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Decision Number 5674

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of EAST BAY WATER COMPANY, a corporation, for an order authoriz- ing the issue of notes.	) ) ) )	Application No. 3980.
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McKee and Tasheira, by A. G. Tasheira, for applicant.

LOVELAND, Commissioner.

O P I N I O N

EAST BAY WATER COMPANY asks authority to execute a collateral trust agreement defining the terms and conditions under which it may issue \$1,250,000.00 of 5-year 6 per cent notes payable August 1, 1923; to issue said notes and to secure the payment of said notes by pledging bonds in such an amount as will render the notes legal investments for savings banks under the California Bank Act.

By Decision Number 5072, dated January 28, 1918, the Railroad Commission authorized applicant to issue \$462,000.00 of its 5-1/2 per cent bonds at not less than 94 per cent of their face value and accrued interest and to use the proceeds to reimburse its treasury. By Decision Number 5279, dated April 5, 1918, the Railroad Commission authorized applicant to issue \$218,084.71 of its 5-1/2 per cent bonds at not less than 94 per cent of their face value plus accrued interest and to use the proceeds to reimburse its treasury and after such reimbursement to pay in part \$220,000.00 of short term notes. By Decision Number 5281, dated April 5, 1918, as amended by Decision Number 5389, dated May 8, 1918; and by

Decision Number 5428 dated May 25, 1918, the Railroad Commission authorized applicant to issue \$900,000 of its 5-1/2 per cent bonds at not less than 92-1/2 per cent and to use the proceeds to finance in whole or in part its expenditures on the so-called San Pablo project from and after January 1, 1918, the expenditures on said project being set forth in an exhibit attached to the petition in Application Number 3506 and being reported at \$1,171,820. In lieu of selling \$900,000 of bonds, applicant was given permission to pledge the bonds to secure the payment of 1-year notes. The testimony in this proceeding shows that applicant has sold \$49,000 of the bonds referred to above and pledged \$255,000 to secure the payment of \$200,000 of 1-year notes.

Applicant being unable to sell its bonds at a reasonable price has concluded to create an issue of \$1,250,000 of 5-year 6 per cent notes. The notes are to be issued under an agreement which applicant proposes to execute to the Union Trust Company of San Francisco as trustee. The testimony shows that under the terms of this agreement, applicant will be obliged to deposit as collateral security for the payment of \$1,250,000 of 5-year 6 per cent notes, such an amount of its first mortgage bonds as will render the notes legal investments for savings banks under the Bank Act of the State of California, and that at no time shall the amount of bonds deposited as collateral be less than \$125 face value of bonds for each \$100 face value of notes issued.

Applicant has sold the notes for about 95-1/4 per cent of their face value plus accrued interest. It desires authority to use the proceeds for the same purposes for which the Commission authorized the use of the proceeds from the sale of the bonds referred to in Decisions Numbers 5072, 5279 and 5281, including the payment of the \$200,000 of 1-year notes referred to above. In the event that applicant will be able to sell any of the bonds which it proposes to deposit as collateral to secure the payment of the 5-year 6 per cent

notes, the proceeds obtained from the sale of such bonds will be used by it to redeem in whole or in part the 5-year 6 per cent notes.

I herewith submit the following form of Order:

O R D E R

EAST BAY WATER COMPANY having applied to the Railroad Commission for authority to execute a collateral trust agreement, to issue and pledge bonds, and to issue 5-year 6 per cent notes, payable August 1, 1923, as indicated in the foregoing Opinion, 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 of the notes is reasonably required for the purpose or purposes specified in the Order herein and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that East Bay Water Company be, and it is hereby, granted authority to issue \$1,250,000.00 of 5-year 6 per cent notes, payable August 1, 1923, and to issue and pledge as collateral security for the payment of such notes, first mortgage bonds at such ratio as will render such notes legal investments for savings banks under the Bank Act of the State of California/<sup>or</sup> at the ratio of \$125.00 face value of bonds, for each \$100.00 face value of notes issued.

The authority herein granted is granted upon the following conditions and not otherwise:-

1.-The notes herein authorized to be issued shall be sold by applicant for not less than 95-1/4 per cent of their face value plus accrued interest.

2.-The notes herein authorized shall not be issued until the Railroad Commission has, by supplemental order, approved the collateral trust agreement defining the terms and conditions under which the notes may be issued.

3.-The proceeds obtained from the sale of the notes herein authorized to be issued shall be used by applicant for the purposes indicated by the Commission in the Orders found in Decision Number 5072, dated January 28, 1918, in Decision Number 5279, dated April 5, 1918, and in Decision Number 5281, dated April 5, 1918, as amended by Decision Number 5389, dated May 8, 1918, and by Decision Number 5428, dated May 25, 1918, and to pay the \$200,000.00 of one year notes secured by the deposit of \$255,000.00 of bonds referred to in the foregoing Opinion.

4.-In the event that the company is able to sell any of the bonds herein authorized to be pledged, at not less than 92-1/2 per cent of their face value plus accrued interest the proceeds obtained from the sale of such bonds shall be used by applicant to redeem 5-year 6 per cent notes herein authorized to be issued, or for such other purposes as the Railroad Commission may authorize in a supplemental order.

5.-East Bay Water Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the issue of the notes herein authorized and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

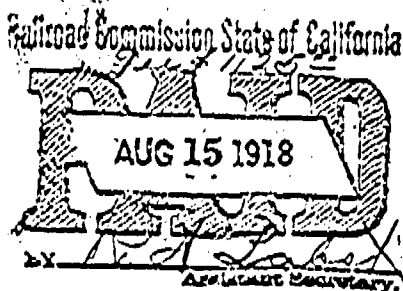
6.—On or before the twenty-fifth day of each month, applicant shall file with the Railroad Commission a report showing the progress made in the construction of its San Pablo project during the preceding month, a detailed statement of the expenditures during said month, and the amount paid thereon.

7.—The authority herein granted shall not become effective until East Bay Water Company has paid the fee specified in the Public Utilities Act.

8.—The authority herein granted shall apply only to such notes as shall be issued on or before December 15, 1918.

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 10<sup>th</sup> day of August, 1918.



*Edwin O. Edwards*  
*W. J. [Signature]*  
*Lee Gordon*

Commissioners.

See Dec. 10435  
for refunding. H.M.