

ORIGINAL

Decision No. 54913

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company for an order authorizing it to issue and sell \$1,000,000 principal amount of its First Mortgage 5% Improvement Fund Bonds, Series G, Due March 1, 1987, and to execute to Bank of America National Trust and Savings Association, as Trustee, an indenture supplemental to the existing Indenture, as amended, securing the Company's bonded indebtedness.

Application No. 38937
and Amendment

O P I N I O N

This is an application for an order authorizing San Gabriel Valley Water Company to execute a supplemental indenture and to issue and sell \$1,000,000 of bonds.

The bonds will be designated as First Mortgage 5% Improvement Fund Bonds, will bear interest at the rate of 5% per annum, will mature March 1, 1987, and will be callable at a premium of 5% on or before March 1, 1958, and thereafter at annually decreasing premiums, provided, however, that the bonds may not be redeemed prior to March 1, 1967, with borrowed funds bearing a lower interest rate. The bonds will be sold to Occidental Life Insurance Company at their face value, plus accrued interest, under a negotiated purchase agreement.

Applicant seeks authorization to use the net proceeds from the sale of its bonds to pay outstanding notes and to finance the cost of capital additions. In Exhibit F, it reports

estimated expenditures for additions to its plant in the amount of \$1,580,800 segregated as follows:

	<u>El Monte and Whittier</u>	<u>Fontana</u>
Land	\$ 16,000	\$ -
Source of supply	160,000	13,800
Water treatment	-	15,000
Pumping	393,500	-
Reservoirs	90,000	-
Mains	<u>678,200</u>	<u>214,300</u>
Totals	<u>\$1,337,700</u>	<u>\$243,100</u>

A review of applicant's financial statements shows that at December 31, 1956, its cash and deposits amounted to \$52,937 and its total current assets, including cash and deposits, to \$276,867, as compared with current liabilities of \$700,258, including indebtedness now to be liquidated with bond money. According to the statements, the company had operating revenues of \$1,290,875 in 1955 and \$1,416,569 in 1956, with net profit of \$140,277 in the earlier year and of \$140,141 in the later, after making allowance for depreciation in the amount of \$159,948 in 1955 and \$180,772 in 1956. It appears that applicant's gross income during the last two years, before income taxes, was approximately two and one-half times its fixed charges.

Applicant presently has outstanding \$3,500,000 of first mortgage bonds of several series. In addition, it has issued \$400,000 of short-term notes and has received subdividers' advances, in the amount of \$1,490,529 on December 31, 1956, in financing itself. Its capital ratios at present, and as adjusted to reflect the proposed bond issue, are as follows:

	<u>Present</u>	<u>Adjusted</u>
Bonds	50%	59%
Notes	6	-
Advances	19	18
Common stock equity	<u>25</u>	<u>23</u>
Totals	<u>100%</u>	<u>100%</u>

Upon a review of the information before us, it appears that applicant will have need for funds from external sources to enable it to meet its capital costs and that its earnings should be ample to service the proposed bond issue. We are of the opinion that the money, property or labor to be procured or paid for through the issue of such bonds is reasonably required for the purposes specified herein, that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that an order should be entered granting the application.

The authorization herein granted 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.

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 and that the application should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. San Gabriel Valley Water Company may execute a supplemental indenture in, or substantially in, the same form as that filed in this proceeding and may issue and sell not to exceed \$1,000,000 in principal amount of its First Mortgage 5% Improvement Fund Bonds, Due March 1, 1987, at not less than their face value, plus accrued interest, and use the proceeds for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

2. San Gabriel 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.

3. The authority herein granted will become effective when San Gabriel Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,000.

Dated at Los Angeles, -California, this 30th day of April, 1957.

[Signature] President
[Signature]
[Signature]
[Signature]
[Signature] Commissioners

