

Decision No. 41183

BEFORE THE PUBLIC UTILITIES 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 a loan of \$20,000, and (b) pursuant to said agreement, to issue a \$20,000 unsecured 4% note for the purpose of acquiring or constructing capital additions and betterments.

ORIGINAL

Application  
No. 29018

OPINION

This is an application for an order of the Public Utilities Commission authorizing The Campbell Water Company to execute a loan agreement with American Trust Company and to issue to said bank, pursuant thereto, an unsecured 4% promissory note in the principal amount of \$20,000 maturing in installments during the years 1948 to 1955, inclusive, for the purpose of financing the cost of plant additions.

Applicant is engaged in distributing water primarily for domestic and irrigation purposes in and about Campbell, Santa Clara County. It reports its revenues from the operation of its water system at \$45,545.39 during 1945, at \$44,749.49 during 1946, and at \$51,348.88 during 1947, with net profits of \$4,352.23 during 1945, of \$4,473.50 during 1946 and of \$6,305.84<sup>(1)</sup> during 1947. It reports service given to more than 1000 customers.

(1) Before provision for federal income and state franchise taxes for 1947 estimated at approximately \$1,440.

As of December 31, 1947, the company reports its net investment in plant at \$125,130.03 and in land at \$3,457.75, a total of \$128,587.78, which has been financed primarily through the issue of common stock, bank loans and the investment of earnings. In Exhibit "A" attached to the application it reports its assets and liabilities at the close of 1947, as follows:-

ASSETS

Cash on hand and in bank	\$3,233.33
Accounts receivable	1,613.52
Materials and supplies	2,440.62
Capital assets, less reserve for depreciation of \$60,942.08	125,130.03
Land	3,457.75
Total	<u>\$135,875.25</u>

LIABILITIES

Capital stock	\$25,000.00
Notes payable	45,000.00
Accounts payable	1,557.86
Deposits and advances	15,362.49
Surplus	48,954.90
Total	<u>\$135,875.25</u>

By Decision No. 28831, dated April 9, 1946, the Commission authorized applicant to execute a loan agreement with American Trust Company providing for a total credit of \$60,000 and to issue an unsecured 3 1/2% note in the principal amount of \$50,000 to pay outstanding indebtedness and to finance the cost of plant acquired or constructed since January 1, 1946. Pursuant to such authority the company entered into said agreement as of April 16, 1946, and borrowed \$50,000, of which it since has repaid \$5,000, leaving \$45,000 outstanding at this time. Said sum is payable in installments of \$3,000 on November 1, 1948, of \$4,000 on November 1 of each of the years 1949 to 1951, both inclusive, of \$5,000 on November 1 of each of the years 1952 to 1954, both inclusive, and the balance on November 1, 1955.

The company reports that the growth of its business makes it necessary for it to borrow the additional sum of \$20,000 to pay for additions to plant, and that accordingly it proposes to enter into a new agreement with American Trust Company whereby said bank will loan to it, on or before February 15, 1948, but not thereafter, the said sum of \$20,000 to be represented by an unsecured 4% note payable in installments of \$1,000 on November 1 of each of the years 1948 to 1951, both inclusive, of \$2,000 on November 1 of each of the years 1952 to 1954, both inclusive and of \$10,000 on November 1, 1955. As of the date upon which the company avails itself of the \$20,000 credit, the unused balance of \$10,000 under the agreement of April 16, 1946, will be canceled.

Under the terms of the new agreement the company will have the right, at its option, on the date of payment of any installment, to prepay without penalty, in an amount not less than \$1,000, or any multiple thereof, all or any part of the principal amount remaining unpaid. The principal amount of each prepayment shall be applied on the latest maturing installment of the \$20,000 note remaining unpaid at the time. The agreement further provides that so long as any part of the note remains unpaid, the company, among other things, will not, without the prior written consent of the bank, declare or pay any dividends on any stock now or hereafter authorized, issued or outstanding, except out of net earnings accrued subsequent to December 31, 1947, after making provision for all current installments of principal and interest under the agreement, and except dividends payable in common stock, or make any distribution on any of such stock or to its stockholders, directly or indirectly, by loan or otherwise, or purchase or redeem any shares of such stock for cash or property, or exchange bonds, notes or other evidences of indebtedness for any such shares.

The company proposes to use the proceeds to be received through the issue of the note to meet in part its capital requirements during 1948 and the early part of 1949 which are described as follows:

New 500,000 gallon tank fully installed	\$16,000.00
Enlarging capacity of Pump House No. 1	2,000.00
Net cost of replacing 5 inch and 4 inch mains on portion of Campbell Avenue with 8 inch main	4,000.00
Connecting line between Latimer Avenue and Campbell Avenue	<u>1,000.00</u>
Total estimated presently proposed additions	\$23,000.00

The excess of the cost of the proposed improvements over the proceeds from the new loan will be met with funds in applicant's treasury.

#### O R D E R

The Campbell Water Company having applied to the Public Utilities 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:

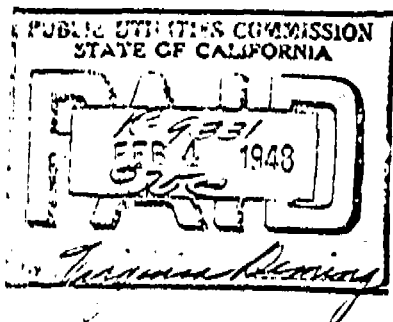
1. The Campbell Water Company, after the effective date hereof and on or before June 30, 1948, may execute a loan agreement in, or substantially in, the same form as the loan agreement filed in this proceeding as Exhibit "B".

2. The Campbell Water Company, after the effective date hereof and on or before June 30, 1948, may issue an unsecured 4% note in the principal amount of \$20,000, subject to the provisions of said loan agreement, and use the proceeds to finance in part the cost of additions and betterments to its plants and properties referred to in the preceding opinion.

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 minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars.

Dated at San Francisco, California, this 3<sup>rd</sup> day of February, 1948.



Justice F. Calver  
Harold A. Hub  
Samuel D. Potter