

Decision No. 43564

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CONSERVATIVE WATER COMPANY,

a corporation, for authority to borrow
money and to execute a loan agreement.

Application
No. 30774

O P I N I O N

In this application, Conservative Water Company has applied to the Commission for permission to issue a promissory note in the principal amount of \$77,000.00 for the purpose of refunding outstanding indebtedness.

Conservative Water Company is a California corporation engaged in the business of distributing water for domestic use as a public utility in a portion of the City of Los Angeles, formerly the City of Watts, and in the territory adjacent thereto. In financial reports filed with the Commission it has reported its revenues and expenses as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Oper. Revenues</u>	<u>Non-Oper. Items, Net</u>	<u>Net Income</u>
1945	\$169,356	\$129,841	\$39,515	\$7,334	\$32,181
1946	182,075	150,537	31,538	7,113	24,425
1947	190,160	156,181	33,979	7,011	26,968
1948	198,005	186,687	11,318	5,992	5,326
1949 (9 mos.)	148,504	115,833	32,671	5,656	27,015

In Exhibit C attached to the present application, applicant's assets and liabilities as of October 1, 1949 are reported as follows:

ASSETS

Current assets -		
Cash and deposits	\$ 24,688.57	
Accounts receivable	41,838.77	
Materials and supplies	<u>6,800.89</u>	
Total current assets		\$ 73,328.23
Fixed capital		725,169.65
Miscellaneous investments		<u>15,438.56</u>
Total		<u>\$813,936.44</u>

LIABILITIES

Funded debt		\$ 74,000.00
Current liabilities -		
Audited vouchers	\$ 3,901.42	
Consumers' deposits	<u>2,794.28</u>	
Total current liabilities		6,695.70
Donations in aid of construction		59,814.93
Reserve for depreciation		410,032.73
Capital stock		100,000.00
Surplus		<u>163,393.08</u>
Total		<u>\$813,936.44</u>

The presently outstanding bonds are part of an original issue of \$235,000.00 of bonds heretofore issued under the authority granted by the Commission by Decision No. 12376 dated July 20, 1923, as amended, and by Decision No. 19204, dated January 3, 1928, as amended, in Application No. 9202. They are dated as of July 1, 1923, mature July 1, 1953 and bear interest at the rate of six (6%) per cent per annum. Applicant, at its option, may redeem all or any of said bonds on any interest payment date (January 1 and July 1 of each year) by depositing with the trustee at least thirty (30) days prior to the redemption date, a sum of money equal to the principal amount of the bonds together with accrued interest at the date of redemption and a premium of five (5%) percent of their face value.

Applicant now desires to redeem all of its outstanding bonds on January 1, 1950. It proposes to provide the cost thereof with cash on hand or on deposit with the trustee and through the

issue of a note for \$77,000.00 payable to Bank of America National Trust and Savings Association with interest at the rate of five (5%) percent per annum on deferred balances, the principal amount of the note to be payable in the sum of \$2,500.00 or more on April 1, 1950 and \$2,500 or more on the first day of each third month thereafter until January 1, 1955, on which date the entire balance of principal and interest then unpaid shall be due and payable. The company further agrees, under the terms of a loan agreement with the bank under which the proposed note will be issued, that on or before March 31, 1951, and each succeeding March 31 thereafter, it will pay to the bank an amount equal to fifty (50%) percent of its net profit (after provision for taxes) for the preceding fiscal year ending December 31st in excess of \$20,000.00, such amount to be applied to the payment of the note.

In view of the fact that applicant must deposit by December first with the trustee an amount sufficient to redeem said bonds, the authority granted by this decision will be made effective upon the date hereof.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, 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 a note in the principal amount of \$77,000.00 is reasonably required by Conservative Water Company for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Conservative Water Company, after the effective date hereof and on or before December 31, 1949, may execute a loan agreement with Bank of America National Trust and Savings Association in substantially the same form as that filed in this proceeding as Exhibit B, and may issue a note in the principal amount of not exceeding \$77,000.00, payable as indicated in the preceding opinion, for the purpose of financing in part the cost of redeeming its outstanding first mortgage bonds.

2. Applicant 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.

3. The authority herein granted is effective upon date hereof.

Dated at San Francisco, California this 29th day of November, 1949.

R. F. Indurain
Justus F. Calver
Leopold F. Howell
Harold P. Kilar
Herbert P. Potter
Commissioners