

Decision No. 42566

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
DEL ESTE WATER COMPANY, a corporation,	:	
for authorization to issue bonds and)	Application
execute a trust indenture encumbering	:	No. 30077
all of its property to secure the same.)	
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O P I N I O N

In this application, Del Este Water Company asks permission to execute a loan agreement with Continental Assurance Company, to issue \$200,000 of bonds pursuant to the terms of such loan agreement, and to execute a trust indenture to secure the payment of an authorized bond issue of \$400,000.

Applicant is a public utility water company engaged in the business of selling water and rendering water service for domestic, commercial, industrial and other uses in Stanislaus County, California. For 1948, applicant reports operating revenues of \$118,004.59 and a net income of \$22,339.42.

As of December 31, 1948, applicant reports assets and liabilities as follows:

<u>Assets</u>	
Fixed capital	\$502,178.98
Investments	1,025.55
Cash	7,408.78
Accounts receivable	5,693.10
Material and supplies	4,718.87
Prepaid insurance	<u>1,475.60</u>
Total assets	<u>\$522,500.88</u>

Liabilities

Capital stock	\$ 70,000.00
Notes payable	132,912.36
Accounts payable	10,147.23
Interest accrued	1,654.03
Services billed in advance	2,649.03
Consumers' donations for construction	94,005.53
Donations in aid of construction	35,279.87
Reserve for accrued depreciation	76,896.53
Corporate surplus	<u>98,956.30</u>
Total liabilities	<u>\$522,500.88</u>

Applicant, pursuant to the authority granted by Decision No. 39673, dated November 27, 1946, issued to American Trust Company its note for \$50,000. There is now due on the principal of this note the sum of \$39,987.51. Pursuant to the authority granted by Decision No. 40260, dated May 27, 1947, applicant issued to American Trust Company an additional note for \$50,000. On this note there is now due on the principal \$42,500. On May 19, 1948, applicant borrowed from the American Trust Company an additional sum of \$50,000, evidenced by its note payable November 19, 1948. The \$150,000 borrowed from the American Trust Company was used by applicant for the acquisition of property and for the construction, completion, extension and improvement of its facilities and for the discharge and lawful refunding of its obligations. On the three notes applicant now owes the American Trust Company the principal sum of \$132,487.51.

To be in a position to meet the demand for water service, applicant estimates that it should expend for the acquisition and construction of public utility water properties \$73,218.70, segregated as follows:

Well site and well at Waterford	\$ 7,450.00
Well site and well at Empire	9,450.00
Bystrom Avenue pumping plant	8,200.00
Additional pumping plant at Salida	9,200.00
Alta Vista pumping plant	<u>18,662.50</u>
Sub total	52,962.50
Add: 10% charge for superintendence and equipment	5,296.20
Transmission lines-East Modesto	10,800.00
Transmission lines-Waterford	2,800.00
10% charge for superintendence and equipment applicable to transmission lines	<u>1,360.00</u>
Total	<u>\$73,218.70</u>

For the purpose of paying its notes held by the American Trust Company and paying in part the cost of acquiring and constructing said properties, applicant asks permission to issue and sell to the Continental Assurance Company \$200,000 principal amount of its first mortgage bonds, 4-1/2% series of 1948. The bonds would be part of a \$400,000 authorized issue secured by a deed of trust which will be a lien on all of applicant's properties now owned or hereafter acquired. A copy of the proposed deed of trust is on file in this application as Exhibit "C", and a copy of the loan agreement as Exhibit "D". The interest on the bonds is payable semi-annually. The bonds mature December 1, 1968. Applicant agrees that it will pay to the trustee under the trust indenture, on the first day of December, 1949, and on the first day of each succeeding December so long as any of the 4-1/2% series of 1948 bonds are outstanding as a sinking fund, an amount equal to 3-3/4% of the maximum principal amount of bonds of the 4-1/2% series of 1948 which have been at any one time outstanding. The sinking fund payments will be used to redeem bonds without the payment of a premium. Applicant reserves the right to redeem all or any part of the bonds at its option upon giving the required notice, upon payment of the principal amount of the bonds and

accrued interest to the date of redemption and a premium of 4% of the principal of the bonds if redeemed on or before December 1, 1953, 3% if redeemed thereafter and on or prior to December 1, 1958, 2% if redeemed thereafter and on or prior to December 1, 1963, and 1% if redeemed thereafter and on or prior to December 1, 1968.

O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said \$200,000 of bonds by Del Este Water Company is reasonably required by said Del Este Water Company for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Del Este Water Company, after the effective date hereof and on or before April 30, 1949, may execute a trust indenture in, or substantially in, the same form as the trust indenture on file in this application as Exhibit "C".
2. Del Este Water Company, after the effective date hereof and on or before April 30, 1949, may issue and sell at their face value, \$200,000 principal amount of first mortgage bonds, 4-1/2% series of 1948, such sale to be made pursuant to the terms of the loan agreement on file in this application as Exhibit "D", which loan agreement Del Este Water Company may execute.

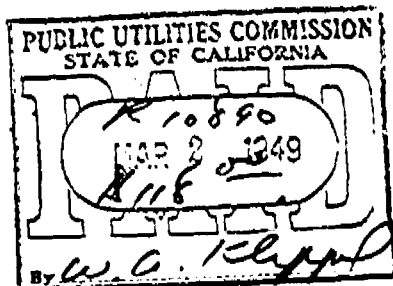
3. Del Este Water Company shall use the proceeds from the issue and sale of said \$200,000 of bonds to pay its notes due American Trust Company and to pay in part the cost of acquiring and constructing the properties referred to in the foregoing opinion.

4. The authority herein granted will become effective when Del Este Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred eighteen (\$118.00) dollars.

5. Del Este Water Company shall file with the Commission within thirty (30) days after the execution and delivery of said trust indenture, two (2) certified copies.

6. Del Este Water Company shall file with the Commission within thirty (30) days after the issue and sale of said \$200,000 of bonds, or any part thereof, a statement showing the amount of bonds issued and sold, to whom sold, the consideration received, and the amount of bond proceeds expended, stating the purpose thereof and the balance of bond proceeds on hand. Until the balance of said bond proceeds has been expended, Del Este Water Company shall file with the Commission monthly reports showing the purposes for which it expended the balance of said bond proceeds.

Dated at San Francisco, California, this 1st day of March, 1949.



R. T. Johnson
W. A. Klapp
Harold Field

Commissioners