

ORIGINAL

Decision No. 13150

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION

OF

CITIZENS DOMESTIC WATER COMPANY
FOR ORDER AUTHORIZING THE ISSUE
OF TRUST DEED NOTES UNDER THE
PROVISIONS OF SECTION 52 OF THE
PUBLIC UTILITIES ACT OF THE STATE
OF CALIFORNIA.

Application
No. 30468

Cosgrove, Clayton, Cramer & Diether,
by Samuel H. Rindge, for applicant.

O P I N I O N

In this application, the Public Utilities Commission is asked to make an order authorizing Citizens Domestic Water Company to execute a deed of trust and to issue, at this time, \$182,000 principal amount of First Deed of Trust 20-Year 5% Notes, Series A, for the purpose of refunding outstanding unsecured short-term notes of like amount.

Applicant is a California corporation engaged in operating a public utility water system in and about Arlington, Riverside County, California. Its annual reports to the Commission for the last five years contain the following data:

	<u>Operating Revenue</u>	<u>Net Income</u>	<u>Service Connections Dec. 31</u>	<u>Increase In Fixed Capital</u>
1944	\$26,000.33	\$4,247.56	761	\$ 7,375.80
1945	32,108.37	4,505.67	912	65,570.00
1946	39,107.84	4,402.47	1,110	47,396.19
1947	47,957.97	436.34	1,392	73,022.14
1948	56,155.26	5,453.54	1,619	19,612.65

For the five months ending May 31, 1949, applicant reports operating revenues of \$22,479.17 and a net loss of

\$1,243.88. It reports its assets and liabilities as of May 31, 1949, as follows:

<u>Assets</u>		
Current assets-		
Cash (credit balance)	\$ (662.78)	
Accounts receivable	4,973.53	
Materials and supplies	4,880.93	
Prepaid expense	<u>2,076.81</u>	
Total current assets		\$ 11,268.49
Fixed capital-		
Total investment	406,941.36	
Less-depreciation reserve	<u>131,193.30</u>	
Net investment		<u>275,748.06</u>
Total		<u>\$287,016.55</u>

<u>Liabilities</u>		
Current liabilities-		
Accounts payable	\$ 5,022.35	
Notes payable	184,000.00	
Accrued taxes	<u>6,149.63</u>	
Total current liabilities		\$195,171.98
Capital stock		70,500.00
Surplus		<u>21,344.57</u>
Total		<u>\$287,016.55</u>

The outstanding capital stock is reported held by Samuel K. Rindge and Agnes E. Rindge. The outstanding notes, since increased to \$188,000, consist of short-term, unsecured, 5% notes in favor of the same individuals. They were issued from time to time, the earliest note being dated March 8, 1945 and the latest, June 24, 1949. Applicant reports that the presently outstanding notes represent loans made to it to finance, in part, necessary plant additions. The purposes for which the loans were incurred are shown in Exhibit "C" as follows:-

Distribution reservoirs, tanks and stand pipes	\$ 51,586.81
Transmission mains	45,899.11
Distribution mains	64,981.72
Meters	<u>25,532.36</u>
Total	<u>\$188,000.00</u>

In addition, applicant estimates that within the next five years, it will be required to expend at least \$87,000 for plant additions as follows:

New reservoir	\$35,000.00
New well and/or wells and pipe lines	20,000.00
Transmission mains	15,000.00
Distribution mains	10,000.00
New office buildings	<u>7,000.00</u>
Total	<u>\$87,000.00</u>

Applicant desires authority to execute the deed of trust covered by the present application and to issue notes in order to refund its present unsecured notes, which are past due or will become due this year, and to finance the cost of additions to its plant. The proposed indenture will provide for a total authorized issue of \$275,000 of notes. Said notes are to be of such denomination or denominations, issued and dated at such time or times, and to contain such other provisions permitted by the deed of trust and as applicant's board of directors may determine as to each series, prior to their issue and delivery.

The initial notes to be issued under said deed of trust are to be designated as "First Deed of Trust 20-Year 5% Notes, Series A." Said notes will be dated as of July 1, 1949, will mature July 1, 1969 and will be subject to prepayment at applicant's option at 102% of face value plus accrued interest if prepaid prior to July 1, 1959, and at 101% of face value plus accrued interest if prepaid on or subsequent to July 1, 1959, but prior to the date of maturity. The notes of Series A will be issued in \$1,000 denominations and will be limited to the aggregate principal amount of \$188,000.

It is applicant's intention to issue said \$188,000 of Series A notes forthwith to the holders of its presently

outstanding unsecured notes which shall thereupon be surrendered and cancelled. It has made no contracts for the acquisition or construction of the estimated plant additions, to which reference has been made, or for the borrowing of funds to finance the same. Accordingly, it does not seek authority to issue at this time the remaining \$87,000 of notes provided by the terms of the deed of trust.

The order herein will authorize the execution of the deed of trust and the issue of \$188,000 of notes. The action taken herein should not be construed as an authorization to issue the remaining \$87,000 of notes provided in the deed of trust. If applicant desires to issue said \$87,000 of notes, or any part of them, it should file with the Commission a formal application for permission to do so, and obtain from the Commission an order authorizing the issue of said notes.

ORDER

Citizens Domestic Water Company having applied to the Public Utilities Commission for authority to execute a deed of trust and to issue notes in the principal amount of \$188,000, a public hearing having been held by Examiner Coleman and the Commission having considered the matter and being of the opinion that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said notes for \$188,000 is reasonably required by applicant for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Citizens Domestic Water Company, after the effective date hereof and on or before October 31, 1949, may execute a deed of trust in, or substantially in, the same form as that filed in this proceeding as Exhibit "D" and may issue its promissory notes in the aggregate amount of \$188,000 payable on or before July 1, 1969, with interest at the rate of 5% per annum, for the purpose of paying or refunding presently outstanding notes of like amount.

2. Citizens Domestic 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 a true and correct copy of the deed of trust executed under the authority hereby granted.

3. The authority herein granted will become effective when Citizens Domestic Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$188.00.

Dated at San Francisco, California, this 9th day of August 1949.

R. T. Johnson
J. S. Small
Wesley P. Patton
Commissioners

