

ORIGINAL

Decision No. 41317

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
SOUTHERN CALIFORNIA WATER COMPANY)
for authority to issue and deliver)
its promissory notes representing)
bank loans not exceeding an aggre-)
gate of \$1,000,000 at any one time)
outstanding.)
-----)

Application
No. 29149

O P I N I O N

This is an application by Southern California Water Company for an order authorizing it to issue notes in the aggregate amount of not to exceed \$1,000,000 at any one time outstanding.

The application shows that Southern California Water Company is a public utility engaged, among other things, in the business of distributing and supplying water in certain areas in the Counties of Los Angeles, Orange, Ventura, San Bernardino, Imperial and Sacramento and of distributing and supplying electricity in Bear Valley, San Bernardino County. Its financial reports to the Commission show its operating revenues at \$1,968,448 in 1946 and at \$2,220,368 in 1947, and its gross income available for interest and other fixed charges, at \$450,859 in 1946 and at \$617,016.57 in 1947. It reports its assets and liabilities as of December 31, 1947, as follows:

Assets

Fixed capital		\$12,487,978.81
Other assets		99,521.71
Current assets -		
Cash and deposits	\$794,369.07	
Accounts receivable	170,592.53	
Materials and supplies	402,618.33	
Prepayments	<u>76,384.41</u>	
Total current assets		1,443,964.34
Deferred debits		<u>5,918.40</u>
	Total	<u>\$14,037,383.26</u>

Liabilities

Common stock		\$ 1,548,300.00
Preferred stock		1,600,000.00
First mortgage bonds		5,100,000.00
Current liabilities -		
Accounts payable	\$133,944.97	
Consumers' deposits	122,588.97	
Accrued liabilities	266,593.82	
Other current liabilities	<u>18,829.62</u>	
Total current liabilities		541,957.38
Consumers' advances for construction		619,541.96
Deferred credits		122,964.30
Reserve for depreciation		3,202,626.08
Other reserves		55,498.64
Donations in aid of construction		627,471.29
Capital surplus		162,018.75
Earned surplus		<u>457,004.86</u>
	Total	<u>\$14,037,383.26</u>

The outstanding first mortgage bonds are 2-7/8% bonds due 1977. The preferred stock includes 32,000 shares of 4-1/4% cumulative stock and 32,000 shares of 4% cumulative stock, all shares being of the par value of \$25 each. The outstanding common stock, as of December 31, 1947, consisted of 61,932 shares also of the par value of \$25 each. Dividends were paid on the common shares at the rate of 9.72% in 1946 and 1947.

In the present application the company reports the necessity for obtaining additional sums from the issue of securities to enable it to meet in part its 1948 capital require-

ments. Its capital budget attached to the application shows total estimated expenditures for the year of \$2,150,000, including \$400,000 for additional water supply capital, \$709,600 for distribution facilities, \$520,000 for extensions, meters and services for new business, \$150,000 for new acquisitions, \$220,000 for its electric system and \$150,400 for contingencies and miscellaneous purposes.

At this time the company plans to meet the proposed expenditures, in part, with moneys obtained from bank loans. To this end it has made arrangements for a loan agreement with California Bank and Harris Trust and Savings Bank whereby said banks will make moneys available to it in the aggregate amount of \$1,000,000 in the form of a revolving credit to be evidenced by notes expressed to mature on or before March 31, 1950, with the privilege granted the company to convert, not later than March 31, 1949, all or part of the principal amount then unpaid on the revolving credit notes, into a term loan payable in eight semi-annual installments.

Under the terms of the loan agreement the revolving credit may be drawn down by the company in its discretion from time to time, be repaid and used again up to December 31, 1948. Loans may be made in units of \$50,000 or multiples thereof and shall be evidenced by "Revolving Credit Notes" expressed to mature on or before March 31, 1950, and bearing interest prior to maturity at the rate of 2-1/4% per annum up to and including March 31, 1949, and at the rate of 3% per annum thereafter to maturity, and bearing interest at the rate of 5% per annum after maturity.

No borrowing may be made under the revolving credit after December 31, 1948. The company has the right, under the agreement, at any time during the period beginning January 1, 1949, and ending March 31, 1949, to convert the entire aggregate principal amount remaining unpaid on the revolving credit notes outstanding on the date of conversion, or so much thereof as it may desire, into a term loan, the amount so to be converted to be \$100,000 or some multiple thereof. The amount thus converted shall be evidenced by sixteen "Term Loan Notes" bearing interest at the rate of 3% per annum prior to maturity and at the rate of 5% per annum after maturity. One of said notes shall mature on the first day of July and January in each year, beginning with July 1, 1949, and ending with January 1, 1953.

The company agrees to pay a commitment fee for the period from January 1, 1948, up to and including December 31, 1948, (or, if the revolving credit is terminated in whole, then to and including such earlier termination date) at the rate of one-half of 1% per annum upon the average daily unused portion of the commitment for each bank in respect of the revolving credit, such fee to be payable quarterly on the first day of April, July and October, 1948, and January, 1949. The commitment fee for the final period shall be computed up to the close of business on December 31, 1948, or the earlier termination date if terminated in whole prior to said date.

A copy of the loan agreement containing a copy of the revolving credit notes and one of the term loan notes has been filed in this proceeding.

O R D E R

The Public Utilities Commission having considered the above entitled application and being of the opinion that a public hearing is not necessary, that the request of Southern California Water Company should be granted, as herein provided, and that the money, property or labor to be procured or paid for by said company through the issue of \$1,000,000 of notes 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. Southern California Water Company, after the effective date hereof and on or before December 31, 1948, may issue its revolving credit notes in the aggregate principal amount of not to exceed \$1,000,000 at any one time outstanding, said notes to be issued in the form and under the terms and conditions outlined in the loan agreement filed in this proceeding, which agreement applicant may enter into and execute.
2. Southern California Water Company, in accordance with the terms of said loan agreement, may, on or before March 31, 1949, issue term loan notes in an aggregate amount of not to exceed \$1,000,000 at any one time outstanding, to refund a like amount of revolving credit notes.
3. Southern California Water Company shall use the proceeds to be received through the issue of said \$1,000,000 of revolving credit notes to finance in part the cost of additions

to its plants and properties during 1948 or to reimburse its treasury for income heretofore expended for said additions.

4. Southern California Water Company, on or before June 30, 1948, shall file with the Commission two (2) copies of the loan agreement referred to herein as actually executed, and shall file with the Commission reports of the issue of the notes herein authorized and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. 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.

Dated at San Francisco, California, this 16th day of March, 1948.

R. J. Anderson
Justin F. Caswell
W. A. Howell
Harold D. Hale
Agnes M. Potter
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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