

**ORIGINAL**Decision No. 51484

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

DEL ESTE WATER COMPANY,  
a corporation,for an order authorizing it to issue  
an additional promissory note and to  
execute and deliver a Second Supple-  
mental Indenture to its Mortgage of  
Chattels and Real Property.Application  
No. 36937O P I N I O N

Del Este Water Company has filed this application for authorization to execute a supplemental loan agreement with Pacific Mutual Life Insurance Company and a second supplemental indenture, supplementing its mortgage of chattels and real property, and to issue its promissory note in the principal amount of \$136,000.

Applicant is engaged in the business of supplying water to domestic, commercial and industrial consumers in the vicinity of the cities of Modesto and Turlock and the towns of Empire, Salida and Waterford, in the County of Stanislaus. According to its application it has invested \$1,015,197 in its water facilities, net after provision for depreciation, and has financed such facilities and other assets primarily from the following sources:

Long-term debt	\$364,000
Subdividers' advances	110,604
6% preferred stock	125,000
Common stock equity capital	447,019

The long-term debt consists of a note, originally in the amount of \$400,000, issued to Pacific Mutual Life Insurance Company. It is dated March 1, 1951, bears interest at the rate of 4% per

annum, matures March 1, 1971, and provides for annual payments of principal in the amount of \$12,000 on March 1 of each year. It is secured by the terms of a mortgage of chattels and real property and a first supplemental indenture heretofore executed under authorization granted by the Commission.

Applicant now reports that it has need for additional sums from external sources to repay existing short-term bank loans in the amount of \$30,000, to reimburse its treasury, and to finance the cost, estimated at \$139,400, of construction expenditures and additional working capital during 1955 and 1956, and that it has made arrangements to obtain \$136,000 of its capital requirements through the issue of an additional note to Pacific Mutual Life Insurance Company.

The new note will mature on March 1, 1971, with interest at the rate of 4-1/4% per annum, provided that applicant will pay \$4,000 annually on account of the principal amount. The borrowing will be made under and pursuant to the terms of a supplemental loan agreement with Pacific Mutual Life Insurance Company and the note will be secured by the existing mortgage of chattels and real property, as supplemented by a first supplemental indenture and a proposed second supplemental indenture.

A review of applicant's financial statements indicates a satisfactory condition. It has current assets of \$89,527 as of December 31, 1954, as compared with current liabilities of \$79,993; it has fixed liabilities of only \$364,000 as compared with a net investment in plant in excess of \$1,000,000, and it reports a substantial investment by the equity owners. Its results of operations during the last two calendar years are summarized as follows:

	<u>1953</u>	<u>1954</u>
Operating revenues	\$267,425	\$302,175
Operating expenses	<u>197,504</u>	<u>224,785</u>
Net operating revenues before income taxes	69,921	77,390
Interest and other deductions	<u>25,329</u>	<u>23,734</u>
Balance	44,592	53,606
Provision for income tax	<u>11,042</u>	<u>16,707</u>
Net income	<u>\$33,550</u>	<u>\$36,899</u>

From a review of the application it appears that applicant will have need for additional funds and that its assets and earnings are ample to warrant an order approving its present 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 note 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. Del Este Water Company, on or before January 31, 1956, may execute a supplemental loan agreement with Pacific Mutual Life Insurance Company and a second supplemental indenture, supplementing its mortgage of chattels and real property, and may issue its 4-1/4% promissory note in the principal amount of not exceeding \$136,000 for the purposes set forth in this application, said supplemental loan agreement, supplemental indenture and note to be in, or substantially in, the same form as those filed in this proceeding.

2. Del Este 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 applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$136.

Dated at San Francisco, California, this 24<sup>th</sup> day of May, 1955.

[Signature]  
President

[Signature]  
[Signature]

[Signature]  
Commissioners

