

Decision No. 53484

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CONSERVATIVE WATER)	
COMPANY, a corporation, for authority :)	Application
to borrow money; to execute a loan)	No. 38225
agreement; to execute a supplemental)	
mortgage; and to issue promissory)	
note or notes.)	
-----)	

O P I N I O N

This is an application for an order of the Commission authorizing Conservative Water Company to execute a loan agreement with Pacific Mutual Life Insurance Company, to execute a supplemental mortgage, and to issue notes in the aggregate principal amount of \$150,000 for the purpose of paying short-term bank loans and of financing construction costs.

Applicant was organized in 1904 and for many years has been engaged in pumping and selling water for domestic use in a portion of the City of Los Angeles and in adjacent territory. It reports that it has been constructing two connections with The Metropolitan Water District in order to obtain an auxiliary water supply from Colorado River sources and that it is required to install adequate transmission lines from said connections and to improve certain distribution lines within its service area at an estimated cost in excess of \$150,000, all as set forth in some detail in Exhibit C filed in this proceeding.

The application shows that the company has borrowed \$50,000 on a short-term basis for the construction purposes and that now it has made arrangements to obtain \$150,000 from Pacific Mutual Life Insurance Company on a long-term basis in order to refinance

its temporary borrowing and to provide substantially all of the remaining costs. The borrowing will be made under the terms of a loan agreement dated as of July 1, 1956, and will be represented by notes, \$100,000 to be issued on or before September 1, 1956, and \$50,000 on or before May 1, 1957. The notes will be payable on or before July 1, 1961 and will bear interest at the rate of 4-3/4% per annum. They will be secured by a mortgage presently outstanding and a supplemental mortgage now proposed to be executed.

In Exhibit D applicant has set forth a statement of its assets, liabilities and capital as of April 30, 1956. A summary of the statement is as follows:

Assets

Current assets -		
Cash and deposits	\$25,474	
Accounts receivable	41,146	
Materials and supplies	12,545	
Prepayments	<u>29,893</u>	
Total current assets		\$109,058
Utility plant, less reserve		627,938
Other investments		12,709
Deferred debits		<u>8,089</u>
	Total	<u>\$757,794</u>

Liabilities and Capital

Current liabilities -		
Notes payable	\$50,000	
Accounts payable	22,179	
Customers' deposits	15,715	
Accrued liabilities	<u>16,069</u>	
Total current liabilities		\$103,963
Long-term debt		103,500
Deferred credits		60,314
Common stock equity -		
Common stock	\$100,000	
Surplus	<u>390,017</u>	
Total common stock equity		<u>490,017</u>
	Total	<u>\$757,794</u>

The company's financial reports filed with the Commission show that it had operating revenues of \$219,666 in 1954 and \$223,657 in 1955, and gross income available for fixed charges and surplus of

\$30,791 in 1954 and \$33,815 in 1955. The annual interest charges on the long-term notes presently outstanding and proposed to be issued will be approximately \$11,000 at the outset.

Upon a review of this matter, it clearly appears that applicant will have need for additional borrowings in order to liquidate its short-term loans, to improve its current position, and to enable it to proceed with its construction program. Accordingly, we will enter an order approving 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 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. Conservative Water Company, on or before December 31, 1956, may execute a loan agreement and a mortgage in, or substantially in, the same form as those filed in this proceeding and pursuant to the terms thereof may issue, on or before May 1, 1957, not exceeding \$150,000 in principal amount of promissory notes for the purpose of refinancing outstanding indebtedness and of providing the cost of capital additions.

2. Applicant shall file a report, or 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 \$150.

Dated at San Francisco, California, this 31st day of July, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

