

Decision No. 45673

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PARK WATER COMPANY,)
a Corporation,)
for authority to issue stock and)
promissory notes and make effective)
a Loan Agreement and Mortgage.)
-----)

Application
No. 32254

Gibson, Dunn & Crutcher, by Max Eddy Utt and
George H. Whitney, for applicant.

O P I N I O N

This is an application for an order authorizing Park Water Company to execute a loan agreement and a mortgage and to issue, exempt from competitive bidding, \$2,000,000 principal amount of promissory notes and 66,000 shares of common stock, of the aggregate par value of \$1,650,000, for the purpose of paying indebtedness, of reimbursing its treasury, and of financing the cost of additions and betterments.

A public hearing on this application was held in Los Angeles on May 4, 1951. The Commission has received no protest to the granting of applicant's requests.

Applicant is a public utility water corporation engaged in operating 34 water systems in the County of Los Angeles and two in the County of San Bernardino. For the last five years it has reported its fixed capital, its operating revenues and net income, and its number of active service connections as follows:

	Fixed Capital <u>Dec. 31</u>	Operating Revenues	Net Income	Service Connections <u>Dec. 31</u>
1946	\$ 606,691	\$141,440	\$24,556	6,394
1947	890,582	176,445	23,161	8,330
1948	1,323,329	216,309	27,016	10,925
1949	1,773,759	299,630	42,225	14,491
1950	2,658,651	381,230	63,885	20,311

In Exhibit E, applicant sets forth its balance sheet as of December 31, 1950. A summary of the same is as follows:

Assets

Fixed capital		\$2,658,651.41
Current assets -		
Cash	\$ 31,299.44	
Accounts receivable	31,822.16	
Materials and supplies	101,884.91	
Total current assets		<u>165,006.51</u>
	Total	<u>\$2,823,657.92</u>

Liabilities

Capital stock		\$ 350,000.00
Loans payable to officers		1,818,400.00
Current liabilities -		
Accounts payable	\$158,494.31	
Accrued taxes	58,084.70	
Service billed in advance	15,943.67	
Total current liabilities		233,522.68
Reserve for depreciation		201,264.74
Reserve for uncollectible water bills		1,624.50
Donations in aid of construction		26,300.00
Surplus		<u>193,546.00</u>
	Total	<u>\$2,823,657.92</u>

Applicant's investment in its water systems and its volume of business have been increasing rapidly since the close of the war, as indicated in the preceding tabulation. Its financial statements show that during the five-year period from 1946 to 1950, both years inclusive, its investment in its systems increased from \$413,100 at the beginning of 1946 to \$2,658,651 at the close of 1950, an increase of \$2,245,551, which has been paid or provided primarily with moneys advanced by applicant's stockholders or represented by open

accounts payable and through the investment of earnings from operations.

The application shows that applicant now desires to liquidate certain of its outstanding liabilities and thereby improve its cash position and make provision for future additions and betterments through the issue of the stock and notes covered by this application. Specifically, it sets forth the purposes for which it intends to use the proceeds from such issues as follows:

- (1) To pay outstanding loans in the sum of \$1,818,400.
- (2) To pay accounts payable and/or bank loans in the sum of \$158,000.
- (3) To pay for moneys actually expended from income, and from other money in the treasury, for capital additions and betterments in the sum of \$449,500.
- (4) To pay for additions and betterments to be made in the future in the aggregate sum of \$1,196,100, and
- (5) To pay expenses incidental to the financing, estimated at \$28,000.

In Exhibit I, applicant estimates total capital expenditures for 1951 in the aggregate amount of \$1,637,615.02. It reports that funds from its treasury, along with those to be obtained through the securities requested in this application, should be sufficient to enable it to meet its requirements for the remainder of the year. It estimates that the additional capital expenditures should enable it to extend its service to more than 7,000 additional customers.

Applicant's presently outstanding stock consists of 14,000 shares of the par value of \$25 each, all of which are held by H. H. Wheeler, V. E. Motz and O. D. Collins. It reports that its present stockholders have indicated they intend to subscribe to the entire proposed issue of 66,000 shares, at par for cash, pursuant to the preemptive rights granted them by applicant's articles of incorporation. The issue of said shares, in the manner proposed by applicant, is not subject to the Commission's competitive bidding rule.

As to the proposed issue of notes, applicant reports that subject to receiving permission from the Commission, it intends to execute a loan agreement with Pacific Mutual Life Insurance Company and The Lincoln National Life Insurance Company, under the terms of which said insurance companies will advance to applicant the sum of \$1,000,000 each on or before March 1, 1952, the amounts so advanced to be evidenced by promissory notes payable March 1, 1976, with interest on the unpaid balances at the rate of 3-3/8% per annum. The payment of the notes will be secured by a mortgage covering applicant's properties. Applicant asks that the Commission exempt the issue of said notes from its competitive bidding rule.

A review of the testimony and the evidence offered by applicant clearly indicates that it will have need for additional funds to proceed with its construction program. Upon the showing made by applicant, the Commission is warranted in exempting the proposed issue of notes from its competitive bidding rule.

An order will be entered granting applicant's requests.

O R D E R

A public hearing having been held in the above entitled application, and the Commission having considered the matter and being of the opinion 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 stock and notes herein authorized is reasonably required by applicant for the purposes specified herein; and that the expenditures for such purposes, other than for expenses incident to the issue of the notes, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Park Water Company, after the effective date hereof and on or before August 31, 1951, may execute a loan agreement and a mortgage in, or substantially in, the same form as those filed in this proceeding in Exhibit 1.

2. Park Water Company, after the effective date hereof and on or before March 1, 1952, may issue its promissory notes in the aggregate amount of not exceeding \$2,000,000, as provided in said loan agreement. The issue of said notes is hereby exempted from the requirements of the Commission's competitive bidding rule in Decision No. 38614, dated January 15, 1946.

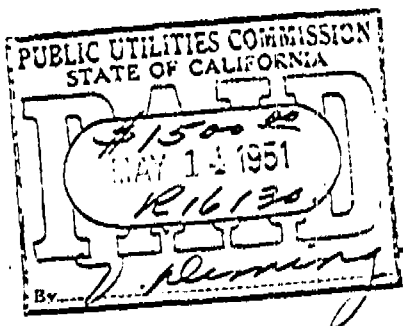
3. Park Water Company, after the effective date hereof and on or before March 1, 1952, may issue and sell, at par, to its stockholders, not exceeding 66,000 shares of its common capital stock of the aggregate par value of \$1,650,000.

4. Park Water Company shall use the proceeds to be received through the issue of the notes and stock herein authorized for the purposes set forth in this application.

5. Park Water Company 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.

6. The authority herein granted will become effective when Park Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one thousand five hundred (\$1,500.00) dollars.

Dated at Los Angeles, California, this 8th day of May, 1951.



[Handwritten signatures of Commissioners]
Commissioners