

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SUTTER-BUTTE CANAL COMPANY, a cor- )  
 poration, for permission to sell re- )  
 funding six per cent sinking fund )  
 gold bonds having a face value of )  
 eight hundred/(\$800,000) dollars. )  
 thousand

Application No. 4272.

Corbet and Selby, for applicant.

DEVLIN, Commissioner.

O P I N I O N

SUTTER BUTTE CANAL COMPANY asks authority to execute a trust deed to secure the payment of \$800,000.00 face value of first refunding six per cent sinking fund twenty year gold bonds due March 1, 1939, and issue said bonds for the purposes hereinafter indicated.

Applicant reports as of October 31, 1918, the following interest bearing indebtedness:

Butte County Canal Company 5% bonds, due Oct. 1, 1929 .....	\$ 11,500.00
Sutter Butte Canal Company 6% bonds due March 1, 1931 .....	350,000.00
Three year 6% notes, maturing from Jan. 1, 1919 to Dec. 1, 1919	208,000.00
Notes Secured by Mortgages on real estate:	
(a)-The Rideout-Smith National Bank	7% ..... 4,000.00
(b)-Gridley Agency - The Rideout Bank	7% ..... 15,000.00
(c)-Gridley Agency- The Rideout Bank	6% ..... 5,500.00
(d)-Sacramento Valley Bank	6% ..... 2,067.84
Other notes payable:	
(e)-The Crocker National Bank	6% ..... 15,000.00
(f)-John S. Cook & Company, Bankers	7% ..... 20,000.00
(g)-Florence Johnson	7% ..... 15,000.00
(h)-Gridley Land & Irrigation Company	6% ..... 8,000.00
<b>Total interest bearing debt .....</b>	<b>\$654,067.84</b>

The testimony shows that applicant has paid no interest on its \$208,000.00 face value of three year notes. The accrued interest on these notes if not paid or refunded prior to maturity will amount to \$37,440.00. Since the three year notes have been issued the earnings of the company have been more than adequate to pay the interest on the notes. The holders have not insisted upon the payment of the interest and have permitted the company to invest in extensions and betterments, the moneys ordinarily used to pay interest. Under these circumstances the issue of bonds to pay and refund the accrued interest on the three year notes, resolves itself into the question of reimbursing the company's treasury for earnings expended for extensions and betterments. Adding the \$37,440.00 of interest to the principal, \$208,000.00 gives a total of \$245,440.00. The \$245,440.00 applicant intends to refund through the issue of its 6 per cent bonds at par. Obviously if any of the notes are refunded prior to maturity, only the interest accrued to the date the notes are refunded, should be added to the principal, and the amount of bonds issued reduced accordingly.

Applicant desires permission to issue a sufficient amount of its 6 per cent bonds at not less than 95, to pay or refund the \$11,500.00 of Butte Canal Company 5 per cent bonds and the \$350,000.00 of Sutter Butte Canal Company 6 per cent bonds. It is doubtful whether it is to the best interest of the company, at this time, to sell its bonds at 95 to pay or refund the \$350,000.00 of 6 per cent bonds due March 1, 1931. Certainly none of the bonds should be sold at 95, until the company has used its utmost efforts to refund the \$350,000.00 of bonds at par.

Bonds in the amount of \$75,000.00, applicant intends to issue and sell at not less than 85, and use the proceeds for the purpose of financing new construction. Gordon Hall, President of Sutter Butte Canal Company, testified that he was not able to advise the Commission of the exact purposes for which the proceeds from the

\$75,000.00 will be expended. For this reason the order herein will permit applicant to sell the \$75,000.00 of bonds forthwith, subject, to the condition that the proceeds be deposited in a special fund and expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders herein. This will enable applicant to sell its bonds if an opportunity presents itself. Attached to the supplemental petition for authority to expend the proceeds from the bonds should be a statement showing in detail the expenditures incurred or to be incurred which are to be financed through the issue of the \$75,000.00 of bonds.

✓ The remainder of the bonds, approximately \$100,000.00, applicant intends to sell at not less than 85 and use the proceeds to pay short term notes listed on a preceding page. The record shows that the notes were issued to finance the acquisition of property and the construction of extensions and betterments.

For a description of applicant's properties reference is here made to Decision Number 5227, dated March 25, 1918.

Applicant has filed a copy of its proposed deed of trust. The amount of bonds which it may issue under this instrument is limited to \$800,000.00. The trust deed does not appropriate a specific amount of bonds to refund the existing bonded indebtedness of Sutter-Butte Canal Company. The appropriation of bonds for this purpose is, however, covered by the petition herein and will be provided for in the Order.

Under the trust deed the company agrees to pay to the trustee on March 1, 1924, and annually thereafter to and including 1939, an amount equal to 2½ per cent of the aggregate amount of bonds then issued and outstanding. In the opinion of counsel these payments are in no way dependent upon the earnings of the company.

I herewith submit the following form of Order:

O R D E R.

SUTTER BUTTE CANAL COMPANY having applied to the Railroad Commission for authority to execute a trust deed and issue bonds, 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 such issue is reasonably required for the purpose or purposes specified in the order 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 Sutter Butte Canal Company be, and it is hereby, authorized to execute a trust deed substantially in the same form as the trust deed filed in this proceeding on December 19, 1918.

IT IS HEREBY FURTHER ORDERED that Sutter Butte Canal Company be, and it is hereby, granted authority to issue \$800,000 face value of its first refunding 6 per cent sinking fund 20-year gold bonds, payable March 1, 1939.

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

- 1.-- Of the bonds herein authorized to be issued, \$245,440, or such part of said \$245,440 as may be necessary, may be issued at not less than par for the purpose of paying or refunding the \$208,000 of three year notes and the interest accrued thereon, referred to in the foregoing Opinion.
- 2.-- Approximately \$380,000 of the bonds herein authorized to be issued, or such part of said \$380,000 as may be necessary, shall be used to pay or refund the \$11,500 of Sutter Butte Canal Company 5 per cent bonds due October 1, 1929, and the \$350,000 of Sutter Butte Canal Company bonds, due March 1, 1931, said \$380,000 of bonds to be sold for not less than 95 per cent of their face value, plus accrued interest, in the

event that the company is unable to refund at par its present bonded indebtedness through the issue of bonds herein authorized at par.

3.-- Bonds in the amount of \$75,000 herein authorized to be issued, may be sold by applicant for not less than 85 per cent of their face value, plus accrued interest, provided that the proceeds obtained from the sale of the \$75,000 of bonds, be deposited in a special fund and hereafter expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.

4.-- Approximately \$99,360 of bonds herein authorized to be issued, may be sold by applicant for not less than 85 per cent of their face value, plus accrued interest, and the proceeds used to pay all or a part of the following notes:

The Crocker National Bank,.....	\$15,000.00
John S. Cook & Company, Bankers,....	20,000.00
Florence Johnson, .....	15,000.00
Gridley Land & Irrigation Company,..	8,000.00
The Rideout-Smith National Bank,....	4,000.00
Gridley Agency - The Rideout Bank,..	15,000.00
Gridley Agency - The Rideout Bank,..	5,500.00
Sacramento Valley Bank,.....	2,067.84

5.-- The approval herein given of said trust deed is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust deed as to such other legal requirements to which said trust deed may be subject.

6.-- Sutter Butte Canal Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized, and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, and the use and application of such moneys, all in accordance

with this Commission's General Order No. 24, which Order, in so far as applicable, is made a part of this Order.

7.-The authority herein granted to issue bonds shall not become effective until applicant has paid the fee required by the Public Utilities Act.

8.-The authority herein granted shall apply only to such bonds as may be issued on or before <sup>December</sup> ~~November~~ 31, 1919. *H.M.*

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 28th day of December, 1918.

Edwin O. Edgerton  
W. H. ...  
...  
...

Commissioners.