

ORIGINAL

Decision No. 45855

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of LAKEWOOD WATER & POWER COMPANY,	:	
a corporation, for an order	)	
authorizing applicant	:	
(1) to execute a supplemental	)	
indenture supplementing that certain	:	
trust indenture dated as of	)	
January 1, 1951,	:	
(2) to issue First Mortgage Bonds,	)	Application
3-1/4% Series due 1976, in the	:	No. 32461
principal amount of \$550,000, and	)	(And First Supplemental)
(3) to sell such bonds under a	:	
Bond Purchase Agreement dated	)	
February 5, 1951 for a consideration	:	
as set out therein, and to use the	)	
proceeds for the purposes and in the	:	
manner specified in this application.	)	
-----	:	

O P I N I O N

Lakewood Water & Power Company, applicant herein, is a California corporation engaged in the distribution and sale of water in a portion of Los Angeles County commonly known as Montana Ranch, near the City of Long Beach. In this proceeding, it seeks authority to execute a supplemental indenture and to issue and sell \$550,000 of its First Mortgage Bonds, 3 1/4% Series due 1976.

The application shows that as of April 30, 1951, applicant had invested \$2,427,878.23 in its water properties, and that it had financed its investment, in part, through the issue, during the early part of 1951, of \$950,000 of bonds similar to those now proposed to be issued. Applicant reports that it entered into an agreement on February 5, 1951, for the sale to New York Life Insurance Company of the additional \$550,000 of bonds covered by this application, at their face value plus accrued interest, for the purpose of financing the cost of additions and extensions to its plants and properties.

Applicant reports that it is engaged in a construction program calling for the expenditure of \$389,315.07, to be completed substantially by July 31, 1951, which will add 1,279 consumers to its lines, and that it contemplates the extension of its facilities at a cost of \$960,520.45 to adjacent tracts comprising approximately 4,600 lots. The expenditures for these purposes, in addition to the proceeds from the sale of the bonds, will be provided from cash and current assets and by advances from subdividers.

At the conclusion of the presently proposed program, applicant will have invested approximately \$3,000,000 in fixed capital serving some 20,000 customers, and will have outstanding \$1,500,000 of bonds which will call for the annual payment of interest in the amount of \$48,750. Applicant's financial report for the year 1950 shows that it had operating revenues of \$274,883, with gross corporate income after provision for operating expenses, taxes and depreciation, of \$66,468. However, by Decision No. 44618, dated August 1, 1950, the Commission authorized applicant to increase its rates for service rendered on and after September 1, 1950, and in doing so estimated that the rates thus authorized would yield applicant annual net operating revenue, available for interest, of \$148,500, representing a return of approximately 6% on a rate base of \$2,475,700. Applicant's financial structure, giving effect to the proposed issue of bonds, would be as follows:

Bonds	45%
Preferred stock	22
Equity capital	<u>33</u>
Total	<u>100%</u>

A review of this application clearly indicates that applicant will have need for additional funds from external sources to finance additions to its properties and that the Commission is

warranted in authorizing the issue of bonds, as requested in this application. Accordingly, an order will be entered granting applicant's requests.

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 and sale of the bonds 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:

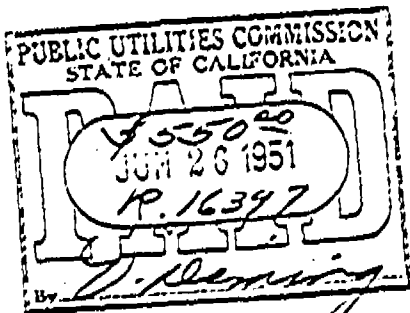
1. Lakewood Water & Power Company, after the effective date hereof and on or before December 31, 1951, may execute a supplemental indenture in substantially the same form as that filed in this proceeding, and may issue and sell \$550,000 of its First Mortgage Bonds, 3½% Series due 1976, at not less than their principal amount plus accrued interest, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

2. Lakewood Water & Power Company, within thirty (30) days after the issue of said bonds, shall file with the Commission a statement showing to whom said bonds were sold and the price at which they were sold. Thereafter, applicant shall file monthly reports showing the purposes for which it has expended the proceeds.

received from the issue and sale of said bonds.

3. The authority herein granted will become effective when Lakewood Water & Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is five hundred fifty (\$550.00) dollars.

Dated at San Francisco, California, this 26<sup>th</sup> day of June, 1951.



[Signature]  
Justice F. Casper  
Harold H. Hule  
[Signature]  
[Signature]  
Commissioners