

Decision No. 19126

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SPRING VALLEY WATER COMPANY,)
a corporation, for an order author-)
izing (1) the issue of first)
mortgage five percent gold bonds of)
the aggregate principal amount of)
\$2,300,000.00; (2) the issue and)
sale of five percent collateral)
trust serial gold notes of the)
aggregate principal amount of)
\$2,000,000.00 and the pledging of)
said bonds to secure same.)

ORIGINAL

Application No. 14204.

McCutcheon, Olney, Mannon and Greene,
by Allan P. Matthew, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to authorize the Spring Valley Water Company to issue \$2,300,000.00 of its first mortgage five percent gold bonds due May 1, 1943 and to issue and sell at not less than 99-3/4 percent of their par value \$2,000,000.00 five percent collateral trust serial gold notes and use the proceeds for the purposes hereinafter indicated. The company also asks permission to execute an agreement under the terms of which said notes will be issued and to deposit the \$2,300,000.00 of bonds with the trustee under such agreement to secure the payment of the \$2,000,000.00 of notes.

The purpose of the application now pending before the Commission is to finance in part the cost of the improvements referred to by the Commission in Decision No. 18819, dated September 19, 1927. In Exhibit No. 5, filed in this proceeding, the cost of the additions and betterments which the company proposes to install is reported at \$2,120,051.00 allocated to the different projects as follows:-

a. Estimated cost San Andreas - Honda, 54" lockbar pipe line	\$1,109,376.00
b. San Andreas outlet works	264,000.00
c. Other additions, extensions and improvements	<u>746,675.00</u>
Total.	<u>\$2,120,051.00</u>

Spring Valley Water Company proposes to pay the cost of the additions and betterments referred to in Exhibit No. 5 through the issue of \$2,000,000.00 of five percent serial gold notes maturing as follows:-

\$150,000.00	on	May 1, 1929
\$150,000.00	"	November 1, 1929
\$250,000.00	"	May 1, 1930
\$250,000.00	"	November 1, 1930
\$300,000.00	"	May 1, 1931
\$300,000.00	"	November 1, 1931
\$350,000.00	"	May 1, 1932
\$250,000.00	"	November 1, 1932

The testimony shows that applicant has entered into an agreement to sell the notes, if their issue is authorized by the Commission, at 99-3/4 percent of their face value. The notes, as stated, mature serially and may be redeemed on any interest payment date at the option of the company at 101 and accrued interest. It is contemplated that the notes will be paid through use of moneys

accumulating in the amortization fund mentioned in Decision No. 18819, dated September 19, 1927.

To secure the payment of the notes applicant asks permission to issue \$2,300,000.00 of its first mortgage five percent bonds due May 1, 1943 and deposit the same with the Wells Fargo Bank and Union Trust Company, trustee under the agreement (Exhibit No. 3) providing for the issue of the serial notes. This agreement which the company asks permission to execute provides for a total authorized note issue of \$3,000,000.00. It further provides that there shall be deposited with the trustee to secure the payment of the notes first mortgage bonds of the company equal in amount to \$1,150.00 for every \$1,000.00 principal amount of notes issued. The agreement permits the trustee to return to the company a proper proportion of the bonds in the event the company pays notes outstanding. We have examined the proposed agreement and find the same to be in satisfactory form.

The \$2,300,000.00 of bonds which the company asks permission to issue will be certified against construction expenditures incurred from January 1, 1923 to September 30, 1927. In Exhibit No. 2 applicant reports such construction expenditures at \$4,485,764.23.

ORDER

Spring Valley Water Company having applied to the Railroad Commission for permission to issue \$2,300,000.00 of its first mortgage bonds and \$2,000,000.00 of five percent collateral trust serial gold notes, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably

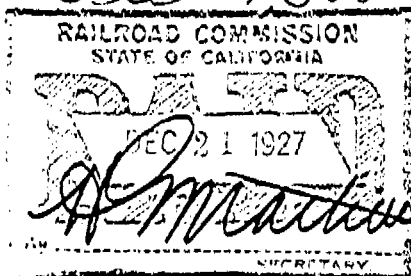
required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Spring Valley Water Company may execute an agreement substantially in the same form as the agreement filed in this proceeding as Exhibit No. 3, amended as indicated by applicant's attorneys in their letter of November 25, 1927, provided that the authority herein granted to execute such agreement is for the purpose of this proceeding only and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said agreement as to such other legal requirements to which said agreement may be subject.
2. Spring Valley Water Company may issue not exceeding \$2,300,000.00 of its first mortgage five percent bonds due May 1, 1943, and deposit the same with the trustee under the agreement which it is herein authorized to execute, said bonds to be deposited with said trustee pursuant to the terms and conditions of said agreement.
3. Spring Valley Water Company may issue and sell on or before June 30, 1929, at not less than 99-3/4 percent of their face value \$2,000,000.00 of five percent collateral trust serial gold notes, described in this proceeding and use the proceeds to pay in whole or in part the cost of the additions and betterments described in Exhibit No. 5.

4. The authority herein granted will become effective when Spring Valley Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$1,500.00.
5. Upon the payment of all or part of the notes herein authorized, all or a proper proportion of the bonds deposited to secure the payment of the notes shall be returned to Spring Valley Water Company and shall thereafter not be sold or otherwise disposed of by said company, unless authorized by the Railroad Commission.
6. Within thirty (30) days after the execution of the agreement authorized by this order, Spring Valley Water Company shall file two (2) certified copies of the agreement with the Railroad Commission.
7. Spring Valley Water Company shall keep such record of the issue, sale and delivery of the ^{bonds and notes -} ~~stock~~ herein authorized ¹⁹²⁷ 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 19th day of December, 1927.



Fee # 24710

Emmuel A. Casey
Leon Whitell
Paul D. Smith
M. J. Carr
Commissioners.