

ORIGINAL

Decision No. 44211

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of SAN GABRIEL VALLEY WATER COMPANY	:	
for authority to amend its trust	)	
indenture and to issue \$540,000	:	Application
principal amount of its Series A	)	No. 31115
Bonds and \$710,000 principal amount	:	
of its Series C Bonds.	)	
-----	:	

O P I N I O N

This is an application for an order authorizing San Gabriel Valley Water Company to execute a Second Supplemental Trust Indenture, to issue \$540,000 of First Mortgage 3-3/8% Improvement Fund Bonds, Series A, Due September 1, 1970, in exchange for bonds of like amount now outstanding, and to issue and sell, at face value plus accrued interest, \$710,000 of First Mortgage 3-3/8% Improvement Fund Bonds, Series C, Due January 1, 1980, for the purpose of paying indebtedness and of financing the cost of additions to its plants and properties.

Applicant is engaged in the business of supplying water to consumers in the vicinity of El Monte, Whittier and Fontana. For the last three years it reports its revenues and number of active service connections as follows:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
Operating revenues	\$388,383	\$450,185	\$531,115
Operating expenses	301,811	353,124	461,424
Net operating revenues	<u>\$ 86,572</u>	<u>\$ 97,061</u>	<u>\$ 69,691</u>
Active service connections	14,967	17,331	20,167

In its annual reports for these three years, applicant shows net additions to plant in the amount of \$321,230 during 1947,

of \$297,311 during 1948 and of \$461,809 during 1949. In Exhibit A filed in this proceeding it reports its assets and liabilities as of December 31, 1949, as follows:

Assets

Fixed capital	\$2,671,873.25
Construction work in progress	13,329.82
Cash	33,918.74
Accounts receivable	29,658.98
Materials and supplies	56,679.33
Prepaid expenses	<u>25,865.18</u>
Total	<u>\$2,831,325.30</u>

Liabilities

First mortgage bonds	\$ 840,000.00
Notes payable	50,000.00
Accounts payable	55,486.74
Taxes payable	44,771.43
Interest payable	9,296.53
Consumers' deposits	11,092.91
Consumers' advances	554,043.41
Donations in aid of construction	32,970.72
Reserve for depreciation	413,739.13
Capital stock	317,555.04
Surplus	<u>502,369.39</u>
Total	<u>\$2,831,325.30</u>

Heretofore, applicant has sold \$600,000 of 3-3/8% bonds, Series A, (since reduced to \$540,000) and \$300,000 of 4-1/4% bonds, Series B, to The Northwestern Mutual Life Insurance Company, The Lincoln National Life Insurance Company and Occidental Life Insurance Company. It now reports that it finds it necessary to sell additional bonds to meet increasing demands for service.

However, the trust indenture, as supplemented, securing the payment of applicant's outstanding bonds, contains a provision that not more than \$900,000 of bonds may be issued thereunder. To place itself in a position where it may issue additional bonds, applicant is taking steps, with the approval of the holders of its outstanding

bonds, to convert the indenture to an "open end" type. In order to accomplish this purpose it plans to execute a new supplemental indenture which will remove the aforesaid restriction, will provide for the issue of \$540,000 of new Series A bonds under the terms of the new supplemental indenture, will create a new series of \$710,000 of bonds designated as First Mortgage 3-3/8% Improvement Fund Bonds, Series C, Due January 1, 1980, and will permit the issue of additional bonds thereafter.

To consummate its program applicant has made, or is making, arrangements to issue the new Series A bonds in exchange for those outstanding, to call the \$300,000 of Series B bonds for payment at 105% of their face value plus accrued interest, and to sell, to the three insurance companies which hold its present bonds, the \$710,000 of new Series C bonds at face value plus accrued interest. It proposes to use the proceeds from the new bonds to finance the cost of redeeming the Series B bonds, to pay expenses incident to the present financing, to reimburse its treasury and to pay indebtedness incurred for the extension of its facilities and the improvement of its service, and to meet, in part, its 1950 construction requirements.

In Exhibit C filed in this proceeding, applicant estimates its 1950 capital expenditures as follows:

	<u>El Monte</u>	<u>Whittier</u>	<u>Fontana</u>	<u>Total</u>
Pump lands	\$ 12,000	\$ 10,000	\$ 1,600	\$ 23,600
Pump buildings	4,000	2,000	2,000	8,000
Office buildings	8,000	4,000	2,000	14,000
Wells	16,000	10,000	-	26,000
Pumps	24,500	17,000	4,000	45,500
Mains	20,000	15,000	20,000	55,000
Services	9,000	22,500	6,000	37,500
Meters	40,000	40,000	8,000	88,000
Automobiles	5,000	3,000	-	8,000
Total	<u>\$138,500</u>	<u>\$123,500</u>	<u>\$42,600</u>	<u>\$305,600</u>

A review of the application indicates that applicant has need for additional funds from the issue of securities to enable it to pay indebtedness and to proceed with its construction program. The issue of bonds under the circumstances set forth in this application appears warranted and an order 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 bonds herein authorized is reasonably required by San Gabriel Valley Water Company for the purposes specified herein and that the expenditures for said purposes, other than for accrued interest and for expenses incident to the issue and redemption of bonds, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. San Gabriel Valley Water Company, after the effective date hereof and on or before September 30, 1950, may execute a Second Supplemental Trust Indenture in substantially the same form as that filed in this proceeding on May 22, 1950; may issue not exceeding \$540,000 of First Mortgage 3-3/8% Improvement Fund Bonds, Series A, Due September 1, 1970, in exchange for a like amount of First Mortgage 3-3/8% Sinking Fund Bonds, Series A, Due September 1, 1970; and may issue and sell not exceeding \$710,000 of First Mortgage 3-3/8% Improvement Fund Bonds, Series C, Due January 1, 1980,

at their face value plus accrued interest.

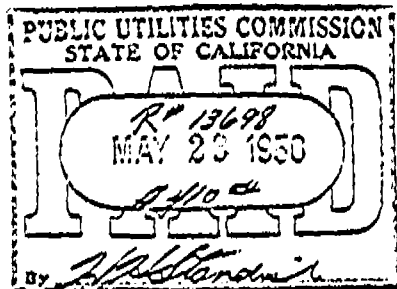
2. Applicant shall use the proceeds, other than accrued interest, from the sale of said \$710,000 of bonds, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

3. Within thirty (30) days after the issue of the bonds herein authorized, applicant shall file with the Commission two (2) copies of the Second Supplemental Trust Indenture as executed, and a report showing when it issued such bonds, to whom it issued them and the consideration received.

4. Within six (6) months after the issue of bonds under the authority herein granted, applicant shall file with the Commission a report showing, in some detail, the expenses incurred by it in connection with such issue, the premiums paid and expenses incurred in paying and redeeming its Series B bonds, and the account, or accounts, to which it charged the expenditures for such purposes.

5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco California, this 23rd day of May, 1950.



R. E. Indurran  
Justin F. Sullivan  
Edward F. Russell  
Harold P. Huls  
Commissioners

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