

Decision No. 28120

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
THE MONTEREY COUNTY WATER WORKS)
for (1) Order authorizing the mort-) Amended
gage of public utility properties,) Application No. 20,052
(2) Order authorizing issuance and)
sale of bonds.)

Bacigalupi, Elkus & Salinger, for applicant.

BY THE COMMISSION:

O P I N I O N

The Monterey County Water Works asks permission to issue at par \$650,000.00 of its first mortgage 3% bonds due October 1, 1937 to refund outstanding bonds, and to execute a trust indenture which will be a lien upon its properties to secure the payment of the bonds.

The Commission by Decision No. 16450 dated April 9, 1926 in Application No. 12385 authorized applicant to issue \$700,000.00 of its 6% thirty year bonds, due October 1, 1955. Exhibit "A" filed in this proceeding shows that as of May 31, 1935 there were \$635,500.00 of said bonds outstanding. It is of record that the bonds are redeemable on the first day of April and the first day of October of any year prior to maturity, and that they are now redeemable at 103-1/2% of the principal amount thereof. The notice of redemption must be given by publication and mailing. The publication of the notice of redemption shall be once a week for eight successive weeks, the first publication to be not less than sixty(60) days before the date of redemption. The company intends to redeem said \$635,500.00 of bonds on October 1, 1935.

For the purpose of refunding all of said \$635,500.00 of bonds applicant has created a new issue of bonds known and designated as its "First Mortgage Bonds", due October 1, 1937 with interest at the rate of three per cent (3%) per annum payable semi-annually, on the first day of October and the first day of April of each year. The bonds may be redeemed at the option of the company on the first day of any month, prior to maturity, at 101% of the principal amount thereof, upon thirty(30) days notice, as provided in the trust indenture.

The reason for the filing of this application at this time is set forth in paragraph six(6) of applicant's petition. Said paragraph reads-

"That applicant is one of several California public utility corporations, which in the immediate future it is proposed to form into a single California public utility corporation, and that one of the actions to be taken in effecting the formation of said single public utility will be the calling of all of applicant's bonds now outstanding and in order to effect the call most economically, the issuing of a new issue of bonds of applicant which bonds applicant in this application is requesting authority to issue; that funds resulting from the financing incident to said consolidation will not be available within a time which will permit calling on the 1st day of October, 1935, of applicant's bonds now outstanding, and if said bonds are not called as of that date, then applicant, or its successor the single public utility corporation, will suffer a substantial loss due to the fact that interest will be paid for a period of several months on applicant's bonds now outstanding and on the bonds to be issued by the single public utility corporation."

The transfer of the several properties to a new corporation and the issue of securities by such new corporation are matters that are not now before the Commission and we, of course, are not in any way passing upon them now.

Applicant has filed with the Commission a copy of its proposed trust indenture. We have no objection to the execution of said trust indenture, if it is modified as indicated in applicant's letter of July 12, 1935.

ORDER

The Monterey County Water Works having asked permission to issue \$660,000.00 of first mortgage bonds and execute a trust indenture to secure the payment of such bonds, the Commission having considered applicant's request and being of the opinion that this is not a matter on which a public hearing is necessary, that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required for the purpose specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. The Monterey County Water Works may execute a trust indenture substantially in the same form as the trust indenture filed in this proceeding on July 11th, 1935, as amended on July 13th, 1935, provided that the authority herein granted is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust indenture as to such other legal requirements to which said trust indenture may be subject.
2. The Monterey County Water Works may on or before November 1, 1935 issue at not less than par, \$660,000.00 of its first mortgage 3% bonds due October 1, 1937, and use the proceeds realized from the sale of such bonds to redeem its bonds now outstanding.
3. Within thirty (30) days after the execution of the trust indenture herein authorized to be executed, The Monterey County Water Works shall file with the Railroad Commission

a certified copy of said trust indenture.

4. The Monterey County Water Works shall keep such record of the issue, sale and delivery 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 16th day of July, 1935.

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W. A. Carr

M. B. Harris

Stanley E. Poling

Commissioners.