

ORIGINAL

Decision No. 46095

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
SOUTHERN CALIFORNIA WATER COMPANY)
for authority to amend a Credit)
Agreement and to change the interest)
rate and maturity of its promissory)
notes issued thereunder.)
-----)

Application
No. 31488
(First Supplemental)

FIRST SUPPLEMENTAL ORDER

By Decision No. 44451, dated June 27, 1950, the Commission authorized Southern California Water Company to execute a credit agreement with Harris Trust and Savings Bank and to issue notes in the aggregate principal amount of not exceeding \$1,000,000, said notes to bear interest at the rate of 2-3/8% per annum and to be payable on September 1, 1952. It appears that applicant has exercised the authority thus granted.

In a supplemental application filed on July 25, 1951, applicant requests authority to execute an amendment to the credit agreement so as to provide that the maturity date of the promissory notes shall be extended from September 1, 1952, to March 1, 1953, with interest at the rate of 2-3/4% from and after September 1, 1951. It reports that the extension of the maturity date, as proposed, is necessary in order to enable it to continue its long established policy of paying dividends on its shares of common stock.

In this connection it appears that applicant's articles of incorporation prohibit applicant, so long as any of its shares

of preferred stock are outstanding, from paying dividends on the shares of common stock unless, after giving effect to such payment, current assets are at least 125% of current liabilities, or the aggregate of net current assets shall be at least equal to the aggregate of the annual interest requirements on all interest-bearing obligations then outstanding and the annual dividend requirements on all then outstanding shares of stock. Applicant reports that after September 1, 1951, the outstanding \$1,000,000 of notes will be considered as current obligations, inasmuch as they will mature within 12 months from that date, and that under these conditions its current liabilities will be substantially in excess of its current assets.⁽¹⁾ The proposal of applicant, on the other hand, by extending the maturity date of the outstanding notes, will have the effect of classifying such notes as long-term obligations not subject to the restriction in applicant's articles.

It appears that this is a matter in which a public hearing is not necessary and that applicant's request should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company, after the effective date hereof and on or before September 30, 1951, may execute an amendment to its presently outstanding credit agreement so as to extend the maturity of its promissory notes, in the aggregate principal amount of \$1,000,000, from September 1,

(1)

A pro forma statement filed by applicant shows, as of June 30, 1951, current assets of \$1,211,998 and current liabilities of \$1,792,215, including the \$1,000,000 of notes.

1952, to March 1, 1953, and to increase the interest rate on said notes, from and after September 1, 1951, to 2-3/4% per annum.

2. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 26th day of August, 1951.

R. P. Anderson
James J. Quisenberry
Harold A. Kula
Robert E. Mitchell
Herbert Lott
Commissioners