

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA WATER COMPANY,
for an Order Authorizing It to Issue
and Sell \$300,000 Principal Amount
of Its First Mortgage Bonds, Series
B, to Provide Funds for Additional
Working Capital.

ORIGINAL

Application No. 23975

Paul Overton, for Applicant

BY THE COMMISSION:

O P I N I O N

Southern California Water Company asks permission to execute and deliver an indenture supplemental to its indenture of mortgage, dated March 1, 1940, and to issue and sell at 101½% of their face value, plus accrued interest, \$300,000 of first mortgage bonds, Series B, 3½%, due March 1, 1970, and use the proceeds to reimburse its treasury and pay in part the cost of additions and betterments to its properties to be constructed during 1941.

Southern California Water Company is engaged in distributing and supplying water in certain areas within the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento; in furnishing, distributing and

supplying electricity at Bear Valley, San Bernardino County; and in operating an ice plant at Barstow, San Bernardino County. Its 1940 operating revenues from its three activities amounted to \$1,303,310.98, segregated as follows:

Water operations	\$1,231,069.40
Electric operations	54,908.14
Ice operations	<u>17,333.44</u>
Total	<u>\$1,303,310.98</u>

Applicant's gross income, that is, the amount it had available for the payment of interest, dividends and surplus in 1941 amounted to \$418,956.73. The disposition of this sum is recorded on applicant's books as follows:

Interest on bonds and notes	\$151,794.65
Amortization of bond discount and expense	7,116.31
Other interest	994.80
Dividends on preferred stock	30,001.30
Dividends on common stock	154,830.00
Added to surplus	<u>74,219.67</u>
Total	<u>\$418,956.73</u>

Applicant has outstanding \$2,048,300 par value of stock, consisting of \$1,548,300 of common stock and \$500,000 of 6% preferred stock. It also has outstanding \$3,500,000 3-3/4% first mortgage bonds, due March 1, 1970 and \$440,000 of 2-3/4% serial notes.

Aside from the payment of operating expenses, interest payments, and payment of dividends, applicant estimates its 1941 financial requirements at \$655,000, distributed as follows:

Capital budget	\$550,000
Payment of serial notes	80,000
Payment of other notes	<u>25,000</u>
Total	<u>\$655,000</u>

Its gross construction expenditures for 1941 estimated at \$550,000 may be summarized as follows:

Water supply projects	\$120,000
Distribution system additions and betterments	315,500
New meters and services	75,000
Automobiles and trucks	12,000
Office equipment	7,500
Shop equipment	5,000
Additions and betterments to Bear Valley Electric System	<u>15,000</u>
Total	<u>\$550,000</u>

The record shows that fixed capital costing approximately \$125,000 will be retired during 1941. It is for the purpose of financing its 1941 construction expenditures and other capital obligations that applicant asks permission to issue \$300,000 of bonds. If these bonds are issued at the price indicated, it will have available funds to meet its 1941 requirements as follows:

Cash balance-January 1, 1941	\$336,064
Proceeds from sale of bonds	303,000
Cash from depreciation accruals	207,000
Retained earnings (estimated)	<u>100,000</u>
Total	<u>\$946,064</u>

On the basis of its estimated expenditures, its cash on hand on January 1, 1942 should be \$291,064 compared with \$336,064 on January 1, 1941. The testimony shows that applicant has need for the funds which it will realize from the sale of the \$300,000 of bonds.

Applicant's Board of Directors has passed an appropriate resolution creating the \$300,000 of Series B bonds. A proposed supplemental indenture providing for the issue of these bonds is on file in this proceeding. The \$300,000 of

bonds will be sold to The Equitable Life Assurance Society of the United States under an agreement on file in this proceeding.

Q R D E R

A public hearing having been held on the above entitled application before Examiner Fankhauser, and the Commission having considered the record in this proceeding and it being of the opinion that the money, property or labor to be procured or paid for by the issue of \$300,000 of first mortgage bonds, Series B, 3½%, due March 1, 1970, by Southern California Water Company, is reasonably required by said company for the purposes specified in this order, that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company may, after the effective date hereof and on or before June 30, 1941, execute a supplemental indenture to its indenture of mortgage, dated March 1, 1940, in substantially the same form as the first supplemental indenture on file in this proceeding, provided that the authority herein granted to execute said supplemental indenture 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 supplemental indenture as to such other

legal requirements to which said supplemental indenture may be subject.

2. Southern California Water Company may, after the effective date hereof and on or before June 30, 1941, issue and sell at 101½% of their face value and accrued interest \$300,000 of its first mortgage bonds, Series B, 3½%, due March 1, 1970, and use the proceeds from the sale of said bonds to reimburse its treasury because of income expended for additions and betterments, pay indebtedness, and in part pay the cost of its 1941 construction expenditures to which reference is made in Exhibit "C" filed in this proceeding.

3. The authority herein granted will become effective when Southern California Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Three Hundred (\$300.00) Dollars.

4. Southern California Water Company shall file with the Railroad Commission a copy of the "Summary Certificate and Computation of Net Bondable Additions" referred to in paragraph G of Section 25 of its indenture of mortgage, dated March 1, 1940, which it is required to file with the Trustee under said mortgage as a condition precedent to the authentication of said \$300,000 of bonds.

5. Within thirty (30) days after the execution of the first supplemental indenture herein authorized to be executed, Southern California Water Company shall file with the Railroad Commission two certified copies of said first supplemental indenture.

6. Southern California Water Company shall file

with the Railroad Commission such reports as are required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

^{Los Angeles}
Dated at ~~San Francisco~~, California, this 25th day of February, 1941.

[Signature]
Raymond J. Riley
Arthur J. Calmes
Francis R. Havenner
Commissioners.

\$300.00
RAILROAD COMMISSION
STATE OF CALIFORNIA
PAID
FEB 27 1941
[Signature]
SECRETARY