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Decision No. 7062.

ORIGINAL

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 authori-)	
zing issue of bonds and issue of)	<u>Application No. 5212.</u>
Class "A" 6 per cent cumulative)	
preferred stock.)	

W.E. Creed, for applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

EAST BAY WATER COMPANY asks permission to issue \$1,652,339.00 of its 5½ per cent First Mortgage bonds due January 1, 1946, and \$406,221.00 of its Class "A" 6 per cent cumulative preferred stock.

Applicant reports that it has expended to November 1, 1919 on its San Pablo project the sum of \$2,124,151.81, which includes \$119,247.00 expended from January 1, 1918 to November 1, 1919, against which it issued no bonds. From November 1, 1919 to July 1, 1920, applicant estimates its expenditures on its San Pablo project at \$1,197,000.00, consisting of the following:-

Earth Fill - 1,230,000 yds. at 42 cents,.....	\$516,600.00
Wasteway at Dam (2),.....	120,000.00
Outlet tunnel and wildcat shaft -concrete lining, 5000 ft. at \$15.00,.....	75,000.00
San Pablo filters and pipe line,.....	385,000.00
Engineering and Incidental Expense,.....	<u>100,400.00</u>
Total,.....	1,197,000.00

For general construction, applicant reports an expenditure of \$784,678.55 from July 1, 1918 to November 1, 1919. From this expenditure, applicant deducts \$90,000.00 because of the investment of part of its Reserve for Accrued Depreciation and \$174,000.00 realized from the sale of lands, leaving \$490,678.55 against which it desires to issue bonds and stock.

From November 1, 1919 to July 1, 1920, applicant estimates its general construction expenditures at \$431,000.00, of which it intends to pay \$60,000.00 by investing part of its Reserve for Accrued Depreciation and \$100,000.00 through the sale of lands, leaving \$271,000.00 against which it asks permission to issue stock and bonds.

Under its mortgage, applicant may call upon the trustee to certify bonds "to aid in acquiring and providing for 80 per cent of the cost of betterments, improvements or extensions of the works of the company or acquisition of new property of the company". The \$1,662,339.00 of bonds which applicant desires to issue is equal to approximately 80% of the following expenditures incurred or to be incurred:-

Expenditures on San Pablo project from January 1, 1918 to November 1, 1919, against which no bonds have been issued,.....	\$119,247.00
Estimated expenditures on San Pablo project from November 1, 1919 to July 1, 1920,.....	1,197,000.00
General Construction Expenditures from July 1, 1918 to November 1, 1919,.....	490,678.55
Estimated General Construction Expenditures from November 1, 1919 to July 1, 1920,.....	<u>271,000.00</u>
Total,.....	\$2,077,925.55

The \$406,221.00 of stock which applicant asks permission to issue represents approximately 20 per cent of the following actual or estimated expenditures:-

Expenditures on San Pablo project from January 1, 1918 to November 1, 1919 against which no stock has been issued,.....	\$ 72,427.00
Estimated expenditures on San Pablo project from November 1, 1919 to July 1, 1920,.....	1,197,000.00
General Construction Expenditures from July 1, 1918 to November 1, 1919,.....	490,678.55
Estimated General Construction Expenditures from November 1, 1919 to July 1, 1920,.....	<u>271,000.00</u>
Total,.....	\$2,031,105.55

W.E. Creed, president of the East Bay Water Company, testified that, in his opinion, the sale of the stock and bonds herein referred to will enable applicant to fully finance its San Pablo project including filter plant, tunnels and all appurtenances.

Applicant asks authority to use the proceeds obtained from the sale of its bonds and stock to reimburse its treasury and finance the construction expenditures referred to in its petition. To carry forward its construction work, applicant has borrowed, as shown in its Exhibit No. 12, on short term notes the sum of \$1,013,132.39. This indebtedness, according to the record will be paid as and when applicant can sell the stock and bonds which the Commission may authorize it to issue and sell.

Applicant asks permission to sell its bonds at not less than 85 per cent of their face value plus accrued interest or, pending such sale, pledge them on ^{the} bank law basis. The Commission is not advised as to the term of the notes, for the payment of which, the bonds would be pledged, and therefore, the matter of pledging the bonds, if it should become necessary to do so, will have to be covered in a supplemental order in this proceeding.

I herewith submit the following form of Order.

O R D E R.

EAST BAY WATER COMPANY having applied to the Railroad Commission for permission to issue stock and 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 of purposes specified in this 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 EAST BAY WATER COMPANY be, and it is hereby, granted authority to issue not exceeding \$406,221.00 par value of its Class "A" 6 per cent cumulative preferred stock and not

exceeding \$1,662,339.00 of its 5½ per cent first mortgage bonds due January 1, 1946.

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

- 1.--The stock herein authorized to be issued shall be sold by applicant for cash at not less than \$78.00 per share, and the bonds for not less than 85 per cent of their face value plus accrued interest.
- 2.--The proceeds obtained through the sale of the stock and bonds herein authorized shall be used by applicant to reimburse its treasury for moneys actually expended from its income and not secured by or obtained from the issue of stock, bonds, notes or other evidences of indebtedness, -said moneys having been paid out in the construction expenditures shown in the schedules attached to the petition, and to provide applicant with funds for the construction, extension and improvement of its facilities, more specifically set forth in the schedules attached to the petition herein.
- 3.--East Bay Water Company shall keep such record of the issue and sale of the stock and 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.

4.-- The authority herein granted to issue bonds will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5.-- The authority herein granted will apply only to such stock and bonds as may be issued and sold prior to November 30, 1920.

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 27th day of January, 1920.

Edwin O. Egerton

H. L. Loveland

H. V. Boudige

Dr. J. M. ...

Commissioners.

