

Decision No. 38831

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

THE CAMPBELL WATER COMPANY

for an order authorizing it (a) to execute a bank loan agreement with American Trust Company for an aggregate loan of \$60,000 and (b) pursuant to said agreement, to issue and sell a \$50,000 unsecured 3-1/2% note for the purpose of paying \$26,000 aggregate principal amount of unsecured short term indebtedness and acquiring or constructing \$25,000 of capital additions or betterments.

Application
No. 27372

ORIGINAL

O P I N I O N

The Campbell Water Company, a corporation, has applied to the Railroad Commission for an order authorizing it to execute a bank loan agreement with American Trust Company and to issue an unsecured 3-1/2% note for \$50,000 for the purpose of paying indebtedness and of financing the cost of additions and betterments.

The application shows that The Campbell Water Company is engaged as a public utility in the distribution of water in and about Campbell, Santa Clara County. The corporation was organized on or about January 30, 1914, and thereafter, pursuant to authority granted by the Commission, issued 1,000 shares of common stock of the par value of \$25,000 to finance the cost of properties. A review of its financial reports shows that it has

issued no other shares of stock, nor bonds or other long term debt, and that it has financed the cost of extensions, additions and betterments through the use of surplus earnings and moneys represented by its reserve for depreciation and, temporarily, through the issue of short term notes. Its assets and liabilities, as of December 31, 1945, are reported as follows:

Assets

Fixed capital in service	\$143,870.62
Cash and special deposits	527.52
Due from consumers	1,730.75
Materials and supplies	<u>1,906.38</u>
Total assets	<u>\$148,035.27</u>

Liabilities

Capital stock - common	\$ 25,000.00
Notes payable	23,000.00
Accounts payable	5,528.30
Consumers' advances for construction	2,950.50
Donations in aid of construction	199.99
Reserve for accrued depreciation	51,185.92
Corporate surplus	<u>40,170.56</u>
Total liabilities	<u>\$148,035.27</u>

Since December 31, 1945, the company has borrowed additional sums and now reports outstanding short term notes of \$26,000, consisting of the following:

Payee	Date of Issue	Date Due	Rate of Int.	Amount
1st Nat. Bank of Los Gatos	June 1, 1945	June 1, 1946	5%	\$12,000.00
" " " " "	Feb. 2, 1946	Feb. 2, 1946	5%	1,000.00
" " " " "	Mar. 13, 1946	Sep. 13, 1946	5%	1,000.00
Ralph H. Hyde	Apr. 26, 1945	Apr. 26, 1946	5%	3,000.00
" " " " "	Dec. 3, 1945	Dec. 3, 1946	5%	2,000.00
" " " " "	Mar. 19, 1946	June 19, 1946	5%	1,000.00
Maud L. Hyde	Nov. 13, 1945	Nov. 13, 1946	5%	2,000.00
L.S. Miller & G.H. Miller	Sep. 4, 1945	Sep. 5, 1946	5%	2,000.00
" " " " "	Jul. 14, 1945	Jul. 14, 1946	5%	<u>2,000.00</u>
		Total		\$26,000.00

Applicant now desires to consolidate its outstanding notes and increase its total indebtedness in order to provide the cost of additions and betterments; To this end it proposes to execute a loan agreement with American Trust Company providing for the issue of notes in the aggregate sum of \$60,000, of which it proposes to issue, at this time, one note for \$50,000. The note will bear interest at the rate of 3-1/2% per annum, payable quarterly, and will be re-payable as follows:

\$ 2,000	on November 1, 1946
3,000	on November 1, 1947
3,000	on November 1, 1948
4,000	on November 1, 1949
4,000	on November 1, 1950
4,000	on November 1, 1951
5,000	on November 1, 1952
5,000	on November 1, 1953
5,000	on November 1, 1954
15,000	on November 1, 1955

The company reserves the right, at its option, on the date of payment of any of said installments, to prepay without penalty, in an amount not less than \$1,000 or any multiple thereof, all or any part of the principal amount of the note remaining unpaid; with interest on the amount so prepaid accrued to such date of prepayment. The principal amount of each prepayment shall be applied on the latest maturing installment of the note remaining unpaid at the time.

The loan agreement provides that subject to the terms and conditions set forth therein, applicant may borrow \$10,000 additional at any time prior to the maturity of the last installment of the \$50,000 note, but not thereafter, in one advance of \$10,000 or in one or more advances of \$1,000 or any multiple thereof, for the purpose of financing the cost of additions and

betterments acquired or constructed after January 1, 1946. The note, or notes, for \$10,000, if issued, shall mature on such date or dates, and shall bear such rate or rates of interest as shall be agreed upon at the time or times the loan is made. The issue of the additional note, or notes, for \$10,000, is subject to subsequent authorization by the Commission.

In issuing the \$50,000 note the company agrees to use \$26,000 of the proceeds to pay the presently outstanding short term notes and to use the remaining \$24,000 for the acquisition or construction of additions and betterments acquired or constructed after January 1, 1946. It reports presently estimated capital costs as follows:

New pump	\$ 1,876.40
New 6" mains - 4850 feet	8,487.50
Meter testing bench	250.00
Pipe hauling trailer	250.00
New pumping station:	
Pump, well, motor, connections	7,263.20
8" line to connect with system	2,037.20
1600' - 6" cast iron pipe	1,600.00
100 service connections	1,800.00
Various fittings	<u>250.00</u>
Total	<u>\$23,814.30</u>

The company has not sufficient cash on hand to pay for the improvements.

The company's reports to the Commission show active service connections at the end of 1943 of 873; at the end of 1944, of 907; and at the end of 1945, of 933. Its net additions to fixed capital amounted to \$1,217.30 in 1943; to \$17,948.33 in 1944; and to \$18,588.34 in 1945. Its revenues and expenses for the three years have been reported as follows:

	<u>1943</u>	<u>1944</u>	<u>1945</u>
Operating revenues	\$36,000.27	\$41,355.20	\$45,545.39
Deductions:			
Operating expenses	20,733.21	25,078.69	31,050.33
Taxes	1,806.11	3,724.80	3,821.16
Depreciation	4,129.71	4,415.18	5,211.59
Total	<u>26,669.03</u>	<u>33,218.67</u>	<u>40,083.08</u>
Net operating revenues	9,331.24	8,136.53	5,462.31
Interest, etc.	647.45	610.24	1,110.08
Profit for year	8,683.79	7,526.29	4,352.23
Dividends on stock	1,500.00	2,000.00	1,500.00

It appears that the company's assets and earnings are sufficient to support the proposed note issue.

O R D E R

The Campbell Water Company having applied to the Railroad Commission for permission to execute a loan agreement and to issue a note, and the Commission having considered the matter and being of the opinion that the requests of applicant should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said note is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. The Campbell Water Company, after the effective date hereof and on or before June 30, 1946, may execute a loan agreement in, or substantially in, the same form as the loan agreement filed in this proceeding as Exhibit "B".
2. The Campbell Water Company, after the effective date hereof and on or before June 30, 1946, may issue an unsecured 3-1/2% note in the principal amount of \$50,000, subject to

the provisions of said loan agreement, and use \$26,000 of the proceeds to pay presently outstanding short term notes and \$24,000 of the proceeds to finance in part the cost of additions and betterments to its plants and properties acquired or constructed after January 1, 1946.

3. The Campbell Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order, and shall file, within thirty (30) days after execution of the loan agreement, two (2) certified copies thereof.

4. The authority herein granted will become effective when The Campbell Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Fifty (\$50.00) Dollars.

Dated at San Francisco, California, this 9th day of April, 1946.

David Ruden
Justin F. Casper
Francis Brown
Harold F. Langel
Harold Kell
 Commissioners

