

Decision No. 17743

ORIGINAL

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 BEAR GULCH WATER COMPANY, )  
 a corporation, for order authorizing ) Application No. 17743  
 issue of bonds.

Calkins, Hagar, Hall and Linforth,  
 by H. E. Hall, for applicant.

BY THE COMMISSION:

O P I N I O N

Bear Gulch Water Company has applied to the Railroad Commission for permission to execute a mortgage and/or deed of trust and to issue and sell \$650,000.00 of first mortgage six percent bonds, Series "A", due January 15, 1950, for the purpose of paying outstanding bonds and notes, of reimbursing its treasury and of financing the cost of additions and betterments.

The application shows that Bear Gulch Water Company is a corporation engaged in the business of operating a water system in the County of San Mateo in and about the communities of Menlo Park, Atherton and Woodside. A description of the company's properties is contained in Decision No. 21661, dated October 7, 1929 (Vol. 33, Opinions and Orders of the Railroad Commission of California, page 605). In that decision, the Commission used a

rate base of \$1,068,000.00, which included \$130,000.00 of estimated construction expenditures to be installed during 1929.

The company has outstanding \$500,000.00 of common stock, \$250,000.00 of bonds and \$160,937.76 of notes, all of which are held by The Regents of the University of California. It reports (Exhibit "A") its assets and liabilities as of August 31, 1931, as follows:

ASSETS

Fixed capital.....	\$1,345,075.28
Cash.....	5,983.02
Accounts receivable.....	25,196.94
Materials and supplies.....	10,495.58
Prepayments.....	1,121.54
Suspense.....	<u>8,582.91</u>
 Total Assets.....	 <u>\$1,396,455.27</u>

LIABILITIES

Capital stock.....	\$ 500,000.00
Funded debt.....	250,000.00
Notes payable.....	160,937.76
Accounts payable.....	140.40
Consumers' deposits.....	2,909.89
Accruals.....	9,286.45
Consumers' advances.....	60,139.68
Reserve for depreciation.....	188,514.94
Other reserves.....	5,317.19
Suspense.....	288.19
Corporate surplus.....	<u>218,920.77</u>
 Total Liabilities.....	 <u>\$1,396,455.27</u>

The outstanding bonds are dated January 15, 1900, bear interest at the rate of five percent per annum and became due on January 15, 1930. The outstanding notes consist of the following:

DATE	DUE	INTEREST	AMOUNT
June 30, 1929	June 30, 1930	6%	\$ 87,937.76
June 26, 1930	June 26, 1931	6%	22,000.00
July 17, 1930	July 17, 1931	6%	20,000.00
Aug. 12, 1930	Aug. 12, 1931	6%	10,000.00
Sept. 17, 1930	Sept. 17, 1931	6%	10,000.00
Oct. 25, 1930	Oct. 25, 1931	6%	<u>11,000.00</u>
TOTAL.....			<u>\$160,937.76</u>

Of the outstanding bonds, it appears that \$205,000.00 were issued on January 15, 1900 to pay for capital improvements made during the years 1898 to 1903 and that \$45,000.00 were issued on May 23, 1922, under authority granted by Decision No. 9976, dated January 9, 1922, to finance construction costs incurred during the years 1917, 1918, 1919 and 1920. Of the outstanding notes, the one for \$87,937.76, together with surplus earnings of \$17,993.44, was used to finance additions and betterments made during 1928 and 1929 which are set forth in some detail on pages 4 and 5 of the application. The remaining notes, aggregating \$73,000.00, were used to finance in part the cost of enlarging the Bear Gulch Reservoir, which was completed in 1930 at a cost of \$82,433.01. This enlargement, it appears, increased the storage capacity of the reservoir from 122,000,000 gallons to 220,000,000 gallons.

The company now desires to create a new authorized bonded debt of \$1,000,000.00 and to issue and sell to The Regents of the University of California, at not less than 98 percent of face value, \$650,000.00 of first mortgage six percent bonds, Series "A", due January 15, 1950, for the following purposes:

To pay the outstanding bonds.....	\$250,000.00	
To pay the outstanding notes.....	160,937.76	
To finance estimated construction costs during 1932 and 1933.....	171,400.00	
To refund consumers' advances.....	8,500.00	
To reimburse its treasury for expenditures as follows:		
Concrete reservoir.....	\$18,243.47	
Additions during 1931.....	28,686.14	
Excess cost of enlarging reservoir over note issue...	9,493.01	
Miscellaneous.....	2,739.62	59,162.24
		<u>59,162.24</u>
Total.....		<u>\$650,000.00</u>

The estimated expenditures for 1932 and 1933 are summarized in the application as follows:

New transmission pipe line upper diversion dam on Bear Gulch Creek to crossing at Lower Bear Gulch Creek and from Bear Gulch Reservoir No. 2 to Bear Gulch Reservoir No. 1, sand box at diversion dam, appurtenances, valves, connections, engineering, etc. estimated at.....	\$ 75,000.00
New services and meters.....	10,000.00
Main extensions of small size, not covered by advances and as demanded by Railroad Commission rule.....	8,000.00
Shop, office and garage equipment.....	5,000.00
Six inch pipe in Oak Grove Avenue.....	2,400.00
Six inch pipe in State Highway and Dumbarton Ave.	2,500.00
Ten inch pipe in Atherton Avenue from Woodside Heights transmission pipe to Alameda de las Pulgas.....	10,000.00
Twelve inch pipe in State Highway from Ravenswood Avenue to Atherton Avenue.....	22,000.00
Six inch pipe in Stockbridge Avenue.....	3,000.00
Six inch pipe in Tuscaloosa Avenue.....	3,500.00
Six inch pipe in Almedral Avenue.....	6,000.00
Eight inch pipe in Dumbarton and Fair Oaks Aves..	12,000.00
Ten inch pipe in Ringwood Avenue.....	<u>12,000.00</u>
Total.....	<u>\$171,400.00</u>

It is not necessary for the purpose of this proceeding to make a finding of the value of applicant's properties. A \$650,000.00 bond issue for the purposes herein set forth does not appear unreasonable. We believe, however, that such bonds should be sold by the company at not less than their face value plus accrued interest. The order will so provide.

A copy of applicant's proposed trust indenture to secure the payment of the bonds was filed with the application as Exhibit "C". Following the hearing held in this matter, counsel for applicant advised the Commission in his letter dated November 17, 1931, that the proposed instrument had been modified by eliminating Article III relating to the creation of a sinking fund. Subsequently, he authorized us to make certain other changes in Exhibit "C" and on December 7th filed additional amendments. The instrument now

on file is in satisfactory form.

ORDER

Bear Gulch Water Company having applied to the Railroad Commission for authority to execute a mortgage and/or deed of trust and to issue \$650,000.00 of bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted only as herein provided, and that the money, property or labor to be procured or paid for through the issue of the bonds is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED, that Bear Gulch Water Company be, and it hereby is, authorized to execute a mortgage and/or deed of trust substantially in the same form as that on file in this proceeding as of this date and referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED, that Bear Gulch Water Company be, and it hereby is, authorized to issue and sell, at not less than face value plus accrued interest, on or before December 31, 1933, \$650,000.00 of its first mortgage six percent bonds, Series "A", due January 15, 1950 and to use the proceeds for the following purposes:

To pay bonds now outstanding.....	\$250,000.00
To pay notes now outstanding.....	160,937.76
To finance estimated construction costs during 1932 and 1933 described in this application	171,400.00
To refund consumers' advances.....	8,500.00
To reimburse its treasury because of earnings used for additions and betterments.....	<u>59,162.24</u>
Total.....	<u>\$650,000.00</u>

The authority herein granted is subject to the following conditions:

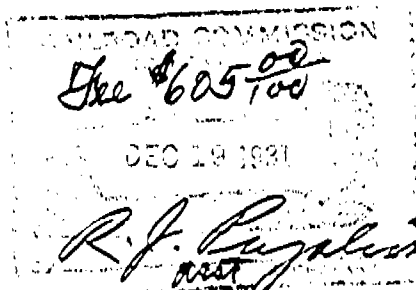
(1) Applicant shall keep such record of the issue of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

(2) The authority herein granted to execute a mortgage and/or deed of trust is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said instrument as to such other legal requirements to which it may be subject.

(3) Within thirty (30) days after the execution of the mortgage and/or deed of trust herein authorized, applicant shall file with the Commission two certified copies thereof.

(4) 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 Six Hundred and Five (\$605.00) Dollars.

DATED at San Francisco, California, this 14<sup>th</sup> day of December, 1931.



PL Seaver  
Leon Whiskey  
W. A. Linn  
W. B. Kays  
Fred G. Stewart  
Commissioners.