six percent bonds due March 1, 1943.

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

1. Applicant shall use \$60,000.00 of the proceeds to be received from the sale of the bonds herein authorized, to pay its note indebtedness due Reno National Bank and use the remaining proceeds to pay in part its note indebtedness due Crocker First National Bank.
2. 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 Forty-five (\$45.00) Dollars.
3. 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, insofar as applicable, is made a part of this order.
4. The authority herein granted to issue bonds shall apply only to such bonds as may be issued on or before August 31, 1927.

DATED at San Francisco, California, this 14th day of March, 1927.



E. M. ...
R. B. ...
C. ...
Leon ...
Thos. ...
5. _____ 213
Commissioners.