

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of SONOMA VALLEY WATER, LIGHT AND POWER COMPANY to issue bonds of the face value of \$30,000.

Application No. 755.

975

S. L. Bright for applicant.

THEBLEN, Commissioner.

OPINION.

This is an application of Sonoma Valley Water, Light and Power Company for authority to issue bonds of the face value of \$30,000, for the purposes hereinafter specified.

The applicant was incorporated under the laws of this State on December 15, 1910, with power to conduct different kinds of business, including the business of a water utility. The applicant's principal place of business is specified in the articles of incorporation as being El Verano, Sonoma County, California. Applicant supplies water to the people of El Verano and vicinity, and also to a portion of the people of Sonoma and vicinity. Applicant has one competitor in the city of Sonoma. Applicant derives its water in part from Kerrigan creek and in part from ^{an} artesian well in Sonoma, which flows at the rate of about 3500 gallons per hour. Applicant has at present about 105 customers, but claims that it has sufficient water to supply five times this number of customers. Applicant also claims that it will shortly enter into a contract to supply the town of Sonoma with water for fire protection, and that it is about to supply water to a number of new subdivisions which are being opened in the vicinity of its operations.

Applicant's capital stock, amounting to 100,000 shares of the par value of \$1.00 each, has all been issued, and is all held,

with the exception of a few shares to qualify directors, by Mr. S. L. Bright. The corporation has no bonded indebtedness. It owes \$9,497.00, as will hereinafter appear in greater detail. At present applicant has a monthly revenue of \$225.00 and a monthly operating expense of \$125.00.

Applicant claims to have spent some \$45,000 in the development of its plant within the last two or three years, and to own in addition to the plant, certain land and water rights which it estimates to be worth \$30,000. Of this amount, some \$10,000 represents the alleged value of water rights. It is not necessary in this application to pass on the question of the value of these water rights.

Applicant now desires to issue its first mortgage bonds of the face value of \$50,000, and to use the proceeds thereof partly for the purpose of paying outstanding obligations and partly for the purpose of new construction.

The outstanding obligations are as follows:

Cash advanced by International Mercantile & Bond Company, evidenced by applicant's note,	\$5,150.00
Due for water meters-----	360.00
Due for boring well-----	260.00
Due for pumps-and-dynamo-----	560.00
Due for experting books-----	200.00
Due for attorney's fees to date-----	2,150.00
Miscellaneous indebtedness-----	<u>297.00</u>
	\$9,497.00

Of the foregoing items, I find that all are proper capital expenditures except the item for experting books, which would seem to be more properly an operating expense. The attorney's fees were incurred in defending the title to certain of applicant's water rights, and while I do not desire to pass in this application on the question of whether such attorney's fees are, as a general rule, properly chargeable to capital account, they can be so charged

in this application without injury to the public, by reason of the very substantial margin between the value of the property and the amount of the bonds which it is intended to issue.

Applicant desires also to excavate the site of its present reservoir some two feet deeper and to line the reservoir with concrete; also to extend its pipe lines to serve new customers; also to dig another artesian well; and possibly to construct ~~the~~ a new dam across Kerrigan creek. Applicant estimates that the cost of this new construction work will amount to somewhat less than \$20,000, and that as the result of these improvements, it will be able to increase its gross revenue from \$225.00 per month to nearly \$1,000 per month, with but slight increase in operating expenses.

Applicant has made no definite arrangements for the issue of its bonds, but expects to have them bear interest at the rate of 6% per annum, and to set aside \$1,000 a year for a sinking fund. Applicant asks authority to issue its bonds so as to net applicant not less than 82 1/2% of the face value thereof, but applicant hopes to be able to sell the bonds so as to actually net 94% or 95% of their face value. These bonds will probably be taken by Mr Bright and personal friends. They will be secured by a first mortgage which will probably run to the First Federal Trust Company as trustee.

I find that the purposes for which the obligations of the applicant have been incurred (with the exception of the item for experting books) and also those for which applicant hereafter intends to incur indebtedness are all properly chargeable to capital account. I find that there will be an undoubted sufficient margin between the value of the property and the amount of bonds outstanding if the application is granted, and that there is a reasonable prospect of ability to meet interest and sinking fund payments on the bonds. I find further, that the development work which applicant intends to perform will be of advantage to the public in the territory served by applicant and believe that this work should be encouraged.

I recommend that the application be granted, subject to the conditions contained in the order, and submit herewith the following form of order:

ORDER.

SONOMA VALLEY WATER, LIGHT and POWER COMPANY having applied to the Railroad Commission for authority to issue its bonds of the face value of thirty thousand dollars (\$30,000), said bonds to bear interest at the rate of six (6) per cent per annum and to be secured by a first mortgage on all of said company's property, and a public hearing having been held upon said application, and the Commission finding that the moneys to be procured by the issue of said bonds are necessary and reasonably required by said Company for the discharge or lawful refunding of outstanding obligations and for the acquisition of property and the construction, completion, extension and improvement of its facilities, as will hereinafter appear in greater detail, and the Commission further finding that the purposes for which said moneys are to be used are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Sonoma Valley Water, Light and Power Company be and it is hereby authorized to issue its bonds of the face value of thirty thousand dollars (\$30,000), bearing interest at the rate of six (6) per cent per annum, on the following conditions and not otherwise, to-wit:

1. Sonoma Valley Water, Light and Power Company shall sell said bonds hereby authorized so as to net said company not less than eighty-two and one half (82½) per cent of the par value of the principal thereof.

2. The proceeds from the sale of said bonds shall be applied only to the following purposes, that is to say:

(a) For the discharge or refunding of obligations of the company, as follows:

Discharge of note to International Mercantile and Bond Company-----	\$5,150.00
Discharge of indebtedness for water meters,-----	360.00
Discharge of indebtedness for boring well,-----	250.00
Discharge of indebtedness for pumps and dynamo--	560.00
Discharge of indebtedness for attorney's fees,--	2,150.00
Discharge of miscellaneous indebtedness,-----	297.00

Total,-----	\$9,297.00

(b) For the acquisition of property and the construction, completion, extension and improvement of its facilities, including the excavation of the company's present reservoir and the lining of the same with concrete, the extension of pipe lines, the construction of an additional artesian well and the construction of a dam across Kerrigan creek, the proceeds remaining from the sale of said bonds after the foregoing obligations have been paid, not to exceed the sum of ----- \$13,000.00.

3. This order shall not become effective until Sonoma Valley Water, Light and Power Company shall have filed with this Commission a form of trust deed or mortgage, satisfactory to the Commission, to secure the issue of the bonds hereby authorized, and containing a form of said bonds.

4. Sonoma Valley Water, Light and Power Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the 25th day of each month the company shall make verified reports to the Commission, stating the sale or sales of said bonds during the previous month, the terms and conditions of sale, the moneys realized therefrom 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.

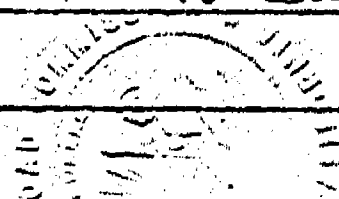
5. This order shall not become effective until the fee prescribed by Section 57 of the Public Utilities Act, as amended, shall have been paid.

6. This order shall apply only to bonds issued prior to October 1, 1914.

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 30th day of September, 1913.

John M. Eohleman



Mar. Thelen

Edwin O. Edgerton

Railroad Commission State of California
Fee \$ 30.00
OCT 2 1913
J. M. Mackenson
Assistant Secretary.