

Decision No. 23344.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SONOMA WATER & IRRIGATION COMPANY,  
a corporation, for permission to issue  
bonds.

)  
)  
) Application No. 17460

**ORIGINAL**

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER

Sonoma Water & Irrigation Company in the above entitled application, filed on June 17, 1931, asked the Commission for authority to issue \$25,000.00 of first mortgage six percent fifteen year bonds for the purpose of paying outstanding indebtedness of \$10,000.00, and of financing the cost of improvements to its plant and properties.

The Commission by Decision No. 23871, dated July 3, 1931, authorized the company to issue \$15,000.00 of bonds to pay for the improvements and betterments, but denied without prejudice the request to issue the remaining \$10,000.00 of bonds. Thereafter the company on July 15th filed its application for rehearing, in which it asked the Commission to reconsider its decision and to permit the issue of the remaining \$10,000.00 of bonds to pay the outstanding indebtedness.

It appears that the outstanding indebtedness which applicant proposes to pay through the use of these bond proceeds is evidenced by a \$10,000.00 six percent one year note, now past due, in favor of John Faubel. The record shows that the moneys realized through the issue of the note were used to the extent of \$9,500.00

to pay the premium required when applicant called its \$100,000.00 of eight percent preferred stock in 1928 and 1929 then outstanding, and replaced it through the issue of six percent preferred stock, to pay commissions and expenses on the sale of such six percent preferred stock, and to the extent of \$500.00 in paying for meters placed on applicant's system. It appears that the note is now held by the estate of John Faubel, that it is past due and that the company has insufficient money in its treasury to pay the same. It is said that unless the note is paid, legal action to enforce payment will be instituted. It is for these reasons that the company again asked the Commission to be permitted to use bond money to pay the \$10,000.00 note.

It is urged that if an action is filed to recover on the note that it will be impossible to sell any bonds to finance necessary and urgent improvements to applicant's water system. It is very essential that the improvements referred to in Decision No. 23871 dated July 3, 1931 be installed forthwith. While we are willing to vacate and set aside the order in said Decision No. 23871 and authorize the applicant to issue the \$25,000.00 of bonds, we do so only with the understanding that the improvements referred to in said Decision No. 23871 will be installed and financed through the sale of bonds or the use of moneys in the company's treasury before any bond proceeds be applied to the payment of said note.

We further believe that the trust indenture securing the payment of the bonds should provide that the company may redeem all or any part of said \$25,000.00 of bonds on any interest payment date by paying the principal of said bonds, the accrued interest thereon and a premium of not to exceed one percent of the face value of the bonds redeemed. The trust indenture should further provide for the annual

retirement of the \$25,000.00 of bonds. The company should pay not less than \$1,000.00 of bonds annually for a period of five years immediately following the issue of the bonds, and not less than \$2,000.00 of bonds annually thereafter until all the bonds are redeemed. It is, of course, understood that the amount necessary to retire the bonds must be taken from the amount allowed applicant as a fair return on its public utility properties and will not be recognized as an operating expense.

This order will authorize applicant to sell the \$25,000.00 of bonds at not less than 95-1/2 percent of their face value and accrued interest. The bonds must be sold for cash. Of the proceeds received an amount of not exceeding five and one half percent may be used to pay commissions and expenses incident to the sale of the bonds. The payment of the five and one half percent will result in a net price of ninety <sup>to applicant</sup> /for its bonds.

The Commission has considered applicant's request and is of the opinion that the public interest will be served through the granting of this application, as applied for, and that the money, property or labor to be procured or paid for through the issue of \$25,000.00 of bonds is reasonably required by applicant, therefore,

IT IS HEREBY ORDERED that the order in Decision No. 23871, dated July 3, 1931, be, and it is hereby, vacated and set aside.

IT IS HEREBY FURTHER ORDERED that Sonoma Water & Irrigation Company be, and it is hereby, authorized to issue and sell after the effective date hereof and prior to December 31, 1931, at not less than 95-1/2 percent of their face value and accrued interest, \$25,000.00 of first mortgage six percent 15-year bonds and use the proceeds if, as and when authorized by the Commission by supplemental order or orders, to finance the improvements referred to in Decision

No. 23871 dated July 3, 1931, to pay the \$10,000.00 note referred to in this order, and to pay commissions and expenses incident to the issue and sale of said bonds.

IT IS HEREBY FURTHER ORDERED that Sonoma Water & Irrigation Company be, and it is hereby, ordered and directed to deposit all the proceeds which it will receive through the issue and sale of the bonds herein authorized in a special bank account and expend the same only for such purposes as the Commission may hereafter authorize by a supplemental order or orders in this proceeding.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to further conditions as follows:-

1. Applicant shall file with the Commission, as its construction work progresses, monthly statements showing the cost and description of the properties which it has installed; and, further, the cost and description of the properties, if any, which have been replaced by the installation of the new properties.
2. The authority herein granted to issue bonds will become effective when the Commission by supplemental order has authorized applicant to execute a mortgage or deed of trust to secure the payment of said \$25,000.00 of bonds, and when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) 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.

DATED at San Francisco, California, this 10<sup>th</sup> day of  
August, 1931.

C. C. [Signature]  
Leon [Signature]  
M. J. [Signature]  
W. B. [Signature]  
Frederic G. [Signature]  
Commissioners.

Fee \$25.<sup>00</sup>/<sub>100</sub>  
RAILROAD COMMISSION  
AUG 13 1931  
[Signature]  
Fee # 29183