

Decision No. 45412

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

DEL ESTE WATER COMPANY,
a corporation,

for authorization to execute a
promissory note, and as security
for the payment of the same to
execute a mortgage of chattels
and real property affecting all
its personal and real property,
except automotive equipment, and
other specified items.

ORIGINAL

Application
No. 32149

O P I N I O N

In this application, Del Este Water Company asks permission to execute a loan agreement with Pacific Mutual Life Insurance Company, to issue a promissory note pursuant to the terms of such loan agreement in the amount of \$400,000, and to execute a mortgage of chattels and real property to secure the payment of the promissory note.

Applicant is a public utility water company engaged in the business of selling water and rendering water service for domestic, commercial, industrial and other uses in Stanislaus County, California. For 1950 applicant reports operating revenues of \$152,883.24 and a net income of \$14,316.08. As of December 31, 1950, applicant reports assets and liabilities as follows:

Assets

Fixed capital	\$873,162.60
Cash	1,673.86
Accounts receivable	6,022.76
Sinking fund	612.50
Investments	1,025.55
Material and supplies	8,578.47
Prepaid insurance and taxes	5,129.06
Unamortized bond expense	<u>4,458.87</u>
Total assets	<u>\$900,663.67</u>

Liabilities

Capital stock	\$ 70,000.00
Notes payable	150,000.00
Funded debt	234,000.00
Accounts payable	5,786.07
Consumers' deposits	314.60
Miscellaneous accounts	739.85
Interest and taxes accrued	5,546.62
Services billed in advance	4,437.15
Advances for construction	141,022.48
Construction donations	39,081.87
Accrued depreciation	122,026.28
Corporate surplus	<u>127,708.75</u>
Total Liabilities	<u>\$900,663.67</u>

Applicant, pursuant to authority granted by Decision No. 42566, dated March 1, 1949, and Decision No. 43806, dated February 14, 1950, executed a trust indenture and issued \$250,000 of first mortgage 4-1/2% bonds, due December 1, 1968. By means of the sinking fund provided by the trust indenture applicant has paid and discharged \$16,000 of these bonds, leaving a balance of \$234,000 outstanding as of December 31, 1950. Applicant's balance sheet also shows that there were outstanding on December 31, 1950, \$150,000 of short-term 5% notes payable to American Trust Company. The proceeds from the issue of the bonds and the notes are reported to have been used for the construction, completion, extension or improvement of applicant's water production and distribution facilities.

For the purpose of paying its notes held by American Trust Company, refunding its outstanding bonds and paying in part the cost of acquiring and constructing additional facilities, applicant asks permission to issue its promissory note in the principal amount of \$400,000. The note is to bear interest at the rate of 4% per annum, payable semi-annually, and the principal sum is to be repaid in annual installments beginning March 1, 1953, and continuing until the entire principal has been paid, such annual installments to be in the amount of \$12,000 each until and including March 1, 1970, and the entire unpaid balance of principal is to become payable on

March 1, 1971. The note is to be secured by a mortgage of chattels and real property by which a lien is to be imposed upon all the real and personal property of applicant, owned on March 1, 1951, or acquired thereafter, except cash on hand and in banks, accounts receivable, merchandise, appliances, materials and supplies purchased or acquired for the purpose of sale or consumable in operation of plants and systems of applicant, office furniture, equipment and supplies, and automotive equipment and accessories and appliances required for use in the maintenance thereof. A copy of the proposed note and the mortgage of chattels and real property are attached to the application as Exhibit 2 and Exhibit 3, respectively. A copy of the loan agreement above referred to is attached to the application as Exhibit 1.

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 note 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. Del Este Water Company, after the effective date hereof and on or before July 31, 1951, may execute a mortgage of chattels and real property, in, or substantially in, the same form as that on file in this application as Exhibit 3.

2. Del Este Water Company, after the effective date hereof and on or before July 31, 1951, may issue its 4% promissory note in

the principal amount of \$400,000, such issue to be made pursuant to the terms of the loan agreement on file in this application as Exhibit 1, which loan agreement Del Este Water Company may execute.

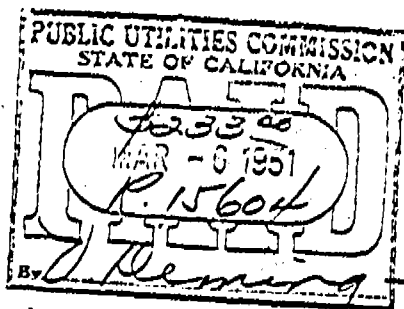
3. Del Este Water Company shall use the proceeds from the issue of said \$400,000 note to pay and discharge the unsecured indebtedness to American Trust Company in the sum of \$150,000, to pay and discharge the outstanding bonds in the principal face amount of \$234,000, and shall use the balance of the proceeds amounting to \$16,000 for the construction, completion, extension or improvement of its water production and distribution facilities.

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

5. Del Este Water Company shall file with the Commission within thirty (30) days after execution, a copy of the note and mortgage of chattels and real property as executed.

6. Del Este 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.

Dated at San Francisco, California, this 6th day of March, 1951.



[Handwritten signatures of Commissioners]
Commissioners