

**ORIGINAL**Decision No. 55459

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CORONA CITY WATER COMPANY, a California corporation, for a permit authorizing it to issue and sell Series "B" First Mortgage and Collateral Bonds and to mortgage its properties.

Application No. 39232  
and Amendment

Donald D. Stark and George G. Grover  
for applicant; Theo. Stein and James Shields  
for the staff of the Commission.

O P I N I O N

In this application, as amended, Corona City Water Company, a corporation, seeks authorization to issue and sell \$250,000 of First Mortgage and Collateral Bonds, 5½%, Series B, due 1982.

The company proposes to sell the bonds to Northwestern Mutual Life Insurance Company on or before September 2, 1957 and to use the proceeds for the following purposes:

1.	To pay short-term loans	\$ 80,000.00
2.	To pay Temescal Water Company the balance of the purchase price of water stock acquired in 1956	33,300.00
3.	To pay open account indebtedness	74,606.11
4.	To purchase 300 additional shares of Temescal Water Company stock	55,500.00
5.	To pay construction costs	<u>6,593.89</u>
	Total	<u>\$250,000.00</u>

Corona City Water Company is engaged, as a public utility, in supplying water for domestic, municipal and industrial uses in and about the City of Corona, obtaining the water it distributes

by virtue of ownership of stock of Temescal Water Company, a mutual corporation. Applicant reports its assets, liabilities and capital as of March 31, 1957, as follows:

Assets

Current assets -		
Cash	\$ 2,953	
Accounts receivable	12,307	
Materials and supplies	<u>11,794</u>	
Total current assets		\$ 27,054
Water rights		316,500
Tangible plant, less reserve		463,383
Unamortized discount, net		<u>1,334</u>
 Total		 <u>\$808,271</u>

Liabilities and Capital

Current liabilities	\$196,227
First mortgage bonds	230,000
Advances and contributions	101,724
Common stock equity	<u>280,320</u>
 Total	 <u>\$808,271</u>

The application and financial information before the Commission show that applicant's business has been increasing, that it has expanded its facilities and increased its investment, and that it has financed itself to a large extent with moneys borrowed on a short-term basis from Citizens National Trust & Savings Bank of Riverside and on open account from Temescal Water Company. Among other things, applicant acquired 300 shares of stock from Temescal Water Company in 1956 at a cost of \$185 a share and it now desires to acquire an additional block of 300 shares at the same price. The \$185 a share represents approximately the book value of the presently outstanding shares of Temescal Water Company's stock and is the price at which the Commissioner of Corporations authorized Temescal Water Company to dispose of its shares.

It appears that shares of Temescal Water Company's stock are assessable, and that payment of assessments entitles the holder to a specified quantity of water, and that extra water, that is, water over and above that covered by assessments, may be purchased at a higher cost when available. It is asserted that the demand for water from applicant's consumers has steadily increased, that applicant has been required to pay the higher rates for extra water and that it has found it economically desirable to acquire additional shares of Temescal Water Company's stock in order to keep to a minimum its purchase of the more expensive extra water. Applicant presented testimony and exhibits showing that it is to its advantage to purchase such additional shares.

There is now pending before the Commission another proceeding, Application No. 38626, wherein Corona City Water Company seeks authorization to sell to Temescal Water Company a well it had acquired from Coronita Mutual Water Company, it being applicant's contention that it has no right to develop the water in that well for its own uses. Application No. 38626 is not ready for decision.

A public hearing was held on the instant application on July 30, 1957. At that time a representative of the Utilities Division of the Commission's staff took the position that applicant would not require the Temescal Water Company's shares of stock if it were to retain possession of the well, and that authorization to issue bonds should not be given until Application No. 38626 is decided. He made a formal motion with respect to these two matters " . . . that the two be consolidated for hearing in regard to these two items, or else decision in relation to these two items be postponed until decision under 38626."

The Commission has considered the record in the instant application. The motion of the representative of the Utilities Division of the Commission's staff is denied. Applicant will be authorized to issue and sell its bonds. While the review of the record indicates that it is advantageous to applicant to acquire the Temescal Water Company's shares of stock, regardless of the action taken in Application No. 38626, we will require applicant, because of the question which has been raised, to place \$55,500 of the bond proceeds in a special bank account subject to withdrawal only upon further authorization from the Commission.

O R D E R

The Commission having considered the above-entitled matter, and being of the opinion 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 bonds herein authorized is reasonably required by applicant corporation 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. Corona City Water Company, on and after the effective date hereof and on or before December 31, 1957, may execute a mortgage of chattels in, or substantially in, the same form as that filed in this proceeding as Exhibit 1, and may issue and sell at their principal amount, plus accrued interest, not to exceed \$250,000 of its First Mortgage and Collateral Bonds, 5½%, Series B, due 1982.

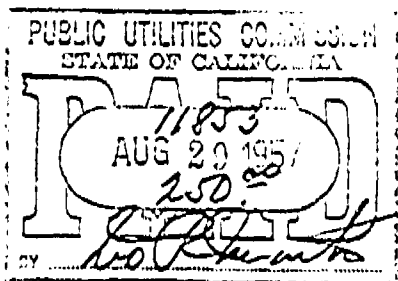
2. Corona City Water Company may use \$194,500 of the proceeds from the sale of said bonds to pay short-term bank loans, to pay amounts due Temescal Water Company, to pay open account indebtedness, and to finance construction costs, as outlined in this application. Applicant shall deposit the remaining \$55,500 of bond proceeds in a special bank account and retain them in said account until authorized to disburse them by a supplemental order, or orders, in this proceeding.

3. The action taken herein is for the issue and sale of bonds 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.

4. Corona City 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.

5. The authority herein granted will become effective when Corona City Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$250.

Dated at Los Angeles, California, this 27th day of August, 1957.



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President  
*Paul Winterman*  
\_\_\_\_\_  
*H. Hardy*  
\_\_\_\_\_  
*E. L. Fox*

Commissioners

Peter E. Mitchell  
Commissioner ~~Matthew J. Dooley~~, being necessarily absent, did not participate in the disposition of this proceeding.