

ORIGINAL

Decision No. 43976

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of WHITTIER WATER COMPANY, a cor- )  
poration, for authority to issue )  
notes. )  
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Application  
No. 31105

O P I N I O N

Whittier Water Company has filed this application for authority to execute a loan agreement with Pacific Mutual Life Insurance Company, to execute a mortgage and to issue notes in the aggregate principal amount of \$250,000 for the purpose of paying indebtedness and of financing the cost of additions to its properties.

Applicant is engaged in the operation of a public utility water system in Los Angeles County in territory generally adjacent to the City of Whittier. Its annual reports to the Commission for the last three years show the following:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
Operating revenues	\$56,423	\$64,987	\$70,288
Operating expenses	<u>50,174</u>	<u>56,078</u>	<u>64,758</u>
Net operating revenues	<u>\$ 6,249</u>	<u>\$ 8,909</u>	<u>\$ 5,530</u>
Active service connections	1,275	1,378	2,068

As of December 31, 1949, applicant reports its assets and liabilities as follows:

Assets

Fixed capital		\$489,530.93
Miscellaneous investments		9,949.40
Current assets -		
Cash	\$ 1,353.31	
Accounts receivable	11,790.08	
Materials and supplies	5,295.02	
Prepaid expenses	<u>2,694.89</u>	
Total current assets		<u>21,133.30</u>
Total		<u>\$520,613.63</u>

Liabilities

Capital stock		\$150,000.00
Current liabilities -		
Bank loans	\$30,500.00	
Note for equipment	706.70	
Note for reservoir	7,021.44	
Wages payable	2,072.78	
Consumers' deposits	1,727.99	
Accounts payable	41,337.30	
Taxes accrued and payable	<u>3,306.28</u>	
Total current liabilities		86,672.49
Consumers' advances for construction		82,680.94
Donations in aid of construction		2,650.00
Reserve for depreciation		147,691.89
Other reserves		576.37
Corporate surplus		<u>50,341.94</u>
Total		<u>\$520,613.63</u>

Applicant now desires to pay a substantial portion of its current obligations and to make provision for financing the cost of improvements and additions to its plants and properties. Subject to receiving permission from the Commission, it proposes to enter into a loan agreement with Pacific Mutual Life Insurance Company under the terms of which it would borrow an aggregate amount of \$250,000. It proposes to borrow \$150,000 forthwith and to draw down the remaining \$100,000 on or before January 1, 1952, in multiples

of not less than \$25,000 each, for the following purposes:

1. Initial loan:

To pay bank loans	\$ 30,500.00
To pay accounts payable	41,337.30
To effect major improvements to its plants and properties set forth in Exhibit D attached to the application	57,200.00
To pay for service connections for 420 lots upon which residential construction is to commence immediately, and to pay fees and expenses in connection with the loan agreement	<u>20,962.70</u>

Total \$150,000.00

2. Subsequent loan:

To pay for service connections for 224 lots	\$ 11,000.00
To pay note issued for reservoir (balance of \$7,021.44)	6,000.00
To construct, acquire and develop well facilities	24,500.00
To provide main installation, service lines and meters for an additional 1,100 lots upon which residential construction is expected to be commenced within the next twelve months	<u>58,500.00</u>

Total \$100,000.00

The sums to be thus borrowed will be represented by notes maturing January 1, 1970, and bearing interest at the rate of 3-3/4% per annum. Payment of the notes will be secured by a mortgage of chattels and of real property.

Under the terms of the proposed mortgage applicant will agree, among other things, that it will spend each year beginning with 1950, for permanent additions to property or for the retirement of indebtedness represented by said notes, an amount equal to the yearly amount of depreciation taken by it, and in addition will pay into a sinking fund on January 1, 1952, and on January 1 of each year thereafter while any part of the loan remains unpaid, an

amount equal to 2-1/2% of the maximum amount of the loan at any time outstanding. Prepayment of notes through the operation of the depreciation and sinking funds will be without premium. Applicant, at its option, may make additional prepayments subject to a premium of 4% if made prior to January 1, 1951, and at a premium to be successively reduced by 1/5 of 1% on January 1, 1951, and on January 1 of each year thereafter.

A review of this application indicates that applicant has need for the funds to be obtained through the issue of the notes to improve its cash position and to extend its facilities to meet increasing demands for service.

#### 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 \$250,000 of notes is reasonably required by Whittier Water Company for the purposes specified herein,

IT IS HEREBY ORDERED as follows:

1. Whittier Water Company, after the effective date hereof, may enter into a loan agreement with Pacific Mutual Life Insurance Company and may execute a mortgage, which loan agreement and mortgage shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit B.

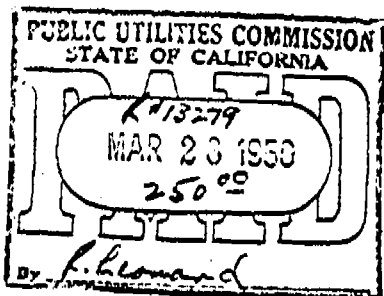
2. Whittier Water Company, after the effective date hereof and on or before January 1, 1952, may issue its note, or notes, in the aggregate principal amount of \$250,000 under the terms set forth in this application.

3. Whittier Water Company shall use the proceeds to be received through the issue of said notes for the purposes indicated in the foregoing opinion or for such other purposes as the Commission may authorize in supplemental orders.

4. Whittier Water Company shall file with the Commission a copy of the loan agreement, a copy of the mortgage and a copy of each note as actually executed under the authority herein granted, such filings to be made within thirty (30) days after the date of each of said instruments, and shall file monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted to issue notes and to execute a mortgage will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is two hundred fifty (\$250.00) dollars. All other authority is effective upon the date hereof.

Dated at San Francisco, California, this 28<sup>th</sup> day of March, 1950.



*R. J. Anderson*  
*Arthur J. Galen*  
*Robert L. Wallace*  
*Harold A. Hula*

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioners