

Decision No. 32630

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

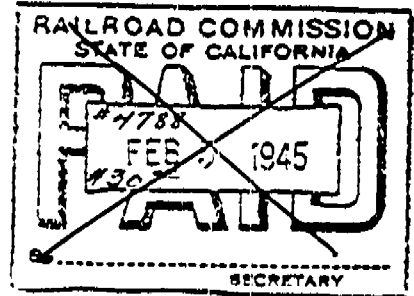
IN THE MATTER OF THE APPLICATION

OF

NORTH FORK DITCH COMPANY,
a corporation,

For an order authorizing it to
execute a note.

Application
No. 26498



BY THE COMMISSION:

O P I N I O N

North Fork Ditch Company asks permission to issue to C. W. Clarke Co., a corporation, a \$30,000, 6% note due December 31, 1947, for the purpose of extending and improving its public utility water system.

Applicant is engaged in the business of selling and distributing water for mining, agricultural and other purposes within portions of the counties of Placer and Sacramento, State of California.

Applicant has outstanding \$200,000 of capital stock, all of which, except \$500 represented by five shares held by directors, is owned by C. W. Clarke Co. Applicant is indebted

to C. W. Clarke Co. in the sum of \$210,000. This loan is represented by a 6% note issued in 1942 and due December 1, 1945. The payment of the note is secured by a mortgage which is a first lien on all of applicant's properties. It secures the payment not only of the \$210,000 note, but also such additional advances as may be made by the C. W. Clarke Co. Applicant alleges in its petition that the present value of its properties, exclusive of "water rights and growing business," is in excess of \$450,000.

Applicant, for the purpose of increasing the sale of water and the improvement of its service, proposes to expend \$30,167.07, segregated as follows:

a. Installation of canal and pipe line to provide domestic service in Rose Spring distribution area	\$7,858.67
b. Installation of extension of Rose Spring pipe system to connect with Cardwell pipe system	9,906.40
c. Replace Orangevale woodstave 28-inch pipe line with steel pipe line	<u>12,402.00</u>
Total.....	\$30,167.07

The extensions and improvements are described in greater detail in Exhibit "A." Their installation will make both domestic and irrigation water service available to about 1,440 acres of land now without irrigation or domestic water supply. The woodstave pipe to be replaced is about 38 years old and worn out. Its replacement will reduce maintenance cost and improve applicant's service.

The record in Application No. 24885 in which applicant asks permission to increase its rates shows that applicant's manager has made no attempt to refund its outstanding note at a rate of interest less than 6%. The same record shows that the counsel for applicant questions the use of a 5% interest rate in calculating the sinking fund depreciation annuity as being too high. He now urges that applicant be permitted to pay 6% interest on the new \$50,000 loan and states that applicant cannot control the interest rate because it is the lender's money. In this instance the lender also controls applicant corporation through the ownership of its outstanding stock and because of the presently outstanding note has a first mortgage lien on applicant's properties. It is common knowledge that interest rates have declined since 1941. The Commission's decisions show that a number of water utilities with smaller investment than that of applicant have been able to borrow money on a 5% interest rate. The Order herein will authorize applicant to issue the \$30,000 note, but fixes the interest rate at not to exceed 5% per annum, payable semi-annually.

O R D E R

North Fork Ditch Company having applied to the Commission for permission to issue a note in the principal sum of \$30,000, the Commission having considered applicant's request and it being of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be

procured or paid for by the issue of such note is reasonably required by applicant for the purposes herein stated, and that this application should be granted subject to the provisions of this Order, therefore,

IT IS HEREBY ORDERED that North Fork Ditch Company be, and it is hereby, authorized to issue on or before June 30, 1945, its promissory note in the principal sum of not exceeding \$30,000, bearing interest at the rate of not exceeding 5% per annum, payable semi-annually; said note, except for its maturity date and rate of interest to be in substantially the same form as the note filed in this application as Exhibit "D." North Fork Ditch Company shall use the proceeds realized through the issue of said note to pay, in part, the cost of the extensions and improvements described in Exhibit "A" on file in this application.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when North Fork Ditch Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Thirty (\$30.00) Dollars.

IT IS HEREBY FURTHER ORDERED that North Fork Ditch Company, if it exercises the authority herein granted, shall file with the Railroad Commission a report or reports such as are required by the Commission's General Order No. 24-A, which Order, in so far as applicable, is made a part of this Order, and shall also file with the Commission a copy of the note issued under the authority herein granted.

Dated at San Francisco, California, this 23rd day
of January, 1945.

Richard L. ...
Justice F. ...
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...
Commissioners

