

ORIGINAL

Decision No. 44080

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PALOS VERDES WATER COMPANY, a)
 California corporation, for per-)
 mission to borrow money and to issue) Application
 its Promissory Notes in evidence of) No. 31272
 said indebtedness, secured by a mort-)
 gage on substantially all of its real)
 and personal property.)
 -----)

O P I N I O N

Palos Verdes Water Company has made this application to the Commission for authority to enter into a loan agreement with Pacific Mutual Life Insurance Company, to borrow the sum of not to exceed \$300,000, to execute and deliver its promissory note, or notes, and to execute a mortgage. The application is made for the purpose of providing the cost of improvements and additions to applicant's properties and for the improvement and maintenance of its service.

Applicant is a corporation engaged in distributing water for domestic use in the Palos Verdes Hills in Los Angeles County. The following data from its financial reports on file with the Commission are indicative of the extent and growth of its operations during the last five years:

	<u>Plant Dec. 31</u>	<u>Operating Revenues</u>	<u>Net Oper. Revenues</u>	<u>Service Connections</u>
1945	\$581,228	\$ 49,604	\$(14,663)	599
1946	591,222	55,090	(11,454)	637
1947	701,443	70,208	17,532	743
1948	798,254	89,978	9,960	929
1949	851,572	126,419	9,706	1,185

In this proceeding, applicant reports its assets and liabilities, as of January 31, 1950, as follows:

Assets

Fixed capital -			
Intangible capital		\$	4,380.05
Land			24,237.46
Buildings and equipment	\$823,478.94		
Less-depreciation reserve	<u>286,661.57</u>	536,817.37	
Work in progress		<u>15,325.95</u>	
Total fixed capital			\$580,760.83
Other investments			6,477.68
Current assets -			
Cash and deposits			26,201.82
Accounts receivable			7,846.60
Materials and supplies			37,004.10
Prepaid expenses		<u>4,323.59</u>	
Total current assets			<u>75,376.11</u>
	Total		<u>\$662,614.62</u>

Liabilities

Trust deed		\$	2,552.45
Current liabilities -			
Accounts payable	\$	2,911.03	
Taxes and insurance		4,200.66	
Customers' deposits		<u>1,070.00</u>	
Total current liabilities			8,181.69
Consumers' advances for construction			202,389.50
Donations in aid of construction			77,860.26
Other liabilities			178.85
Capital stock			<u>506,700.00</u>
Deficit			<u>(135,248.13)</u>
	Total		<u>\$662,614.62</u>

Applicant reports that it has need for \$300,000 to replace existing mains and storage tanks, to finance additional construction and to pay expenses, as follows:

To replace 41,646 feet of 14-inch wood transmission mains with 12, 16 and 20-inch cement lined steel pipe	\$193,594
To replace 20,890 feet of 6, 8, 10 and 12-inch wood distribution mains with 6, 8 and 12-inch steel pipe	52,555
To replace three wood storage tanks having a combined capacity of 240,000 gallons with three reinforced gunnite concrete tanks having a combined capacity of 400,000 gallons	25,800
To pay for additional pipe construction, contingencies and expenses incident to the proposed loan	<u>28,051</u>
Total	<u>\$300,000</u>

In Application No. 29703 the Commission reviewed applicant's rates, and in doing so considered its properties and operations. In its decision on the matter, No. 42767, dated April 19, 1949, it commented on the losses of water, amounting to 34% of the quantity produced, and indicated that such losses were due, in part, to the poor condition of applicant's redwood stave pipes. It thus would appear that applicant's presently proposed program is desirable and should result in increased efficiency in operation.

To obtain funds for the purposes indicated herein, applicant proposes to enter into a loan agreement, in the form filed in this proceeding as Exhibit A-1, under the terms of which Pacific Mutual Life Insurance Company would advance to applicant the sum of \$200,000 on or before May 31, 1950, and the further sum of \$100,000 on or before December 31, 1951, applicant to pay to said insurance company a stand-by charge at the rate of 1/2 of 1% per annum on the unused portion of the total credit provided by the agreement, reserving the right, however, to surrender any of such unused portion and to terminate the stand-by charge.

The sums to be thus borrowed will be represented by a note, or notes, payable on April 1, 1970, with interest on the unpaid balance at the rate of 3-3/4% per annum, payable semi-annually. The payment of the note, or notes, will be secured by a mortgage on applicant's properties, which mortgage will provide, among other things, that applicant shall pay into a sinking fund each year commencing January 1, 1953, without premium, an amount equal to 3% of the maximum amount of the loan outstanding at any time preceding the date of such payment, and that it may make an additional payment of like amount without premium. At its option, applicant may make additional prepayments on its note, or notes, at a premium of

3% if paid prior to January 1, 1951, and thereafter at a premium successively reduced by 1/6 of 1% each year.

A copy of the proposed form of note has been filed in this proceeding as Exhibit A-2 and a copy of the proposed form of mortgage as Exhibit A-3.

Applicant asserts that its depreciation accruals in the past have been invested in its operating facilities. The record shows that it does not have sufficient funds on hand to effect the improvements it now plans and it clearly appears proper for it to reimburse itself with moneys obtained under the proposed loan agreement and thereafter to use such funds for the purposes set forth in this application.

An order approving applicant's requests accordingly will be entered.

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 the notes herein authorized is reasonably required by Palos Verdes Water Company for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

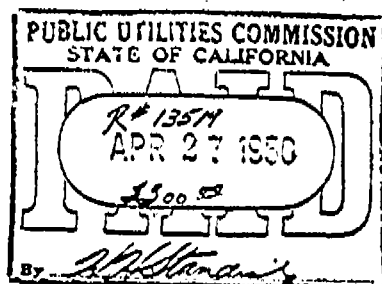
1. Palos Verdes Water Company, after the effective date hereof and on or before December 31, 1951, may enter into, execute and deliver a loan agreement with Pacific Mutual Life Insurance Company, may borrow the sum of not exceeding \$300,000 and execute and deliver its note, or notes, as evidence of such indebtedness, and, to secure the payment of such indebtedness, may execute a mortgage, which loan agreement, note or notes, and mortgage shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit A-1, Exhibit A-2 and Exhibit A-3, respectively.

2. Applicant shall use the moneys obtained through the issue of said note, or notes, to reimburse its treasury, to pay expenses incident to the loan, to construct and improve its facilities and to improve and maintain its service, all as set forth in this proceeding.

3. Applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, of the issue of the notes herein authorized and of the disposition of the proceeds, together with reports showing the credits to fixed capital accounts made in connection with the replacement of its facilities under the program outlined in this application.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is three hundred (\$300.00) dollars.

Dated at San Francisco, California, this 25th day of April, 1950.



R. Z. [Signature]
Justice J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners