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Decision No. 10697.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of SANTA CRUZ COUNTY UTILITIES, a corporation, for an order authorizing applicant to issue $25,000.00 par value of its preferred capital stock and sell the same at 85 per cent. of its par value, for the purpose of reimbursing its treasury for capital expenditures heretofore made and for the purpose of making certain extensions and improvements to its water systems at Ben Lomond, Brookdale and Boulder Creek; and for the purpose of making extensions and improvements to its electric systems at Brookdale and Boulder Creek in Santa Cruz County, California.

Application Number 7967

J.C. Hughes for applicant.

BENEDICT, Commissioner.

O P I N I O N

In this application, as amended at the hearing, SANTA CRUZ COUNTY UTILITIES, a corporation, asks permission to issue and sell $25,000.00 of its preferred stock and to use the proceeds to reimburse its treasury on account of capital expenditures made prior to May 31, 1922, and to finance the cost of further additions and betterments to be made to its water and electric systems.

Applicant proposes to sell its stock at not less than 85 per cent. of par value, but asks permission to pay, out of the proceeds, a commission of five per cent.

The record shows that applicant was incorporated on or about May 9, 1903 under the name of Boulder Creek Electric Light and Water Company and with an authorized capital stock of $75,000.00

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divided into 750 shares of common stock. Thereafter, under and by a decree of the Superior Court of the State of California in and for the City and County of San Francisco, duly given and made on the second day of September, 1920, the name was changed to Santa Cruz County Utilities. Applicant now reports that recently it has re-classified its authorized capital stock so as to provide for an issue of 500 shares of common stock and 250 shares of preferred, all shares of a par value of $100.00 each. It appears that only the common stock is outstanding at this time.

Applicant's amended Articles of Incorporation show that the holders of the preferred stock are entitled to receive cumulative dividends at the rate of seven per cent per annum before any dividends are paid on the outstanding common stock, and, upon liquidation or dissolution of the corporation, are entitled to receive 110 per cent of the par value of the preferred stock before any distribution may be made to holders of the common stock. The preferred stock is callable at 110 per cent. of the par value. It is further provided that while any preferred stock is outstanding, the company shall pay to a trustee, annually, commencing May 15, 1927, a sum equal to ten per cent. of the net profits for the preceding calendar year after deducting taxes, interest on funded debt and dividends on preferred stock, such sum to be used in redeeming the outstanding preferred stock at 110 per cent. of par value, subject, however, to the condition that in no event shall the sum so to be deposited exceed 110 per cent. of the aggregate par value of the preferred stock then outstanding.

Applicant reports its indebtedness at $54,035.97. This debt consists of $49,000.00 of bonds, $3,250.00 of notes and $1,785.97 of accounts payable.

Applicant now seeks to dispose of all of its authorized preferred stock. It proposes to use a portion of the proceeds to

reimburse its treasury and to finance the cost of extensions, additions and betterments made by it prior to May 31, 1922, for which it has not been reimbursed, and to expend the balance to pay for estimated capital additions. The company reports, in its Exhibit "B" that from January 1, 1920 to May 31, 1922, it expended $9,759.45 for extensions, additions and betterments to its electric and water plants and systems for which it has not been reimbursed. In addition, it estimates that it must expend for capital additions, the sum of $10,850.00, which is distributed as follows:

Redwood pipe, 4200 feet,	$2,350.00
Galvanized pipe, 2500 feet,	725.00
20,000 gal. redwood tank, 1000feet galvanized pipe,	750.00
4 - 3 K.V.A. and 2 - 5 K.V.A. transformers	450.00
Sixty electric motors,	750.00
Two redwood tanks and water mains,	3,100.00
Twenty-four electric poles,	450.00
Electric distributing lines,	500.00
Electric transmission lines,	1,325.00
Forty water motors,	450.00
Total,	$10,850.00

The company proposes to sell its stock to its consumers. While asking permission to sell at not less than 85, less a commission of 5 per cent., the testimony herein shows that it is the intention of applicant to dispose of its stock, at par if possible.

In its petition, applicant asked permission to borrow money in the aggregate amount of $5,000.00 for a period of one year or less at a rate of interest not exceeding eight per cent. per annum, such loans to be secured by pledge of its preferred stock on a basis of sixty per cent. of par value. At the hearing, however, J.C. Hughes, applicant's president, stated that it would be satisfactory if the Commission made its order authorizing only the issue and sale of stock. Under the Public Utilities Act, applicant may borrow money for construction purposes for a period of one year or

loss without an order of the Railroad Commission. That portion of the order relating to the borrowing of money and the pledge of stock, therefore, will be dismissed.

I herewith submit the following form of Order:

O R D E R.

SANTA CRUZ COUNTY UTILITIES, a corporation, having applied to the Railroad Commission for permission to issue and sell stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of $25,000.00 of preferred stock is reasonably required by applicant for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that SAN CRUZ COUNTY UTILITIES, a corporation, be, and it is hereby, authorized to issue and sell $25,000.00 of its preferred stock.

IT IS HEREBY FURTHER ORDERED, that this application, in so far as it relates to the borrowing of money and pledging of stock, be, and it is hereby, dismissed without prejudice.

The authority herein granted is subject to further conditions as follows:-

1.-- The stock shall be sold by applicant for cash at not less than 85 per cent. of its par value.

2.--Of the proceeds, an amount equivalent to not more than five per cent. of the stock sold, may be used, if necessary, to pay commissions and expenses incident to the sale of the stock. The remainder of the proceeds shall be used to reimburse applicant's treasury and to finance the cost of additions and betterments referred to in the foregoing opinion and in this application.

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3.--Applicant shall keep such record of the issue and sale of the 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.

4.--The authority herein granted will apply only to such 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 11th day of July, 1922.

H. W. Brundige

Irving Martin

Charles A. Powell

W. R. Benedict

Commissioners.

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