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Decision No. 10435

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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ORIGINAL

In the Matter of the Application of EAST BAY WATER COMPANY, a corporation, for an order authorizing
(1) Issue of Series "B" Bonds,
(2) Pledge of First Mortgage 5½% Thirty-year Gold Bonds,
(3) Issue of Class "A" Six (6) per Cent Cumulative Preferred Stock.

Application Number 7823.

McKee, Tasheira & Wahrhaftig, by A. G. Tasheira, for applicant.

BENEDICT, Commissioner.

O P I N I O N

EAST BAY WATER COMPANY asks permission to issue and sell $3,000,000.00 face value of 6 percent. 20-year unifying and refunding mortgage bonds due March 1, 1942; issue and sell $504,000.00 par value of Class "A" 6 per cent. preferred stock, and issue and deposit with the Mercantile Trust Company, trustee, under applicant's unifying and refunding mortgage $2,432,100.00 face value of 5½ per cent. first mortgage bonds due January 1, 1946. The purposes for which applicant asks permission to issue and sell or deposit the bonds and stock appear below.

As of May 1, 1922, applicant reports $9,186,400.00 of stock outstanding. The outstanding stock consists of $6,099,200.00 of Class "A" 6 per cent. cumulative preferred, $2,987,200.00 of Class "B" 6 per cent. non-cumulative preferred and $100,000.00 of common stock. As of the same date, applicant's debt secured by mortgages in the hands of the public is reported as $13,538,200.00 and consists of $9,782,700.

of first mortgage $5\frac{1}{2}$ per cent. bonds due January 1, 1946, $2,495,500. of $7\frac{1}{2}$ per cent. unifying and refunding mortgage bonds due September 1, 1936, $1,250,000.00 of 6 per cent. collateral trust gold notes due August 1, 1923, and a $10,000.00 note secured by a deed of trust.

The Railroad Commission by Decision No. 5674, dated August 10, 1918, in Application No. 3980 (Vol. 15, Opinions and Orders of the Railroad Commission of California, pg. 1056) authorized East Bay Water Company to issue and sell $1,250,000.00 of 6 per cent. 5-year collateral trust gold notes. The payment of these notes is secured by the deposit of $1,634,000.00 of the company's first mortgage $5\frac{1}{2}$ per cent. bonds. The notes are now callable at $100\frac{1}{2}$ and accrued interest. It is the intention of the company to redeem the notes through the issue of 6 per cent. unifying and refunding mortgage bonds.

Applicant reports that from November 1, 1918 to December 31, 1921, it expended for construction purposes the sum of $4,085,120.37. It further reports that during the same interim, it received from the sale of land $250,252.88 and that its reserve for accrued depreciation was $193,000.00, making a total of $443,252.88. Deducting the $443,252.88 from the $4,085,120.37 leaves a balance of $3,641,867.49.

Applicant estimates its construction expenditures to December 31, 1922 at $1,016,000.00, segregated as follows:-

Acct. C-2	Franchises and Water Rights,	$5,000.00
Acct. C-5	Land,	13,500.00
Acct. C-6	Buildings, Structures and Grounds,	20,000.00
Acct. C-14	Pumping Equipment,	22,500.00
Acct. C-17	Transmission Mains,	30,500.00
Acct. C-18	Distribution Mains,	646,500.00
Acct. C-19	Distribution Reservoirs,	5,000.00
Acct. C-20	Hydrants,	10,000.00
Acct. C-21	Services,	43,000.00
Acct. C-22	Meters,	65,000.00
Acct. C-24	General Equipment,	15,000.00
	San Pablo Project,	85,000.00
	Engineering, Superintendence, Administrative and Incidental,	55,000.00
		$1,016,000.00

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Adding the $1,016,000.00 to the $3,641,867.49 makes a total of $4,657,867.49. It is the intention of the company to finance 75 per cent. of the actual and estimated construction expenditures through the sale of bonds and 25 per cent. through the sale of Class "A" 6 per cent. cumulative preferred stock. This would call for the issue of $3,493,400.62 of bonds and $1,164,466.87 of stock. However, the Commission has heretofore authorized the company to issue $483,400.00 of bonds and $760,125.00 of stock to finance construction expenditures subsequent to November 1, 1918. In arriving at the $483,400.00, it is assumed that the $1,250,000.00 of 6 per cent. notes are redeemed. Deducting the $483,400.00 of bonds from the $3,493,400.62, leaves a balance of $3,010,000.62; while the $760,125.00 of stock deducted from the $1,164,466.87 leaves a balance of $404,341.87. To finance these expenditures, applicant asks permission to issue and sell at 97½ per cent. of their face value and accrued interest $3,000,000.00 of 6 per cent. 20-year unifying and refunding bonds due March 1, 1942, and issue and sell at not less than $80.00 per share and accrued dividends 5040 shares ($504,000.00 par value) of Class "A" 6 per cent. cumulative preferred stock. The bonds are callable on any interest payment date at par, accrued interest and a premium of ten per cent.

While applicant asks permission to use the proceeds from the sale of the bonds and stock to pay the 6 per cent. notes, to reimburse its treasury and provide funds to pay for future construction, E.O. Edgerton, president of East Bay Water Company, testified that the proceeds will be used to pay the $1,250,000.00 of 6 per cent. notes, to pay the $730,415.09 short term notes and the construction expenditures referred to in the application, and that any proceeds remaining would be used for working capital. The use of such proceeds for working capital in no way obligates the Commission to recognize the amount thereof as the proper allowance for working capital in a rate proceeding.

Applicant asks permission to issue and deposit with Mercantile Trust Company, trustee, under its unifying and refunding mortgage $2,432,100.00 of 5½ per cent. first mortgage bonds due January 1, 1946. This amount consists of the $1,634,000.00 of bonds now deposited to secure the $1,250,000.00 of 6 per cent. gold notes and $798,100.00 of bonds which have never been issued by the company. If the $2,432,1000.00 of bonds are deposited, all of the company's first mortgage bonds are either in the hands of the public, or on deposit with the trustee under the unifying and refunding mortgage, or have been redeemed and cancelled.

I herewith submit the following form of Order.

O R D E R

EAST BAY WATER COMPANY having applied to the Railroad Commission for permission to issue and sell $3,000,000.00 of 6 per cent. unifying and refunding mortgage bonds and $504,000.00 of Class "A" 6 per cent. cumulative preferred stock, and issue and deposit $2,432,100.00 of 5½ per cent. first and refunding mortgage bonds, a public hearing having been held, and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required by applicant for the purposes herein mentioned, and that the expenditures herein authorized, other than the allowance for working capital, are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted subject to the conditions of this Order;

IT IS HEREBY ORDERED, that EAST BAY WATER COMPANY be, and it is hereby, authorized to issue and sell, for cash, at not less than 97½ per cent. of their face value and accrued interest, $3,000,000.00 of 6 per cent. 20-year unifying and refunding mortgage bonds due March 1, 1942; to issue and sell, for cash, at not less than

80 per cent. of its par value and accrued dividends $504,000.00 of Class "A" 6 per cent. cumulative preferred stock; and issue and deposit with the Mercantile Trust Company, trustee under the company's unifying and refunding mortgage $2,432,100.00 of 5½ per cent. of first mortgage bonds due January 1, 1946.

The authority herein granted is subject to the following conditions and not otherwise:

1.- The bonds and stock herein authorized shall be issued for the purpose of financing the acquisition and construction of the properties referred to in this application and the reimbursement of applicant's treasury on account of the acquisition and construction of said ~~properties~~ and the proceeds obtained from the sale thereof used for the following purposes:

(a).-- Proceeds in the amount of not exceeding $1,256,250.00 may be used to redeem the 6 per cent. collateral trust gold notes referred to in this application;

(b).-- Proceeds in the amount of not exceeding $730,415.09 may be used to pay the short term notes referred to in this application;

(c).-- Proceeds in the amount of not exceeding $1,016,000.00 may be used to pay all or such part of the actual or estimated 1922 construction expenditures referred to in this application as are properly chargeable to fixed capital under the uniform classification of accounts for water corporations prescribed by this Commission.

(d).-- The remainder of the proceeds, exclusive of any of the amounts not expended for the purposes mentioned in subdivisions (a), (b), and (c), may be used for working capital and the payment of accrued interest on bonds and accrued dividends on stock herein authorized to be sold.

(e).-- Any proceeds not expended for the purposes indicated in subdivisions (a), (b) and (c) of the foregoing condition may be used only for such purposes as the Commission may hereafter authorize by supplemental order or orders.

2.--Applicant shall file with the Railroad Commission, until otherwise directed, a complete copy of its monthly reports prepared for the use of its officers and employees, such reports to be filed as soon as available for distribution to such officers and employees. The first report to be filed shall be for the month of May, 1922.

3.--The authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

4.--East Bay Water Company shall keep such record of the issue and sale of the bonds and stock 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 in so far as applicable is made a part of this Order.

5.--The authority herein granted to issue bonds and stock will apply only to such bonds and stock as may be issued, sold and delivered on or before December 31, 1922.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of May, 1922.

Part of FEE PAID ON ORIGINAL APPLICATION
No. 3980 Decision No. 5674
Dated 10 day of Aug 1918
H G Mathewson
Secretary Railroad Commission, State of California.

RAILROAD COMMISSION
STATE
FEE $1375 00/100
MAY 1922
H G Mathewson
BY SECRETARY

H. G. Brundige

Irving Martin

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Commissioners.