

ORIGINAL

Decision No. 45411

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Corona City Water Company, a)
corporation, for a permit authorizing)
it to issue and sell its First)
Mortgage and Collateral Bonds)
and to mortgage its properties.)
-----)

Application
No. 32093
(and Amendment)

Clayson & Stark, for applicant.

O P I N I O N

This is an application for an order of the Commission authorizing Corona City Water Company to execute a trust indenture and to issue and sell \$279,000 of First Mortgage and Collateral Bonds, 3-1/2%, Series A, due 1976, for the purpose of paying outstanding indebtedness and of financing the cost of additions to its properties.

Applicant, a California corporation organized on September 27, 1897, is engaged in supplying water primarily for domestic use to approximately 2,600 customers in and about the City of Corona. It owns no production facilities but obtains the water it distributes to its customers by virtue of its ownership of shares of stock of Temescal Water Company, a mutual company which develops and supplies water to its stockholders in and about Corona for irrigation and other purposes. Applicant's financial statements for the years 1945 to 1950, inclusive, show operating revenues, operating expenses and net revenues, as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues</u>
1945	\$ 69,146.78	\$48,561.62	\$20,585.16
1946	81,535.92	53,898.37	27,637.55
1947	88,502.39	70,142.10	18,360.29
1948	101,845.03	79,387.59	22,457.44
1949	107,067.19	79,304.84	27,762.35
1950	108,078.50	78,892.27	29,186.23

In Exhibit 1, applicant reports its assets and liabilities as of December 31, 1950. A condensed statement of the figures contained therein is as follows:

Assets

Fixed assets -

Water rights (1,700 shares of stock of Temescal Water Company)	\$242,500.00
Plant, property, equipment	\$402,371.02
Less-Reserve for depreciation	<u>198,515.91</u>
Construction in progress	<u>8,374.93</u>
Total fixed capital	\$454,730.04
Current assets	16,970.21
Unamortized bond discount and expense	<u>3,643.10</u>
Total	<u>\$475,343.35</u>

Liabilities and Net Worth

First mortgage 4% bonds	\$176,000.00
Advances from Temescal Water Company	91,609.67
Current liabilities	11,268.78
Donations in aid of construction	22,058.82
Net worth -	
Capital stock	\$ 75,000.00
Surplus	<u>99,406.08</u>
Total net worth	<u>174,406.08</u>
Total	<u>\$475,343.35</u>

The record shows that applicant's outstanding stock is held by trustees for the holders of the stock of Temescal Water Company and that it has been the practice of Temescal Water Company to advance to applicant such amounts as are required to pay for additions to its properties, to provide the cost of material and to meet payroll and other expenses. It appears that the present balance in the account has been accumulated almost in its entirety since January 1, 1944. It

is carried on applicant's books as an account payable with interest at the rate of 4% per annum.

Applicant now desires to pay its outstanding bonds and the indebtedness due Temescal Water Company and to provide funds for other purposes as follows:

Payment of outstanding bonds	\$176,000.00
Premium to call said bonds at 2%	<u>3,520.00</u>
Sub-total	179,520.00
Payment of open account to Temescal Water Company	91,609.67
Commitment fee due The Northwestern Mutual Life Insurance Company	1,046.25
Expenditures for improvements to its water system as set forth in Exhibit C filed in this proceeding	<u>9,800.00</u>
Total	<u>\$281,975.92</u>

In order to obtain most of the required funds, applicant proposes to issue and sell \$279,000 principal amount of its new First Mortgage and Collateral Bonds, 3-1/2%, Series A, due 1976, to The Northwestern Mutual Life Insurance Company at a price of not less than 101% of the principal amount plus interest accrued from March 1, 1951, to the date of delivery. The payment of the bonds will be secured by a new trust indenture which will provide for a total authorized issue of \$1,000,000 of bonds, issuable in series. The Series A bonds which applicant now proposes to issue, as stated, will bear interest at the rate of 3-1/2% per annum, will mature March 1, 1976, and will be callable, other than through the operation of the sinking fund, during the period from March 1, 1951, to March 1, 1952, at 104% of the principal amount plus accrued interest, and thereafter at decreasing premiums up to March 1, 1975, after which date they will be redeemable at the principal amount plus accrued interest.

In an amended application filed in this proceeding, applicant reports that in order to call the presently outstanding first

mortgage bonds it was required to deposit with the trustee, on or before February 13, 1951, the sum of \$179,520 which it proposed to borrow from Citizens National Trust & Savings Bank of Los Angeles, and that it planned to repay the same with proceeds to be received through the proposed issue of bonds, should the application be approved by the Commission.

A review of the application and of the exhibits submitted in support of it shows that the issue of bonds will improve applicant's financial position and that applicant's assets and earnings should be ample to support the issue. Accordingly, an order will be entered.

O R D E R

A public hearing having been held on the above entitled application; the Commission having considered the matter and being of the opinion that the requests of applicant should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that the expenditures for such purposes, except with respect to accrued interest, call premiums and advances from Temescal Water Company, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Corona City Water Company, after the effective date hereof and on or before December 31, 1951, may execute a trust indenture in substantially the same form as that filed in this proceeding, and may issue and sell \$279,000 principal amount of its

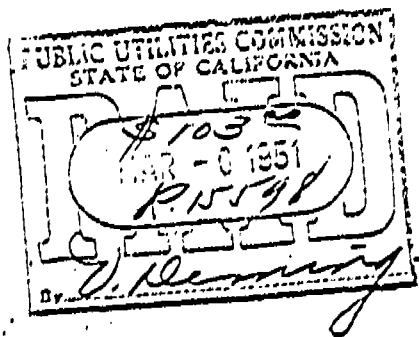
First Mortgage and Collateral Bonds, 3-1/2%, Series A, due 1976, at not less than 101% of the principal amount plus interest accrued from March 1, 1951, to date of delivery.

2. Corona City Water Company shall apply the proceeds to be received through the issue and sale of the bonds herein authorized, other than accrued interest, to pay and redeem its outstanding first mortgage bonds or to pay indebtedness incurred for such redemption, to pay open account indebtedness due Temescal Water Company in the amount of \$91,609.67, to pay expenses incident to the issue of the bonds herein authorized, and to finance in part the cost of additions to its properties. The accrued interest may be used for general corporate purposes.

3. Corona City 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, and shall file also a copy of the trust indenture as executed under the authority herein granted, such filing to be made within thirty (30) days after the date of execution of the same.

4. The authority herein granted will become effective when Corona City Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 12th day of March, 1951.



[Handwritten signatures of three commissioners]
Commissioners