

ORIGINAL

Decision No. 50549

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC WATER CO., a California)
corporation, to mortgage its)
properties under the provisions)
of Section 851 of the Public)
Utilities Code.)
-----)

Application
No. 35744

O P I N I O N

Pacific Water Co., applicant herein, is a corporation engaged in the operation of public utility water systems in the counties of Los Angeles, Orange, Kern and San Bernardino. In this application it seeks authorization to execute a supplemental indenture and to issue and sell \$260,000 in principal amount of first mortgage bonds.

The proposed financing is being undertaken to provide funds for the payment of outstanding indebtedness and for working capital needed to improve applicant's financial position. Applicant reports that since June 1, 1953, when it last engaged in long-term debt financing, it has increased its investment in total fixed capital from \$1,730,806 to \$2,151,750, that it has handled this growth primarily with short-term debt, and that presently it has approximately \$250,000 of notes and accounts payable outstanding, including amounts due for purchases of material and equipment and consumers' advances for construction which now are refundable.

Applicant was organized in June of 1953 as a consolidation of Mountain Properties, Inc. and Desert Water Company. A summary of

the combined operating results for 1953 and for the first six months of 1954 is as follows:

	<u>1953</u>	<u>1954 6 Months</u>
Operating revenues	\$278,562	\$146,837
Operating expenses	<u>250,501</u>	<u>117,268</u>
Utility operating income	28,061	29,569
Other income	<u>110</u>	<u>150</u>
Gross income	28,171	29,719
Interest and other deductions	<u>22,473</u>	<u>12,888</u>
Balance	<u>\$ 5,698</u>	<u>\$ 16,831</u>

The financial position of applicant as of June 30, 1954, is reflected by its balance sheet filed as Exhibit A, a summary of which is as follows:

Assets

Fixed assets -		
Utility plant	\$2,151,750	
Less-depreciation reserve	<u>205,001</u>	
Net fixed assets		\$1,946,749
Current assets -		
Cash and deposits	630	
Notes and accounts receivable	40,232	
Material and supplies	72,996	
Prepayments	<u>2,242</u>	
Total current assets		116,100
Deferred debits		<u>36,058</u>
	Total	<u>\$2,098,907</u>

Liabilities

Bonds		\$ 495,000
Current liabilities -		
Notes payable	\$ 135,382	
Accounts payable	117,211	
Consumers' deposits	15,229	
Other items	<u>10,121</u>	
Total current liabilities		277,943
Consumers' advances for construction		376,782
Donations in aid of construction		78,617
Preferred stock		331,460
Common stock		370,000
Installments on stock subscriptions		25,800
Surplus		<u>143,305</u>
	Total	<u>\$2,098,907</u>

Under authorization granted by the Commission by Decision No. 48648, dated June 1, 1953, applicant executed an indenture of

mortgage and deed of trust and issued and sold \$500,000 of First Mortgage Bonds, Series A, 4-1/2%, due June 1, 1973, to Connecticut Mutual Life Insurance Company, of which original amount there remain outstanding \$495,000, as shown in applicant's balance sheet. The indenture securing the payment of the indebtedness provides for additional issues of Series A bonds against subsequent net bondable expenditures for properties.

The \$260,000 principal amount of bonds which applicant now desires to issue will be additional ones of Series A. Subject to obtaining authorization from the Commission, applicant has entered into arrangements to sell the bonds to Connecticut Mutual Life Insurance Company at their principal amount plus accrued interest. As a condition to the purchase, the insurance company has required applicant to execute a supplemental indenture, specifically subjecting to the lien of the original instrument the properties which have been acquired since its execution and delivery.

Upon the conclusion of the proposed financing applicant will have \$755,000 of bonds outstanding against utility plant carried on its balance sheet in the net amount of \$1,946,749. Its annual interest charges at the outset will be \$33,975, as compared with gross income, after depreciation charges, of \$29,719 during the first six months of the year.^{1/} Its current position, now adversely indicated by the June 30 ratio of current assets of \$116,100 to current liabilities of \$377,943, will be improved by the addition of the \$260,000 of bond proceeds and the liquidation of past due obligations, and its capital structure, based on the June 30 figures, will be as follows:

^{1/} Applicant's reported gross income for the first six months of 1954 before depreciation charges amounted to \$45,092.

Bonds	47%
Preferred stock	21
Common stock equity	<u>32</u>
Total	<u>100%</u>

Upon a review of the application we are of the opinion that the issue of the \$260,000 of bonds is required by applicant for the payment of its outstanding indebtedness and for the improvement of its financial position. Accordingly, we will enter an order 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 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 and sale of the bonds 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. Pacific Water Co. may execute a first supplemental indenture on or before December 31, 1954, in, or substantially in, the same form as the indenture filed in this proceeding as Exhibit C, and, on or before December 31, 1954, may issue and sell not exceeding \$260,000 in principal amount of its first mortgage bonds 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 such purposes or for general corporate purposes.

2. Pacific Water Co. 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 Pacific Water Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$260.00.

Dated at San Francisco, California, this 21st day of September, 1954.

John E. Mitchell
President

Justus J. Calver
Bennett Patton

Verne Joggins

Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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By *[Signature]*

STATE OF CALIFORNIA
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