



The purpose of the proposed bond issue is to provide applicant with funds to pay short-term bank loans, to finance the cost of capital additions and to pay expenses incident to the issue of the bonds, all as set forth in some detail in the application.<sup>1/</sup> Among other things, applicant asserts that the growth in its service areas has made necessary large expenditures for the improvement and extension of its facilities and it estimates that during the next three years it will add 7,200 new services to its lines and will be called upon to expend \$2,171,700 for plant purposes, including additional wells and pumping equipment, buildings, distribution mains, services, meters and other equipment, although at this time it seeks authorization to finance only a portion of the estimated amounts.

From time to time applicant has come before the Commission for authority to borrow money to finance its postwar program of expansion. Information filed with the Commission shows applicant's investment and business have been increasing rapidly, as indicated in the following tabulation prepared from applicant's financial reports:

	Fixed Capital December 31	Service Connections	Operating Revenues	Net Operating Revenues	
				Before Depreciation	After Depreciation
1948	\$2,210,063	17,331	\$450,185	\$132,844	\$ 97,061
1949	2,671,873	20,167	531,115	135,454	69,691
1950	3,276,097	24,027	627,471	168,340	100,093
1951	4,082,399	26,968	799,173	245,312	162,803
1952	4,933,426	27,788	834,497	243,200	140,517

For the first ten months of 1953 applicant reports gross revenues of \$889,810 and net operating revenues, before depreciation, of \$319,793.

Applicant's investment as of October 31, 1953, and its liabilities and net worth are indicated by its balance sheet as of

<sup>1/</sup>

In summary form, the proposed expenditures are as follows:

To pay expenses incident to the issue of bonds	\$ 6,970
To pay Bank of America loans	300,000
To pay for capital additions and for other corporate purposes	693,030
Total	<u>\$1,000,000</u>

that date, as follows:

Assets

Current assets -		
Cash	\$ 37,145.76	
Accounts receivable	63,553.21	
Materials and supplies	105,366.46	
Prepaid expenses	<u>83,075.07</u>	
Total current assets		\$ 289,140.50
Deposit with trustee		70,594.00
Plant and properties less depreciation reserve		<u>4,837,470.60</u>
Total		<u>\$5,197,205.10</u>

Liabilities and Net Worth

Current liabilities -		
Accounts payable	\$139,307.78	
Notes payable	200,000.00	
Taxes payable	97,382.04	
Interest on funded debt	21,086.74	
Consumers' deposits	<u>7,555.29</u>	
Total current liabilities		\$ 465,331.85
Consumers' advances for construction		973,385.71
Donations in aid of construction		37,039.97
Other credits		62,442.19
First mortgage bonds		2,500,000.00
Net worth -		
Common stock	313,442.54	
Surplus	<u>845,562.84</u>	
Total net worth		<u>1,159,005.38</u>
Total		<u>\$5,197,205.10</u>

The presently outstanding bonds consist of \$2,000,000 of 3-3/8's due in 1970 and 1980 and \$500,000 of 3-7/8's due in 1982. At the conclusion of the proposed financing applicant will have \$3,500,000 of bonds outstanding, which will require annual charges of \$126,875 for interest as compared with net operating revenues before depreciation of \$243,200 in 1952 and of \$319,793 for the first ten months of 1953, as previously shown in this opinion. The new issue now proposed should add approximately \$693,030 to applicant's plant accounts, which would increase the net balance from \$4,837,470 on October 31, 1953, to approximately \$5,530,500, exclusive of additions which may be financed from other sources and of retirements. Applicant's capital ratios, giving effect to the proposed bond issue and including advances for construction which have produced a substantial part of applicant's plant, are indicated in the following tabulation.

Bonds	62%
Advances	17
Common stock equity	<u>21</u>
Total	<u>100%</u>

In authorizing applicant to issue securities and to adjust rates, the Commission on numerous occasions has reviewed applicant's properties and results of operations. It is aware of the growth in applicant's service areas and of the plant requirements with which applicant has been and is faced and with its program for meeting the costs of such requirements. From a review of the present application it clearly appears that applicant has had and will have need for funds from external sources to liquidate its bank borrowings, to improve its cash position, and to proceed with its program for meeting its construction requirements, and that its request to issue bonds should be granted. While applicant's earnings appear to be ample to enable it to service its present and proposed indebtedness, the Commission is of the opinion that upon completion of the present financing which will be authorized at this time, applicant's debt ratio will have risen to a point where it should give consideration to obtaining a part of the funds which will be required for future additions and betterments from sources other than bonds.

#### O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing 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 bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise permitted in this order, 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, on or before June 30, 1954, may execute a Seventh Supplemental Trust Indenture in substantially the same form as that filed in this proceeding as Exhibit E, and may issue and sell, at not less than the principal amount thereof plus accrued interest, not to exceed \$1,000,000 in principal amount of its Series F bonds for the purposes set forth in this application. The accrued interest to be received from the issue and sale of said bonds may be used for general corporate purposes.

2. San Gabriel Valley 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 San Gabriel Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,000.00.

Dated at San Francisco, California, this 12<sup>th</sup> day of January, 1954.

A. Z. [Signature]  
President

Justus J. [Signature]

Kenneth [Signature]

John L. [Signature]

James [Signature]  
Commissioners

