

money necessary to pay the outstanding notes, will be obtained through the sale of securities held as investments.

Attached to the application and marked "Exhibit A" is a copy of the proposed collateral trust agreement under which the \$2,500,000. of notes are to be issued. In this agreement the company covenants that it will at all times keep on deposit with the Trustee such an amount of its general mortgage 4% bonds as will permit the Superintendent of Banks of California to declare the notes legal investment for Savings Banks. The \$3,250,000. of bonds which applicant asks permission to pledge forthwith is more than sufficient to have the notes declared legal investments for Savings Banks in so far as the market price of the bonds is a determining factor, but some margin should be allowed to cover a possible decline in the market price of applicant's bonds. While I am willing to recommend that applicant be permitted to execute a collateral trust agreement substantially in the same form as that filed in this proceeding, it should be understood that the approval of such recommendation by the Commission in no way commits the Commission to authorize the issue of more than \$3,250,000. of bonds as security for the payment of the \$2,500,000. of notes. If it should become necessary to deposit additional collateral, the matter of issuing bonds for that purpose, will have to be taken up in a subsequent proceeding.

I herewith submit the following form of order:-

O R D E R

SPRING VALLEY WATER COMPANY, having applied to the Railroad Commission to execute a collateral trust agreement, to issue notes and bonds; a public hearing having been held; and the Railroad Commission being of the opinion that the money which applicant intends to obtain through the issue of the notes and bonds is reasonably required for the purpose herein stated, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income:

IT IS HEREBY ORDERED, that the Spring Valley Water Company be, and it is hereby authorized, to execute a collateral trust agreement, substantially in the same form as the collateral trust agreement attached to the petition herein and marked "Exhibit A":

IT IS HEREBY FURTHER ORDERED, that Spring Valley Water Company be and it is hereby authorized to issue the \$2,500,000. of three year 6% notes due March 1, 1923, referred to in said collateral trust agreement and to issue and pledge as security for the payment of said notes, \$3,250,000. of its general mortgage 4% bonds.

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

1. The notes herein authorized to be issued shall be sold by applicant for not less than 99% of their face value plus accrued interest, and the proceeds used to pay in part the \$3,600,000. of applicant's two year 6% notes due March 1, 1920 and referred to in the petition herein.

2. When all or any part of the notes herein authorized are paid, all or a proper proportion of the bonds pledged as collateral shall be returned to applicant's treasury, and thereafter issued by applicant only as authorized by the Commission.

3. The approval herein given of said collateral trust agreement 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 collateral trust agreement as to such other legal requirements to which said collateral trust agreement may be subject.

4. The authority herein granted to execute a collateral trust agreement shall not be interpreted as authorizing the issue and deposit of bonds in excess of \$3,250,000.00, it being understood that if it should become necessary to deposit additional bonds under the terms of said collateral trust agreement, the matter of issuing and depositing additional bonds will be taken up in a subsequent proceeding.

5. Spring Valley Water Company shall keep such record of the issue of the notes 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.

6. The authority herein granted will apply only to such collateral trust agreement as may be executed and to such notes and bonds as may be issued on or before June 1, 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 13th day of February, 1920.

Edwin O. Edgerton
H. D. Loveland
H. R. Bondige
Commissioners.