

Decision No. 45299

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
LAKEWOOD WATER AND POWER COMPANY :	Application
for authority to issue First )	No. 31991
Mortgage Bonds. :	(and Amendment)
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O P I N I O N

This is an application for an order of the Commission authorizing Lakewood Water and Power Company to execute an indenture of mortgage and to issue and sell \$950,000 principal amount of first mortgage bonds, dated as of January 1, 1951, maturing in 25 years and bearing interest at the rate of 3-1/4% per annum, for the purpose of paying indebtedness and of financing the cost of property.

The application shows that applicant is a California corporation organized on May 10, 1938, that heretofore it has received certificates of public convenience and necessity from the Commission authorizing it to undertake the distribution of water in portions of Los Angeles County commonly known as the Montana Ranch, and that pursuant thereto it has constructed facilities to supply water, primarily for domestic purposes, to consumers in its service area. Its fixed capital and number of consumers at the close of each of the years 1945 to 1949, inclusive, and at October 31, 1950, and its operating revenues and net income during each of those years and for the ten months ended October 31, 1950, are shown below:

<u>Year</u>	<u>Fixed Capital</u>	<u>Number of Consumers</u>	<u>Operating Revenues</u>	<u>Net Income</u>
1945	\$ 377,998	4,611	\$104,077	\$23,070
1946	528,057	5,130	119,973	21,987
1947	711,840	5,666	136,230	21,560
1948	719,305	5,803	155,254	28,064
1949	847,617	6,844	168,838	27,731
1950 (10 mos.)	1,952,968	13,599	212,444	52,004

Applicant's financial position as of October 31, 1950, is indicated by its balance sheet of that date, as follows:

<u>Assets</u>		
Fixed capital		\$1,952,968.76
Current assets -		
Cash and deposits	\$ 55,101.70	
Accounts receivable	139,034.87	
Materials and supplies	<u>350,422.49</u>	
Total current assets		544,559.06
Deferred charges		385.12
Construction work in progress		<u>34,593.91</u>
	Total	<u>\$2,532,506.85</u>

<u>Liabilities</u>		
Common stock		\$ 900,000.00
Preferred stock		500,000.00
Current liabilities -		
Notes payable	\$150,000.00	
Accounts payable	197,044.71	
Accrued interest and taxes	38,899.23	
Dividends declared	<u>4,166.66</u>	
Total current liabilities		390,110.60
Consumers' advances for construction		391,400.00
Donations in aid of construction		1,256.76
Reserve for depreciation		155,030.20
Surplus		<u>194,709.29</u>
	Total	<u>\$2,532,506.85</u>

In this proceeding, applicant reports that it is engaged in a construction program, which it estimates will be completed by the end of February, 1951, involving the expenditure of \$816,146.99, as shown in some detail in the application, and the addition of approximately 2,700 consumers to its lines. It states that it will need additional funds from external sources to carry on its construction program and to pay outstanding bank loans of \$150,000 and consumers' advances for construction of approximately \$250,000, and that heretofore it appointed Pacific Company of California as its agent to negotiate and place a mortgage loan with an institutional investor to produce the funds required by it for these purposes. It reports that it owes Pacific Company of California \$17,500 for its services.

It appears that Pacific Company of California was successful in arranging a sale of bonds by applicant to New York Life Insurance Company. Accordingly, applicant proposes to enter into a purchase agreement with the insurance company providing for the sale at this time of \$950,000 of first mortgage bonds, dated January 1, 1951, and maturing in 25 years, with interest at the rate of 3-1/4% per annum, at their face value plus accrued interest from January 1. It reports that in addition it is negotiating with the insurance company for the sale at a later date of a second issue of bonds in the aggregate amount of \$550,000, if and when such sale may become necessary, and still later for the sale of a third issue of such bonds.

From time to time, in formal proceedings, the Commission has considered applicant's properties and business. By Decision No. 44618, dated August 1, 1950, the Commission authorized certain increases in rates, using as a rate base for the year 1950 the sum of \$2,475,700 and fixing rates designed to yield net revenues of \$148,500. A review of the pending application clearly indicates that applicant will have need for the funds to be obtained through the issue of \$950,000 of bonds and that its assets and earnings should be ample to support the proposed issue. Accordingly, an order will be entered.

The order herein should not be construed as an approval of the further issues of bonds to which reference has been made. In the event applicant desires to issue bonds in addition to the initial issue of \$950,000 herein authorized, it will be necessary for it to file further applications with the Commission for permission to do so.

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 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. Lakewood Water and Power Company, after the effective date hereof and on or before June 30, 1951, may execute an indenture of mortgage dated as of January 1, 1951, in substantially the same form as that filed as Exhibit I in this proceeding, as amended, and may issue and sell, at their face value plus accrued interest, not exceeding \$950,000 of its First Mortgage Bonds, 3-1/4% Series, due 1976, in accordance with the terms of the proposed purchase agreement with New York Life Insurance Company filed in this proceeding as Exhibit H, which agreement applicant may execute.

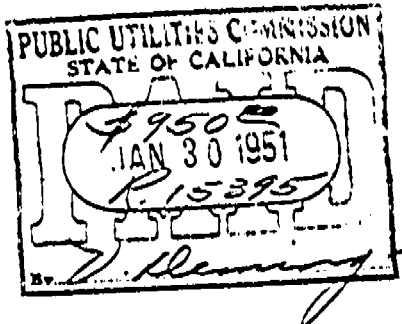
2. Lakewood Water and Power Company is authorized to use the proceeds to be received through the issue and sale of said bonds, other than accrued interest, to finance the cost of construction expenditures and to pay bank loans, consumers' advances for construction and expenses incident to the issue and sale of the bonds, as indicated in this application, as amended. The accrued interest may be used for general corporate purposes.

3. Within thirty (30) days after execution of the indenture of mortgage under the authority herein granted, Lakewood Water and Power Company shall file a certified copy thereof with the Commission.

4. Lakewood Water and Power 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 Lakewood Water and Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is nine hundred fifty (\$950.00) dollars.

Dated at San Francisco, California, this 30<sup>th</sup> day of January, 1951.



*W. E. Anderson*  
*Justice P. Casper*  
*Harold J. Kula*  
*Penelope Potter*

Commissioners