

Decision No. 44952

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF)
 CLEAR LAKE PARK WATER COMPANY, a cor-)
 poration, for an order authorizing it to)
 issue and sell its bonds and to encumber)
 its properties to secure payment thereof,)
 for refunding its notes and for other)
 capital purposes, including new construc-)
 tion, and to issue its capital shares for)
 such bonds as may be converted.)
 -----)

Application
 No. 31767

O P I N I O N

In this application, as amended, Clear Lake Park Water Company has applied to the Commission for authority to execute a trust indenture, to issue and sell \$20,000 of bonds and to issue \$20,000 par value of its common stock.

Applicant is a California corporation engaged in the business of supplying water to the inhabitants of the unincorporated areas of Lake County known as Clearlake Park and Austins. For the last three years it has reported revenues and expenses as follows:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
Operating revenues	\$8,421.82	\$8,888.64	\$9,677.16
Operating expenses excluding depreciation	<u>5,749.04</u>	<u>6,475.09</u>	<u>6,861.57</u>
Balance	2,672.78	2,413.55	2,815.59
Depreciation	<u>850.17</u>	<u>1,265.75</u>	<u>1,396.79</u>
Operating profit	<u>\$1,822.61</u>	<u>\$1,147.80</u>	<u>\$1,418.80</u>

For the six months ended June 30, 1950, applicant reports operating revenues of \$5,053.05 and operating expenses of \$3,075.87, excluding depreciation, leaving a balance of \$1,977.18. After making allowance for depreciation, it reports operating profit of \$1,287.91 for the six months.

Exhibit A filed in this proceeding shows applicant's assets and liabilities as of June 30, 1950, as follows:

Assets

Fixed capital -		
Original cost	\$56,080.29	
Reserve for depreciation	<u>13,720.35</u>	
Balance		\$42,359.94
Nonoperating assets		1,192.00
Current assets -		
Cash	1,336.84	
Accounts receivable	1,302.14	
Materials and supplies	595.57	
Prepaid expense	489.64	
Other	<u>312.69</u>	
Total current assets		<u>4,036.88</u>
	Total	<u>\$47,588.82</u>

Liabilities

Capital stock		\$24,400.00
Notes payable		5,415.00
Current liabilities -		
Accounts payable	\$ 733.69	
Consumers' deposits	674.20	
Accrued taxes	148.43	
Service billed in advance	<u>1,956.12</u>	
Total current liabilities		3,512.44
Consumers' advances for construction		571.68
Miscellaneous reserves		479.39
Donations in aid of construction		3,436.61
Surplus		<u>9,773.70</u>
	Total	<u>\$47,588.82</u>

Applicant was organized in 1935. Its financial reports filed with the Commission show that it has paid no dividends and has accumulated from earnings the total amount of \$9,773.70 which has been invested in its properties and assets. Since the close of the war its reported investment in fixed capital has increased from \$34,028.68 at the close of 1945 to \$56,080.29 on June 30, 1950, its operating revenues from \$5,753.83 in 1945 to \$9,677.16 in 1949, and its active service connections from 254 to 398 during the same period. Applicant estimates its operating revenues for 1950 at \$11,707 and for 1951 at \$12,803, and its operating profit, before interest charges, at \$2,512 in 1950 and at \$2,686 in 1951.

In this proceeding, applicant reports that it has need for \$18,500 for the following purposes:

To pay notes now past due which were issued for the acquisition of properties	\$ 5,415
To provide cash funds to pay legal and other expenses	1,085
To pay for new capital installations	<u>12,000</u>
Total	<u>\$18,500</u>

It appears from the application that the proposed expenditures are necessary to eliminate certain defects in applicant's water system which have contributed to interruptions in service in the past, and to enable applicant to supply water of acceptable quality and to improve its relations with its consumers. The expenditures are set forth in some detail in the amended application. A summary of them is as follows:

One 6,000 gallon redwood retention and treatment tank to receive water from lake	\$ 770
Two steel filter tanks of 200 gpm capacity to receive water from retention tank	2,780
One 25,000 gallon redwood storage tank to receive clear water from filters	1,750
New pump house with chlorination room, excavation, concrete slabs, tanks and new suction pipe from lake, and accessories	2,175
New centrifugal pump, 150 gpm, with double-ended shaft coupled at one end to 20 hp electric motor and at the other to a 30 hp gasoline engine, and two rotor pumps and motors, with fittings and accessories	2,055
Switches, valves, installations and rearrangement with wires, accessories and miscellaneous parts	1,050
About 525 feet of 6" dipped and wrapped pipe and copper wire circuit connecting switches controlling heavy duty pumps, with couplings, float switch, valves, surge chambers, pressure gauges and accessories	1,050
Allowance for changes in prices and omissions	<u>270</u>
Total	<u>\$12,000</u>

In order to obtain the required funds, applicant proposes to execute a trust indenture and to issue and sell \$20,000 principal amount of bonds to net it not less than \$18,500 plus accrued interest.

The bonds will be designated First Mortgage Convertible, 5% Sinking Fund Bonds, due 1975. They will be subject to redemption on any interest payment date on or after October 15, 1960, at the option of the company, upon the payment of the principal amount thereof together with accrued interest, and, in the event such redemption occurs before October 15, 1967, at a premium equal to 3% of the principal amount of the bonds. As further security for the payment of the bonds, applicant covenants to create and maintain an improvement or sinking fund and to pay into such fund, on February 15 of each year commencing on February 15, 1956, an installment equal to 5% of the aggregate principal amount of bonds outstanding at the time. The indenture securing the payment of the bonds further provides that the owners of such bonds shall have the right, on or before October 14, 1960, to convert said bonds into capital stock on a dollar-for-dollar basis.

Applicant has no firm contract for the sale of its bonds. It proposes to employ a broker who will attempt to dispose of them as applicant's agent. It is applicant's opinion that its bonds can be sold so as to net it not less than \$18,500.

Upon the conclusion of the proposed financing and the installation of the additions and improvements, applicant's net investment in its fixed assets will approximate \$54,000, based on the balance sheet of June 30, 1950, against which there will be outstanding the \$20,000 of bonds covered by this application. Its annual financial requirements to service the bonds will aggregate \$1,000 for interest, and it clearly appears that applicant's earnings should be ample to meet these requirements. In the opinion of the Commission, applicant has need for the funds to be obtained through the issue of the bonds to maintain and improve its service. Accordingly, an order will be entered at this time.

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

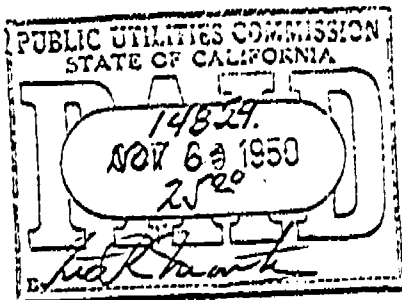
IT IS HEREBY ORDERED as follows:

1. Clear Lake Park Water Company, after the effective date hereof and on or before December 31, 1950, may execute an indenture in substantially the same form as that filed with the amended application herein.
2. Clear Lake Park Water Company, after the effective date hereof and on or before June 30, 1951, may issue and sell not exceeding \$20,000 principal amount of its First Mortgage Convertible, 5% Sinking Fund Bonds, due 1975 so as to net it not less than \$18,500 plus accrued interest, and use the proceeds, other than accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.
3. Clear Lake Park Water Company, after the effective date hereof, may issue not exceeding \$20,000 par value of its common stock in exchange, on a dollar-for dollar basis, for said bonds, or any portion of them.
4. Clear Lake Park 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.

5. The authority herein granted will become effective when Clear Lake Park Water Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is twenty-five (\$25.00) dollars.

Dated at San Francisco, California, this 30th day of October, 1950.



[Handwritten Signature]
Justin J. Quince
[Handwritten Signature]
Harold A. Hula
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Commissioners