

Decision No. 47136

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 :
 SOUTHERN CALIFORNIA WATER COMPANY)
 :
 for authority to issue and deliver)
 its promissory notes representing)
 bank loans not exceeding an aggre-)
 gate principal amount of \$1,500,000.)
 -----)

Application
No. 33362

O P I N I O N

This is an application for an order of the Commission authorizing Southern California Water Company to issue promissory notes in the aggregate amount of not to exceed \$1,500,000.

Applicant reports that it has need for additional funds to finance the cost of properties and that it proposes to enter into a loan agreement with Harris Trust and Savings Bank pursuant to which said bank will loan it at any time, or from time to time to and including December 31, 1953, an aggregate of not to exceed \$1,500,000, which loan will be evidenced by a promissory note, or notes, maturing December 31, 1954, with interest payable quarterly at the rate of 3-1/4% from date of issue to maturity. The notes may be prepaid by applicant at any time.

The application shows that applicant intends to use the proceeds from the loans to pay, in part, the cost of property acquisitions and construction expenditures under its capital budget for the year 1952, or, to the extent that prior to the borrowing of funds applicant has paid such costs from moneys in its treasury, to use the proceeds for reimbursement purposes. In Exhibit C

applicant sets forth its proposed capital expenditures in some detail, a summary of the same being as follows:

| | |
|--------------------------------------------------------------|--------------------|
| Water properties - | |
| Source of supply | \$ 200,000 |
| Distributing system | 535,000 |
| New business-extensions | 104,850 |
| New business-subdivisions | 389,800 |
| Meters and services | 154,600 |
| Martin and Goold Water System | 35,000 |
| Improvements to operating systems proposed to be acquired | 75,000 |
| General office | 150,000 |
| Miscellaneous | 78,750 |
| Electric properties - | |
| Bear Valley Electric System | <u>12,000</u> |
| Sub-total | 1,735,000 |
| Proposed acquisitions of operating systems - | |
| Norwalk Water Company | 51,570 |
| Excelsior Water Company, Inc. | 275,000 |
| Southland Water Company | <u>195,000</u> |
| Total | <u>\$2,256,570</u> |

In Exhibit A filed in this proceeding applicant reports its investment in fixed capital and under construction at \$15,299,318 as of March 31, 1952, and its related reserve for depreciation at \$3,040,246, making a net plant investment of \$12,259,072. The exhibit shows that applicant has financed its investment through the issue of first mortgage bonds, shares of preferred and common stock and the use of earnings from operations. Its capital structure as of the close of March is indicated below:

| | |
|----------------------------|--------------------------|
| First mortgage bonds - | |
| 2-7/8% series due 1977 | \$5,100,000 |
| 3% series due 1978 | <u>970,000</u> |
| Total first mortgage bonds | \$ 6,070,000 50% |
| Preferred stock - | |
| 4 1/2% series | 800,000 |
| 4% series | 800,000 |
| 5 1/2% series | <u>763,950</u> |
| Total preferred stock | 2,363,950 19 |
| Equity capital - | |
| Common stock | 2,217,875 |
| Capital surplus | 471,733 |
| Earned surplus | <u>1,080,234</u> |
| Total equity capital | <u>3,769,842 31</u> |
| Total | <u>\$12,203,792 100%</u> |

A review of the application indicates that additional funds are required to enable applicant to proceed with its program of construction and acquisition of properties. By this decision, however, we are not making a finding that all the items comprising the total expenditures of \$2,256,570 are chargeable to fixed capital accounts. Sufficient margin exists between the total reported costs and the principal amount of the notes to warrant an order authorizing the issue as requested.

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 by the issue of the notes herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company, after the effective date hereof and on or before December 31, 1953, may issue its promissory notes in the aggregate principal amount of not to exceed \$1,500,000, under and pursuant to the terms of the loan agreement filed in this proceeding as Exhibit B. Applicant shall use the proceeds from the issue of said notes for the purposes stated in this application.

2. Southern California 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.

3. The authority herein granted will become effective when Southern California Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is one thousand two hundred fifty (\$1,250.00) dollars.

Dated at San Francisco, California, this 13th day of May, 1952.

R. J. [Signature]
President

Justin J. [Signature]
Harold P. [Signature]

[Signature]
[Signature]
Commissioners

