

Decision No. 36601

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 aggregate prin-)
cipal amount of \$2,000,000.)
-----)

Application
No. 36601

O P I N I O N

Southern California Water Company, applicant herein, is a California corporation engaged as a public utility in the business of distributing water in certain portions of the counties of Sacramento, Los Angeles, Orange, Ventura, San Bernardino and Imperial, and in distributing electricity at Bear Valley in San Bernardino County. In this application it seeks authorization to issue and deliver its promissory notes in the aggregate principal amount of not exceeding \$2,000,000.

The purpose of the proposed financing is to provide applicant with temporary funds to finance the cost of property acquisitions and construction expenditures during the years 1954 and 1955, or to reimburse its treasury for expenditures heretofore made for such purposes. In Exhibit C, applicant reports total capital expenditures for the year 1954, based on nine months' actual experience and three months estimated, in the total amount of \$2,262,874, and estimated expenditures in 1955 in the total amount of \$2,750,000. The exhibit shows 4,074 new customers estimated for 1954 and 5,752 for 1955.

In order to obtain temporary funds, applicant reports that it is entering into an agreement with Harris Trust and Savings Bank of

Chicago, under which there will be established a revolving credit permitting it to borrow, repay and reborrow, from time to time on or prior to June 30, 1956, certain amounts in an aggregate amount not exceeding \$2,000,000 at any one time outstanding. Each amount so borrowed is to be represented by a promissory note maturing June 30, 1957, with interest from the date of the note at the rate of 3-1/4% per annum. Under the provisions of the agreement applicant will pay a commitment fee computed at the rate of one-half of 1% per annum on the daily average unused amount of the loan commitment.

Applicant has been before the Commission from time to time with applications to issue securities to finance its plant costs. In general, it has been its practice to meet its requirements through the issue of short-term notes such as those covered by the present application and, from time to time, to refinance the same through the issue of permanent securities. Its capital structure as of October 31, 1954, is as follows:

First mortgage bonds -		
2-7/8% series, due 1977	\$ 5,100,000	
3 % series, due 1978	950,000	
3.60 % series, due 1982	990,000	
3.35 % series, due 1984	2,000,000	
Total bonds	<u>9,040,000</u>	56%
Preferred stock -		
4-1/4% series	800,000	
4 % series	800,000	
5.44 % series	924,500	
Total preferred stock	<u>2,524,500</u>	16
Common stock equity -		
Common stock	2,944,480	
Surplus	1,539,667	
Total common stock equity	<u>4,484,147</u>	28
Totals	<u>\$16,048,647</u>	100%

In Exhibit A filed in this proceeding applicant reports its net investment in fixed capital at the close of October of last year in the aggregate amount of \$18,197,793. It reports its current assets at \$2,486,081, with outstanding current liabilities of \$1,246,885. Its statement of its results of operations shows

operating revenues of \$3,728,302 for the 12 months ended October 31, 1954, as compared with \$3,298,125 during the corresponding period ending in 1953, an increase of \$430,177, and gross income available for interest in the amount of \$583,532 for the later of these 12-months periods as compared with \$772,519 for the 12 months ended October 31, 1953. The statement indicates that applicant has earned its interest charges approximately 3-1/2 times.

A review of the application indicates that additional funds will be needed by applicant to enable it to proceed with its construction program, that its construction program requires the issue of notes in the amount requested, and that applicant's earnings are ample to support the proposed financing. Accordingly, an order will be entered granting the application.

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 notes 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. Southern California Water Company may issue its promissory notes, at any time or from time to time before June 30, 1956, in the aggregate principal amount of not to exceed \$2,000,000 at any one time outstanding, said notes to be issued under and pursuant to

the terms of a credit agreement with Harris Trust and Savings Bank, a copy of which is filed in this proceeding as Exhibit B.

2. Southern California Water Company shall use the proceeds from the issue of said notes for the purposes set forth in this application.

3. 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.

4. 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 \$1,500.00.

Dated at Los Angeles, California, this 27th day of January, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

