

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
SANTA ROSA WATER WORKS for an order )  
Authorizing it to execute Promissory )  
Notes in the amount of \$48,000 and )  
to Execute its Deed of Trust to )  
secure the payment of the same. )

Application No. 197.

L. W. Julliard for applicant.

TELLEN, Commissioner.

OPINION.

SANTA ROSA WATER WORKS applies for an order of this Commission authorizing it to execute promissory notes in the aggregate amount of \$48,000 and to execute its deed of trust to secure the payment of the same, as will appear hereinafter in greater detail.

Applicant supplies water to a portion of the City of Santa Rosa and to a territory adjacent thereto within a radius of about one mile. Its system is a gravity system and its water is secured from the Alamos and Santa Rosa Creeks. Applicant's diverting dam is located about five miles east of Santa Rosa at the confluence of these two creeks, and its reservoir is located about two and one half miles east of the city. Applicant also pumps water into the reservoir from a spring located about one mile from the reservoir. The reservoir has a capacity of about two hundred and fifty million gallons. Applicant would increase the amount of water now developed by increasing the size of its diverting dam and reservoir, so as to conserve winter waters which now go to waste. Within the City of Santa Rosa applicant is in competition with a municipally owned water plant. The city secures its water by pumping from wells located in a flat basin some one to one and one half miles distant

and supplies water to its inhabitants in the amount of ten thousand gallons per month free, with a charge for water consumed in excess of this amount. The city has at least twice as many consumers as applicant has within the city limits, but applicant supplies most of the heavy consumers within the city and has the rapidly growing outside territory to itself. Applicant claims that the city cannot readily develop more water and that after a period of severe competition with the municipally owned plant, applicant's position has become stable and its credit improved to the extent that it can now borrow money for six per cent instead of seven or eight, as heretofore.

Applicant was incorporated on February 27, 1873, with an authorized capital stock of one hundred thousand (\$100,000) dollars, divided into one thousand (1000) shares of the par value of one hundred (\$100) dollars each, of which amount thirty five thousand (\$35,000) dollars was subscribed at the time of incorporation. In 1878 the amount of authorized capital stock was increased to two hundred and fifty thousand (\$250,000) dollars, divided into two thousand five hundred (2500) shares of the par value of one hundred (\$100) dollars each. The stockholders at the time of the increased authorization turned their certificates back to the company and received in return each his pro rata proportion of the increased capital stock without the payment of additional consideration. All of the authorized capital stock is now issued and outstanding. Applicant does not claim that its property is worth the full par value of the issued stock, but alleges that the value of its original property with such extensions and improvements as have been made subsequently thereto, less amounts charged off to replacements, was on August 17, 1912, the sum of \$206,812.89. The Commission has not investigated the value of applicant's property.

For the last fifteen years applicant has paid no dividends. Such surplus as was accumulated during this period has gone back into the property for extensions and improvements. The profit and loss accounts of applicant, filed with this Commission, show a net profit of \$3,402.57 for the year ending December 31, 1910 and of

\$4,021.27 for the year ending December 31, 1911. Applicant has no bonded indebtedness and no mortgage or deed of trust. Its only indebtedness, apart from the usual running expenses, is evidenced by promissory notes in the amount of \$48,000, which notes applicant now desires to refund.

These notes are as follows:

1. Note held by Salah Chamberlain, dated March 13, 1902, in the amount of \$38,000, with interest at 8%.
2. Note held by I. J. McDonald, dated July 21, 1908, in the amount of \$2,000, with interest at 7%.
3. Note held by Santa Rosa National Bank, dated June 1, 1910, in the amount of \$7,000, with interest at 7%.
4. Note held by Santa Rosa National Bank, dated December 13, 1911, in the amount of \$1,000, with interest at 7%.

These notes are all due and payable. Applicant alleges that their proceeds were used in building conduits, elevating dam at reservoir site, purchasing water rights and extending its distributing system and not for purposes properly chargeable to operating expenses or to maintenance.

Applicant now desires to refund these obligations by issuing new promissory notes, to run for five years, in the amount of \$48,000 and to secure the same by a deed of trust to Union Trust-Savings Bank, of Santa Rosa, conveying all of applicant's real estate, machinery, pipe lines and water rights. A copy of the proposed deed of trust is attached to the petition and marked "Exhibit B." Applicant has made arrangements to secure this money at 6% interest, thus effecting a material saving in its annual interest payments. For the year ending December 31, 1911, applicant's total revenue was \$14,815.65, of which amount \$4021.27 is represented to be net gain, credited to surplus. Applicant has made no deductions for depreciation but when replacements are made, charges the entire replacement to operating expenses.. In view of the showing as to net

gain and of the other facts herein set forth there would seem to be no reasonable doubt of applicant's ability to meet the interest payments on the notes now proposed to be issued and to set aside a sinking fund for their redemption. The arrangement is one obviously to the advantage of applicant without any corresponding disadvantage to the rate paying public. I find that public convenience and necessity will be served by the grant of this application and recommend that it be granted.

I submit herewith the following form of order:

O R D E R.

SANTA ROSA WATER WORKS having applied to this Commission for an order authorizing it to execute its promissory notes in the aggregate amount of \$48,000, to be secured by its deed of trust to Union Trust-Savings Bank, of Santa Rosa, the proceeds of said notes to be used to refund present outstanding obligations, as will hereinafter appear with greater particularity, and a public hearing having been held upon said application and this Commission finding that said purpose is not reasonably chargeable to operating expenses or to income,

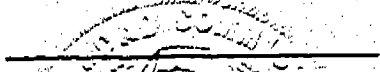
IT IS HEREBY ORDERED that SANTA ROSA WATER WORKS be and the same is hereby authorized to issue its promissory notes, payable five years from date, in the aggregate amount of \$48,000, and to secure the same by a deed of trust to Union Trust-Savings Bank, of Santa Rosa, conveying all of applicant's real estate, machinery, pipe lines and water rights, on the trusts therein specified, said deed of trust to be substantially in the form attached to the petition in this proceeding and marked "Exhibit B," on the following conditions and not otherwise, to-wit:

1. Applicant shall issue its said notes for not less than their face value and the interest thereon shall not exceed six (6) per cent per annum.

2. The proceeds from said notes shall be used only for the discharge or refunding of applicant's obligations as follows:
- (1) Note held by Selah Chamberlain, dated March 13, 1902, in the amount of \$58,000, with interest at 8%.
  - (2) Note held by I. J. McDonald, dated July 21, 1908, in the amount of \$2,000, with interest at 7%.
  - (3) Note held by Santa Rosa National Bank, dated June 1, 1910, in the amount of \$7,000, with interest at 7%.
  - (4) Note held by Santa Rosa National Bank, dated December 13, 1911, in the amount of \$1,000, with interest at 7%.
3. Applicant shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the promissory notes hereby authorized to be issued and on or before the twenty-fifth day of each month applicant shall make verified reports to this Commission stating the disposition of said notes during the previous month, the moneys realized therefrom and the use and application of said moneys, all in accordance with this Commission's General Order No. 24, which, in so far as applicable, is made a part of this order.
4. The authority hereby given to issue promissory notes shall apply only to notes issued by applicant on or before the thirtieth day of June, 1913.

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 12th day of September, 1912.

  
*Max Theiler*  
*Edwin O. Edgerton*  
Commissioners. 200