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Decision No. 9863.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
FRESNO CITY WATER CORPORATION )  
for an order authorizing it to make, )  
execute and deliver a certain inden- )  
ture of trust mortgage of its proper- )  
ty. )

Application No. 7363

In the Matter of the Application of )  
FRESNO CITY WATER CORPORATION )  
for an order authorizing the issue of )  
certain of its first and refunding )  
mortgage gold bonds. )

Application No. 7364

Murray Bourne for applicant.

ROWELL, Commissioner.

O P I N I O N

In Application No. 7363 FRESNO CITY WATER CORPORATION asks permission to execute a mortgage substantially in the same form as the amended mortgage filed in said application and marked Exhibit "A". Reference will hereafter be made to certain provisions of the mortgage.

In Application No. 7364 FRESNO CITY WATER CORPORATION asks permission to issue \$400,000.00 of 6-1/2 per cent. face value of "Series A" of 1956 first and refunding mortgage gold bonds to finance the cost of additions and betterments and to reimburse its treasury on account of earnings expended for such additions and betterments.

The two applications were consolidated for hearing and decision.

On February 10, 1920, the Railroad Commission by Decision No. 7107 (Vol. 17, Opinions and Orders of the Railroad Commission

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of California, pg. 770), authorized Fresno City Water Corporation to acquire the properties of Fresno City Water Company and to execute a mortgage securing the payment of a total issue of \$2,500,000.00 of first and refunding mortgage 6 per cent bonds due September 1, 1959. In that decision, the Commission also authorized applicant to issue \$250,000.00 of said bonds. The record in this proceeding shows that the company issued \$50,000.00 of the bonds at 85 and accrued interest. Thereafter, because of the advance in interest rates, applicant was unable to sell any additional 6 per cent. bonds, except at a large discount. Rather than sell the bonds at a large discount, the company deferred the issue and sale of any additional bonds. The testimony shows that applicant has re-acquired at 85 and accrued interest the \$50,000.00 of 6 per cent. bonds heretofore issued. It now proposes to execute a new mortgage which will permit of the issue of \$5,000,000.00 of bonds in series. Originally, applicant proposed to issue \$400,000.00 of 7 per cent. "Series A" of 1956 first and refunding mortgage bonds callable at 107 and accrued interest on or before November 1, 1931, and 105 and accrued interest thereafter. The issue of 7 per cent. bonds by applicant was questioned by W.C. Fankhauser in charge of the Commission's department of finance and accounts. Recently applicant advised the Commission that it had concluded to reduce the interest rate on the \$400,000.00 of bonds from 7 to 6-1/2 per cent, and that it now proposes to sell the 6-1/2 per cent. bonds at 98-1/2 and accrued interest, said bonds being non-callable for 15 years and thereafter at 105 and accrued interest. Amendments to the proposed mortgage to carry into effect the change in the interest rate have been filed by applicant.

Of the \$5,000,000.00 of bonds which may be issued under the proposed mortgage, \$235,000.00 are reserved to retire underlying bonds, \$400,000.00 may be issued forthwith and \$4,365,000.00 may be certified from time to time for the purpose of enabling applicant to

acquire additional properties or construct extensions, additions and betterments to its present properties. The \$4,365,000.00 of bonds may be certified in amounts not in excess of 75 per cent. of the actual money expended or of actual contracted liabilities incurred for the acquisition or construction of new properties, extensions, additions and betterments, provided among other things, that the net income of the company for the period of twelve consecutive calendar months out of the fourteen calendar months immediately preceding the month in which application for certification and delivery of bonds shall have been made has been at least equal to one and three quarter times the annual interest charges on the company's outstanding bonded indebtedness including the bonds which the trustee is asked to certify. Reference is here made to the mortgage for a more complete statement of the provisions under which bonds may be certified and issued and the terms and conditions under which the company proposes from time to time to issue the \$5,000,000.00 of bonds. The applications before the Commission cover only the issue of \$400,000.00 of the \$5,000,000.00 of bonds.

The authority herein granted to execute a mortgage securing the payment of an authorized issue of \$5,000,000.00 of bonds in no way carries with it permission to issue and sell or otherwise dispose of any of said bonds. The issue and disposition of the bonds is a matter separate and distinct from the execution of the mortgage.

Applicant, as of September 30, 1921, reports assets and liabilities as follows:

ASSET ACCOUNTS:

Fixed Capital, . . . . .	\$1,286,732.24
Sinking Fund, . . . . .	82,939.05
Treasury Securities, . . . . .	8,265.00
Cash, . . . . .	17,229.76
Materials and Supplies, . . . . .	22,642.32
Accounts Receivable, . . . . .	349.99
Prepayments, . . . . .	860.42
Bond Discount and Expense, . . . . .	10,235.92
Undistributed Disbursements, . . . . .	12,601.65

Total Asset Accounts, . . . . \$1,441,856.35

LIABILITY ACCOUNTS:

Capital Stock, . . . . .	\$ 350,000.00
Bonds, . . . . .	298,000.00
Notes Payable, . . . . .	108,462.26
Interest and Taxes Accrued, . . . . .	6,631.52
Accounts Payable, . . . . .	183,323.67
Reserves, . . . . .	220,623.85
Capital Surplus, . . . . .	222,169.82
Surplus, . . . . .	52,645.23

Total Liability Accounts, . . \$1,441,856.35

The item of "Fixed Capital", reported at \$1,286,732.24, includes \$344,985.20 representing franchises and water developments.

The \$298,000.00 of bonds, reported outstanding on September 30, 1921, includes \$74,500.00 of bonds in the sinking fund, \$4,000.00 re-purchased by the company and \$5,000.00 deposited with the New Amsterdam Casualty Company. The amount of bonds issued and in the hands of the public on September 30, 1921, was reported at \$214,500.00.

The testimony and record show that applicant and its predecessor, Fresno City Water Company, expended for extensions, additions and betterments from October 1, 1912 to September 30, 1921, the sum of \$562,549.29. Of these expenditures, \$22,074.01 have been financed through the issue of bonds under Decision No. 354, dated November 4, 1912, leaving a balance of \$540,475.28 against which no bonds have been issued. To pay for the extensions, additions and betterments, applicant has borrowed money through the issue of short term notes, has incurred indebtedness evidenced by accounts payable and has invested earnings.

Against the reported construction expenditures, of \$540,475.28, applicant proposes to issue \$400,000.00 of bonds. It asks permission to use the proceeds from the sale of the \$351,057.47 of bonds to pay current indebtedness and reimburse its treasury and use the proceeds from the remainder of the bonds to pay for extensions, additions and betterments installed after September 30, 1921. The order indicates the manner in which applicant may use the proceeds from the sale of its bonds.

I herewith submit the following form of Order.

O R D E R

FRESNO CITY WATER CORPORATION having applied to the Railroad Commission for permission to execute a mortgage and to issue \$400,000.00 of bonds, 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 such issue is reasonably required for the purpose or purposes specified in this order and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that FRESNO CITY WATER CORPORATION be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed in Application No. 7363 and marked Exhibit "A", as amended on December 12, 1921, provided —

THAT the authority herein granted to execute a mortgage is for the purpose of this proceeding only and is granted 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 mortgage as to such other

legal requirements to which said mortgage may be subject.

IT IS HEREBY FURTHER ORDERED, that FRESNO CITY WATER CORPORATION be, and it is hereby, authorized to issue \$400,000.00 of its "Series A of 1956" first and refunding 6-1/2 per cent. bonds, due November 1, 1956.

The authority herein granted is subject to further conditions as follows:-

- 1 - The bonds herein authorized to be issued shall be sold, for cash, at not less than 98-1/2 of their face value and accrued interest.
- 2 - The proceeds from the sale of approximately \$351,057.47 of bonds shall be used by applicant to finance in part the cost of the extensions, additions and betterments described in Exhibit "A" filed in Application No. 7364. Before using any of the proceeds from the sale of the \$351,057.47 of bonds to reimburse its treasury, applicant shall pay all of its notes and accounts payable incurred in connection with the construction of the extensions, additions and betterments described in said Exhibit "A". The proceeds remaining after the payment of said notes and accounts payable may be used by applicant to reimburse its treasury because of earnings expended to pay in part the cost of the extensions, additions and betterments reported in said Exhibit "A", provided that said proceeds be expended for extensions, additions and betterments properly chargeable to capital account under the uniform system of accounts prescribed by this Commission.

- 3 - The proceeds from the sale of \$48,942.53 of the bonds shall be expended only for such purposes as the Railroad Commission may hereafter authorize.
- 4 - Fresno City Water Corporation shall keep such record of the issue and sale of the 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.
- 5 - The authority herein granted will not become effective until applicant has paid the fee prescribed in Section 57 of the Public Utilities Act, which fee amounts to \$350.00.
- 6 - The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before April 1, 1922.

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 12<sup>th</sup> day of December, 1921.

*H. B. ...*

Fee \$350.00  
DEC 13 1921  
BY *H. M. ...*

*...*  
*...*  
Commissioners.