

HS

Decision No. 11467.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

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In the Matter of the Application of )  
SPRING VALLEY WATER COMPANY, )  
a corporation, for an order authori- )  
zing the issue of first mortgage five )  
per cent. gold bonds of the aggregate )  
face value of \$22,000,000.00. )

Application No. 8546.

McCutchen, Olney, Mannon & Greene, by Allan P.  
Matthew for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

SPRING VALLEY WATER COMPANY asks permission to issue and sell \$22,000,000.00 of five per cent. 20-year bonds for the purpose of paying indebtedness and the cost of extensions, additions and betterments. It also asks permission to execute an agreement defining the terms and conditions governing the issue of \$22,000,000.00 of interim certificates, which interim certificates it desires to issue if temporary or definitive bonds will not be ready for delivery to the purchasers of such bonds when they request such delivery. The interim certificates will be exchanged for bonds when the temporary or definitive bonds are executed by the company and certified by the trustee..

Spring Valley Water Company has an authorized stock issue of \$28,000,000.00, all of which is outstanding. On this stock, the company during the past five years has paid dividends at the rate of five per cent. per annum.

The company has an authorized bonded debt of \$28,000,000. These bonds are dated December 1, 1903, are payable December 1, 1923

and bear interest at the rate of four per cent. per annum. Of the \$28,000,000.00, bonds in the amount of \$17,859,000.00 are outstanding and are owned and held by the public. In addition, the company has outstanding \$2,500,000.00 of six per cent. collateral trust notes due March 1, 1923, and 5 per cent. notes in the amount of \$750,000.00 due February 1, 1923. It is for the purpose of paying the outstanding bonds, collateral trust notes and other notes, and to secure funds to pay for extensions and betterments that the company desires to issue and sell \$22,000,000.00 of bonds.

In the event that temporary or definitive bonds are not ready for delivery to the purchasers thereof when such delivery shall be requested, the company asks permission to issue interim certificates from time to time upon the request of the purchasers in an aggregate amount not exceeding \$22,000,000. A copy of the agreement under which the interim certificates are to be issued has been filed in this proceeding and marked applicant's Exhibit No. 2. The interim certificates will be issued by the Spring Valley Water Company. If the company is unable to deliver on or before October 1, 1923, five per cent. bonds in exchange for interim certificates, it agrees to pay the interim certificates at their face value together with interest at the rate of five per cent. per annum from January 1, 1923 to and including September 30, 1923.

Applicant's proposed mortgage or deed of trust is now being prepared. It will later file with the Commission a supplemental application for permission to execute such instrument. The record shows, among other things, that the mortgage or deed of trust will be a lien on the properties which were offered for sale by the applicant to the City and County of San Francisco on January 14, 1921, and all operative properties acquired by applicant since March 1, 1920, and all of the operative properties to be hereafter acquired; and that the mortgage or deed of trust will provide for an authorized issue of

\$40,000,000.00 of five per cent 20-year gold bonds, of which \$22,000,000.00 will be issued forthwith and the remaining \$18,000,000.00 from time to time to finance the cost of additions and betterments to applicant's properties.

The \$22,000,000.00 of bonds which applicant desires to issue have been sold to the Mercantile Trust Company of California, Security Trust and Savings Bank (Los Angeles) and First National Bank of Los Angeles. The purchasers agree to pay for \$5,000,000.00 of bonds at the rate of \$967.50, plus accrued interest to date of delivery, for each \$1,000.00 bond, payment to be made in outstanding Spring Valley Water Company four per cent. bonds or six per cent. notes. For the remaining \$17,000,000.00, the purchasers agree to pay \$965.00 plus accrued interest to date of delivery for each \$1,000.00 face value of bonds, payment to be made for the \$17,000,000 of bonds in United States gold coin or lawful money of the United States equivalent thereto, and/or four per cent. bonds, and/or six per cent. notes of the company at face value plus accrued interest for such bonds and notes.

I herewith submit the following form of Order:

O R D E R.

SPRING VALLEY WATER COMPANY having applied to the Railroad Commission for permission to issue \$22,000,000.00 of five per cent. bonds, or a like amount of interim certificates to be exchanged for such bonds, and to execute indentures under which the bonds or interim certificates will be issued, 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 by the issue of such bonds 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;

IT IS HEREBY ORDERED, that SPRING VALLEY WATER COMPANY be, and it is hereby, authorized to issue \$22,000,000.00 face value of five per cent. twenty-year bonds, or in lieu thereof, interim certificates of a like amount, such interim certificates to be issued pursuant to the terms and conditions of the agreement filed in this proceeding and marked applicant's "Exhibit No. 2".

IT IS HEREBY FURTHER ORDERED, that SPRING VALLEY WATER COMPANY be, and it is hereby, authorized to execute an agreement under which the interim certificates are issuable, substantially in the same form as the agreement filed in this proceeding and marked applicant's "Exhibit No. 2," provided --

THAT the authority herein granted to execute such agreement is for the purpose of this proceeding only, and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such agreement as to such other legal requirements to which such agreement may be subject.

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

- (1) - The bonds herein authorized to be issued shall be sold by applicant under the terms and conditions set forth in the agreement filed in this proceeding and marked applicant's "Exhibit No. 1."
- (2) - None of the bonds herein authorized to be issued shall be delivered until the Commission by supplemental order has authorized applicant to execute a mortgage or deed of trust securing the payment of the bonds.
- (3) - Upon having received authority from the Commission to execute a mortgage or deed of trust securing the payment of the bonds, applicant may use such part of the proceeds as is necessary to pay or refund the \$750,000.00

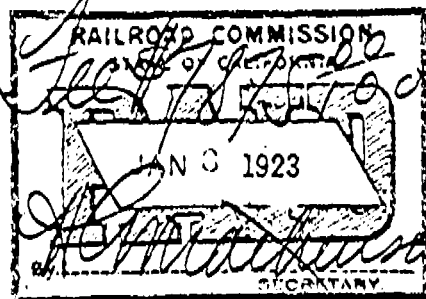
of five per cent. notes due February 1, 1923, the \$2,500,000.00 of six per cent. collateral trust notes due March 1, 1923 and the \$17,859,000.00 of four per cent. general mortgage bonds due December 1, 1923.

Any proceeds not used to pay the indebtedness mentioned may be expended only for such purposes as the Railroad Commission will hereafter authorize.

- (4) - Spring Valley Water Company 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 in so far as applicable is made a part of this order.
- (5) - The authority herein granted will become effective upon the payment of the fee prescribed by Section 57 of the Public Utilities Act and will expire on October 1, 1923.

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 6<sup>th</sup> day of January, 1923.



H. H. Brounidge

Darius Martin

J. T. Whittlesy  
Commissioners.