

Decision No. 44926**ORIGINAL**

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,)
 promissory notes and mortgage.)
 -----)

Application
 No. 31829

O P I N I O N

This is an application by Conservative Water Company for an order authorizing it to execute a loan agreement, to execute a mortgage, and to issue notes in the aggregate amount of \$125,000, for the purpose of paying indebtedness and of financing the cost of additions and improvements to its facilities.

Applicant is a California corporation engaged as a public utility in the distribution of water in a portion of the City of Los Angeles and in territory adjacent thereto. In its annual reports to the Commission for the last five calendar years, it shows that its reported investment in fixed capital has increased from \$630,534.41 at the beginning of 1945 to \$836,956.17 at the close of 1949, its active service connections from 7,448 to 8,591, and its operating revenues from \$169,356.55 to \$203,729.90. For the year 1949 and the first eight months of 1950, it reports the following:

	1949	1950 8 months
Operating revenues	\$203,729.90	\$140,052.25
Less: Operating expenses	112,844.43	74,932.96
Taxes	30,962.09	20,720.00
Depreciation	20,351.36	13,557.57
Total	164,157.88	109,210.53
Gross corporate income	39,572.02	30,841.72
Income charges - net	4,973.21	2,821.74
Net income	\$ 34,598.81	\$ 28,019.98

In Exhibit E, applicant reports its assets and liabilities as of August 31, 1950, as follows:

Assets

Fixed capital		\$856,627.82
Miscellaneous investments		14,614.75
Current assets -		
Cash and deposits	\$29,679.03	
Accounts receivable	45,333.04	
Materials and supplies	14,102.03	
Prepaid insurance	794.87	
Total current assets		89,908.97
Suspense		38.00
Total		<u>\$961,189.54</u>

Liabilities

Capital stock		\$100,000.00
Funded debt		72,000.00
Current liabilities -		
Accounts payable	\$11,308.48	
Consumers' deposits	6,985.36	
Accrued liabilities	23,479.02	
Total current liabilities		41,772.86
Donations in aid of construction		59,850.93
Reserve for depreciation		354,965.77
Surplus from revaluation		41,980.96
Corporate surplus		<u>290,619.02</u>
Total		<u>\$961,189.54</u>

The Commission has made no finding of the cost or value of applicant's fixed assets.

The funded debt reported at \$72,000 in the balance sheet consists of a 5% note in favor of Bank of America National Trust and Savings Association, payable in quarterly installments of \$2,500, which note was issued under authority granted by the Commission by Decision No. 43564, dated November 29, 1949. Since the date of the balance sheet the principal amount has been reduced to \$69,500.

Applicant now reports that it has need for additional funds to finance the cost of extending and developing its water system. Subject to receiving permission from the Commission, it proposes to enter into a loan agreement with Pacific Mutual Life Insurance Company and to borrow, in the aggregate, the sum of

\$125,000 to meet in part estimated expenditures for the following purposes:

To pay presently outstanding notes	\$ 69,500.00
To acquire and place new well in operation	14,555.34
To install new main supply lines	38,038.60
To tie in existing dead-ends	33,663.40
To replace old and inadequate mains with larger pipe	<u>26,733.25</u>
Total	<u>\$182,490.59</u>

Applicant reports that the proposed construction expenditures are necessary to meet increased demands from consumers and to improve its service. The amounts are shown in some detail in Exhibit D attached to the application.

Under the terms of the proposed loan agreement, Pacific Mutual Life Insurance Company will loan applicant up to \$100,000 on or before November 15, 1950, and an additional sum not exceeding \$25,000 on or before December 31, 1951, with interest payable semi-annually at the rate of 3-3/4% per annum on deferred balances, together with a standby charge of 1/2 of 1% per annum on the unused portion of said additional sum, payment on the principal to be made in installments over a period of 25 years. The notes will be secured by a mortgage covering applicant's properties.

A review of the application clearly indicates that applicant will have need for the funds to be obtained through the issue of its notes for the purposes indicated.

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 applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Conservative Water Company, after the effective date hereof and on or before November 15, 1950, may execute a loan agreement with Pacific Mutual Life Insurance Company in form substantially similar to that on file in this proceeding as Exhibit A.

2. Conservative Water Company, after the effective date hereof and on or before November 15, 1950, may execute and deliver to Pacific Mutual Life Insurance Company a mortgage in form substantially similar to that filed in this application as Exhibit C.

3. Conservative Water Company, after the effective date hereof and on or before November 15, 1950, may issue its promissory note in the principal amount of \$100,000, and after the effective date hereof and on or before December 31, 1951, may issue, in addition, its promissory note or notes in an aggregate principal amount not exceeding \$25,000, said notes to be in form similar to the note filed in this application as Exhibit B. Applicant shall use the proceeds to be received from the issue of the notes for the purposes set forth in this application.

4. Within thirty (30) days after the dates thereof, Conservative Water Company shall file with the Commission a copy of the loan agreement and a copy of the mortgage as actually executed under the authority herein granted. It shall also 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 will become effective when Conservative Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act. In other respects the authority herein granted is effective upon the date hereof.

Dated at Los Angeles, California, this 24th day of October, 1950.

R. E. Dunning
Justus F. Casner
Leah H. Rowell
Harold H. Kula
Genevieve L. Lott
Commissioners

