

Decision No. 43396

OFFICIAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
ofDEL ESTE WATER COMPANY, a
corporation,for authorization to issue bonds
and execute a trust indenture
incumbering all its property to
secure the same.Application
No. 30077
(First Supplemental)FIRST SUPPLEMENTAL OPINION

In the first supplemental application filed in the above entitled matter on January 30, 1950, Del Este Water Company requests authority to issue and sell, at par, \$50,000 of its First Mortgage Bonds, 4 $\frac{1}{2}$ % Series of 1948, due 1968 for the purpose of paying outstanding bank loans which had been incurred during 1949 to pay for additions to its plant.

Applicant is engaged in supplying water for domestic, commercial, industrial and other uses in Stanislaus County near Modesto. Its revenues and expenses for the last three years are shown in summary form as follows:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
Operating revenues	\$96,856.55	\$117,776.59	\$130,698.20
Operating expenses	<u>80,595.79</u>	<u>90,538.87</u>	<u>101,830.20</u>
Net operating revenues	<u>16,260.76</u>	<u>27,237.72</u>	<u>28,868.00</u>
Income account items-			
Interest	<u>(2,733.79)</u>	<u>(4,498.34)</u>	<u>(8,626.17)</u>
Other income items- net	<u>99.17</u>	<u>(399.96)</u>	<u>32.11</u>
Balance for year	<u>\$13,626.14</u>	<u>\$ 22,339.42</u>	<u>\$ 20,273.94</u>

In Exhibit D attached to the first supplemental application, the assets and liabilities of applicant, as of December 31, 1949, are reported as follows:

<u>Assets</u>		
Fixed capital		\$636,558.45
Work in progress		30,437.23
Other investments		1,025.55
Sinking fund		7,500.00
Current assets-		
Cash and deposits	\$10,979.55	
Notes and accounts receivable	6,368.57	
Materials and supplies	16,122.04	
Prepaid expenses	<u>3,377.75</u>	
Total current assets		36,847.91
Unamortized debt discount and expense		<u>4,708.23</u>
Total		<u>\$717,077.37</u>

<u>Liabilities</u>		
Capital stock		\$ 70,000.00
Funded debt		200,000.00
Current liabilities-		
Notes payable	\$65,000.00	
Accounts payable	11,700.86	
Consumers' deposits	573.60	
Accrued liabilities	3,690.94	
Service billed in advance	<u>3,287.13</u>	
Total current liabilities		84,252.53
Advances for construction		110,136.02
Donations for construction		37,671.87
Reserve for depreciation		97,099.21
Surplus		<u>117,917.74</u>
Total		<u>\$717,077.37</u>

Under authority granted by Decision No. 42566, dated March 1, 1949, applicant executed an Indenture and Chattel Mortgage and issued and sold to Continental Assurance Company, at par, \$200,000 of First Mortgage Bonds, 4½% Series of 1948, for the purpose of paying indebtedness and of financing the cost of acquiring and constructing additions to its water system. The indenture thus executed secures the payment of a total authorized issue of \$400,000 of bonds of which \$200,000, as stated, heretofore have been issued. Of the remaining bonds, \$50,000 face value may be issued as bonds of the 4½% Series of 1948 now outstanding and the balance shall bear such date, maturity, interest rate and other features as may be determined at the time of issue.

Applicant now desires to sell the remaining \$50,000 of the bonds, 4½% Series of 1948. It reports that during 1949 it

issued to American Trust Company its short-term, unsecured, 5% notes in the aggregate amount of \$65,000 for the purpose of financing in part the cost of acquiring property and of constructing, extending and improving its water facilities, as set forth in some detail in this proceeding, to meet demands for service. It proposes to liquidate a part of its notes with the proceeds to be received through the issue and sale of its bonds.

A review of the supplemental application indicates that applicant has need for the proceeds from the sale of its bonds to pay indebtedness and to improve its cash position.

FIRST SUPPLEMENTAL ORDER

Del Este Water Company, having applied to the Commission for authority to issue \$50,000 of bonds, the Commission having considered the matter and being of the opinion that a public hearing thereon is not necessary, that the request of applicant should be granted, as herein provided, that the money, property or labor to be procured or paid for through such issue is reasonably required 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. Del Este Water Company, after the effective date hereof and on or before June 30, 1950, may issue and sell at par for cash \$50,000 of its First Mortgage Bonds, 4 $\frac{1}{2}$ % Series of 1948, and use the proceeds to pay outstanding bank loans.

2. Del Este 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.

3. 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 \$50.00.

Dated at San Francisco, California, this 14 day of February 1950.

R. E. Johnson
Justin J. Casper
Robert L. ...
Harold P. ...
Kenneth H. ...
Commissioners

