

Decision No. 45546

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company for an order authorizing it to issue and sell \$750,000 principal amount of its First Mortgage 3-3/8% Improvement Fund Bonds, Series D, Due January 1, 1980, and to execute to Bank of America National Trust and Savings Association, as Trustee, an indenture supplemental to the existing Indenture, as amended, securing the company's bonded indebtedness.

Application  
No. 32240

O P I N I O N

In this application, San Gabriel Valley Water Company seeks authority to execute a supplemental trust indenture and to issue and sell \$750,000 principal amount of its First Mortgage 3-3/8% Improvement Fund Bonds, Series D, Due January 1, 1980, at not less than 100% of their principal amount plus accrued interest, for the purpose of paying indebtedness, of reimbursing its treasury, and of financing the cost of capital additions.

Applicant is engaged in the business of supplying water to consumers in the vicinity of El Monte, Whittier and Fontana. In its annual reports to the Commission for the last two years it has reported the following:

|                                   | <u>1949</u>      | <u>1950</u>      |
|-----------------------------------|------------------|------------------|
| Active service connections -      |                  |                  |
| December 31                       | 20,167           | 24,027           |
| Operating revenues                | \$531,115        | \$627,472        |
| Nonoperating revenue              | 4,130            | 3,430            |
| Total revenues                    | \$535,245        | \$630,902        |
| Operating expenses                | 461,424          | 527,378          |
| Gross corporate income            | \$ 73,821        | \$103,524        |
| Interest and other income charges | 33,962           | 60,647           |
| Net income                        | <u>\$ 39,859</u> | <u>\$ 42,877</u> |

As of December 31, 1950, applicant's assets, liabilities and net worth are shown below:

| <u>Assets</u>                    |                     |                       |
|----------------------------------|---------------------|-----------------------|
| Fixed capital -                  |                     |                       |
| Fixed capital in service         | \$3,276,097.15      |                       |
| Construction work in progress    | 17,250.86           |                       |
|                                  | <u>3,293,348.01</u> |                       |
| Reserve for depreciation         | 464,554.33          |                       |
| Net fixed capital                |                     | \$2,828,793.68        |
| Current assets -                 |                     |                       |
| Cash and deposits                | 77,620.78           |                       |
| Notes and accounts receivable    | 104,495.71          |                       |
| Materials and supplies           | 98,258.12           |                       |
| Prepaid expenses                 | <u>17,477.55</u>    |                       |
| Total current assets             |                     | 297,852.16            |
| Unamortized discount and expense |                     | 19,714.37             |
| Other suspense                   |                     | <u>700.58</u>         |
| Total                            |                     | <u>\$3,147,060.79</u> |

| <u>Liabilities and Net Worth</u>     |                   |                       |
|--------------------------------------|-------------------|-----------------------|
| Funded debt                          |                   | \$1,250,000.00        |
| Current liabilities -                |                   |                       |
| Accounts payable                     | \$ 95,887.76      |                       |
| Accrued liabilities                  | <u>60,413.03</u>  |                       |
| Total current liabilities            |                   | 156,300.84            |
| Consumers' advances for construction |                   | 788,825.51            |
| Donations in aid of construction     |                   | 34,035.72             |
| Miscellaneous reserves               |                   | 2,255.00              |
| Net worth -                          |                   |                       |
| Capital stock                        | 317,555.04        |                       |
| Surplus                              | <u>598,088.68</u> |                       |
| Total net worth                      |                   | <u>915,643.72</u>     |
| Total                                |                   | <u>\$3,147,060.79</u> |

The application shows that the rapid growth in applicant's operating districts has made necessary large expenditures for the improvement of service and the extension of its facilities. A review of its annual reports filed with the Commission for the last five years shows that its reported investment in its facilities increased from \$1,421,122 at the beginning of 1946 to \$3,293,348 at the end of 1950, and that its number of active service connections increased from 10,211 to 24,027 during the same period. It appears that applicant has met its capital requirements primarily with its own funds, with donations and advances from consumers, and through

the issue of long-term debt. As shown by the preceding balance sheet, at the close of 1950 it had outstanding \$1,250,000 of bonds which consisted of \$540,000 of Series A 3-3/8% bonds due 1970, and \$710,000 of Series C 3-3/8% bonds due 1980.

Applicant now reports that it has need for additional funds from outside sources, that it proposes to execute an indenture supplemental to its trust indenture of September 1, 1945, as supplemented, and that it has made, or is making, arrangements to issue and sell to The Northwestern Mutual Life Insurance Company of Milwaukee \$750,000 of a new series of bonds, to be known as First Mortgage 3-3/8% Improvement Fund Bonds, Series D, Due January 1, 1980, at their face amount plus accrued interest. Subject to receiving permission from the Commission, applicant proposes to use the proceeds to be received from the sale of its bonds for the following purposes:

|   |                  |
|---|------------------|
| To repay short-term note                                    | \$100,000        |
| To reimburse its treasury                                   | 200,000          |
| To finance estimated expenditures                           | 444,845          |
| To pay expenses incident to the issue and sale of the bonds | <u>5,155</u>     |
| Total   | <u>\$750,000</u> |

In Exhibit C, applicant estimates its construction expenditures during 1951 and 1952 in the aggregate amount of \$878,200, of which \$608,800 is scheduled for 1951. The total amount referred to in the exhibit is segregated as follows:

|                      |                  |
|----------------------|------------------|
| Lands                | \$ 22,500        |
| Buildings            | 69,200           |
| Wells                | 60,000           |
| Pumps                | 182,000          |
| Mains                | 90,000           |
| Reservoirs           | 151,000          |
| Services             | 40,000           |
| Meters               | 250,000          |
| Office equipment     | 11,500           |
| Automotive equipment | <u>2,000</u>     |
| Total                | <u>\$878,200</u> |

A review of the application and of the financial statements filed by applicant with the Commission clearly indicates that applicant will have need for additional funds for the purposes indicated. An order will be entered granting the application.

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, other than expenses incident to the issue and sale of the bonds and 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. San Gabriel Valley Water Company, after the effective date hereof and on or before August 31, 1951, may execute its Third Supplemental Trust Indenture, in substantially the same form as that filed in this proceeding on April 2, 1951, and may issue not exceeding \$750,000 of its First Mortgage 3-3/8% Improvement Fund Bonds, Series D, Due January 1, 1980, and sell the same at not less than 100% of their principal amount, plus accrued interest, in accordance with the terms of the purchase agreement filed with the application.

2. Applicant shall use the proceeds to be received through the issue and sale of the bonds herein authorized, other than accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

3. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. Within six (6) months after the issue of the bonds under the authority herein granted, applicant shall file with the Commission a report showing in some detail the expenses incurred by it in connection with such issue and the account, or accounts, to which it charged such expenses.

5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is seven hundred fifty (\$750.00) dollars.

Dated at San Francisco, California, this 10<sup>th</sup> day of April, 1951.

A. J. Anderson  
Harold P. Hulse

James H. Butler  
John E. McFarland

Commissioners

