

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of PEOPLES WATER COMPANY for an order authorizing the issue of notes and the issue and pledge of bonds as collateral security therefor.

Application No. 1110.

THELEN, Commissioner.

SUPPLEMENTAL OPINION.

In its order in the above entitled proceeding, dated June 4, 1914, this Commission provided, in part, that Peoples Water Company might issue its 5 per cent 30-year bonds, of the issue of January 2, 1907, secured by deed of trust to Mercantile Trust Company of San Francisco, for the purpose of being used as collateral security for promissory notes, and for the notes which the company might have to execute to secure funds wherewith to pay the bond interest payable on July 1, 1914, but only at a ratio of not to exceed \$2.50 in bonds to \$1.00 in notes, and only in such amount that the total of applicant's bonds of this issue outstanding shall not exceed the total amount outstanding in the hands of the public and pledged as collateral security for loans on March 23, 1912, which total amounts to \$13,697,000.00.

Peoples Water Company, under the advice of its Refunding Committee, has now determined to default on its bond interest, payable on July 1, 1914, for the purpose of forcing the necessary reorganization of applicant's financial structure. As a result, no money will be paid on bond interest due on July 1, 1914, and no notes for any such money will be necessary and no bonds as collateral security for such notes need be issued. It follows that Peoples Water Company will need fewer bonds than those heretofore applied for, and that the fee which the Company will be required to pay before it can avail itself of the Commission's order will be proportionately decreased.

Peoples Water Company accordingly now asks that the order made on June 4, 1914, be modified so as to authorize the issue of

such bonds only as collateral as were issued and outstanding as collateral on May 21, 1914. These bonds include 305 bonds which were pledged with First National Bank of Oakland as collateral for the payment of notes given for moneys used to pay bond interest. As no new notes will be given for this purpose until the reorganization has been effected, it will not be necessary to continue the use of these bonds for this purpose. When they are returned to the treasury as the notes which they secure are paid, pari passu, they should remain in the treasury until the further order of this Commission. I accordingly recommend that the order made in the above entitled proceeding on June 4, 1914, be amended so as to authorize the issue by Peoples Water Company, as collateral security for promissory notes, of only the amount of bonds which were outstanding for that purpose on May 21, 1914, less the 305 bonds on that day held by First National Bank of Oakland.

For the purpose of estimating the fee in this case, the amount of bonds which Peoples Water Company may reissue may be taken to be 6402 less 305, or a total of 6097 bonds. The exact number of bonds outstanding as collateral security on May 21, 1914, is somewhat uncertain, because of the possibility that some of these bonds may have been foreclosed prior to said date without the knowledge of Peoples Water Company. The purpose of this order is to authorize the continued use of such bonds as were still outstanding as collateral on May 21, 1914, less the 305 bonds held by the First National Bank of Oakland.

I submit herewith the following form of supplemental order:

SUPPLEMENTAL ORDER.

IT IS HEREBY ORDERED that Section 3 of the order in the above entitled proceeding, dated June 4, 1914, be and the same is hereby amended to read as follows:

"3. Peoples Water Company may issue its said 5 per cent thirty-year bonds of the issue of January 2, 1907, secured by deed of

trust to Mercantile Trust Company of San Francisco, for the purpose of being used as collateral security for the promissory notes herein authorized, but only at a ratio of not to exceed \$2.50 in bonds to \$1.00 in notes, and only in the aggregate amount of the bonds outstanding as collateral security on May 21, 1914, less 305 bonds held by First National Bank of Oakland. For the purpose of estimating the fee to be paid in this proceeding, the bonds which applicant is authorized to issue may be taken to be bonds of the face value of \$6,097,000.00.

In all other respects said order of June 4, 1914, shall remain in full force and effect.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of June, 1914.

John W. Wickham
H. B. Loveland
W. H. Johnson
Max Thelen
Edwin O. Edgerton
Commissioners.

Fee paid on Dec. 1561.
no fee on Sep. Dec. 1626.