

**ORIGINAL**

Decision No. 52885

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of AZUSA VALLEY WATER COMPANY, a  
corporation, for authority to  
borrow money and execute a Loan  
Agreement, Mortgage, and  
Promissory Notes.

Application  
No. 37877

O P I N I O N

Azusa Valley Water Company has filed this application for authorization to execute a loan agreement and a mortgage and to issue \$1,000,000 in principal amount of promissory notes.

Applicant is a California corporation organized in 1952. Under authorization granted by Decision No. 47713, dated September 16, 1952, it acquired certain properties from The Azusa Irrigating Company, a mutual organization, and entered upon operations as a public utility water corporation furnishing domestic service in Los Angeles County.

At or about the time applicant took over and commenced its operations the system served about 1,500 customers and had a reported investment in plant of approximately \$700,000. In the years following the acquisition of the operations by applicant, a substantial growth of population has been experienced in its service area and presently more than 10,000 customers are attached to its lines, with the reported investment having risen to more than \$2,000,000. A summary statement of applicant's financial position as of September 30, 1955, is as follows:

Assets

Fixed capital, less reserve		\$2,098,253
Current assets -		
Cash and deposits	\$ 125,207	
Accounts receivable	70,336	
Materials & supplies	25,412	
Prepayments	1,178	
Total current assets		<u>222,133</u>
Total		<u>\$2,320,386</u>

Liabilities and Capital

Long-term debt -		
Notes payable	\$ 210,000	
Advances for construction	<u>1,367,837</u>	
Total long-term debt		\$1,577,837
Current and accrued liabilities		325,512
Common stock equity		<u>417,037</u>
Total		<u>\$2,320,386</u>

Since the date of the balance sheet applicant has borrowed \$85,000 from directors, bringing its outstanding notes up to \$295,000.

The company now proposes to increase its borrowings. Subject to receiving authorization from the Commission, it intends to enter into a loan agreement with The Lincoln National Life Insurance Company whereby that company will make \$1,000,000 available to it, \$500,000 on or before May 1, 1956, and \$500,000 on or before February 28, 1958, the sums to be thus borrowed to be represented by 4½% notes due February 29, 1976. The payment of the notes will be secured by a mortgage of applicant's properties.

The loan agreement contemplates that the presently outstanding notes of \$295,000 will be paid with proceeds from the initial \$500,000 loan. The remaining \$205,000 to be obtained from the initial borrowing will be used to pay expenses incident to obtaining the loan and to finance in part the cost of acquiring and improving a reservoir. Applicant reports that it intends to purchase a 5,250,000 gallon

concrete reservoir from The Azusa Irrigating Company, to install influent pipe consisting of 3,200 ft. of 21-inch cement-lined pipe, and discharge and outlet pipe amounting to 1,300 ft. of 25-inch cement-lined steel pipe and 20-inch steel pipe. Applicant asserts that the facilities are necessary for it to maintain adequate service to its customers.

Applicant intends to use the additional borrowings of \$500,000 for capital expenditures as needed. At this time, however, it has made no definite showing with respect to the use of proceeds in excess of \$500,000 and there is nothing now before us upon which we can predicate a finding with respect to the reasonableness of the issue of notes in excess of the initial financing. The order herein, therefore, will be limited to the issue of \$500,000 of notes.

The approval herein indicated is for the issue and sale of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

#### ORDER

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 \$500,000 of 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. Azusa Valley Water Company may execute a loan agreement and a mortgage on or before May 31, 1956, which loan agreement and mortgage should be in, or substantially in, the same form as those filed in this proceeding as Exhibit A and Exhibit B, respectively.

2. Azusa Valley Water Company, on or before May 31, 1956, may issue not exceeding \$500,000 of its promissory notes under and pursuant to the terms of said loan agreement and mortgage. Applicant shall use the proceeds from said \$500,000 of notes for the purposes set forth in this application and referred to in the preceding opinion.

3. Azusa Valley Water Company shall file with the Commission a report, or 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 Azusa Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$290.

Dated at San Francisco, California, this 17<sup>th</sup> day of April, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners

