

Decision No. 55224

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 THE CAMPBELL WATER COMPANY )  
 for an Order authorizing it (a) to )  
 execute a supplemental loan agreement )  
 with Pacific Mutual Life Insurance )  
 Company for an additional loan of )  
 not to exceed \$110,000; (b) to issue )  
 its promissory notes in the principal )  
 amount of not to exceed \$110,000 pur- )  
 suant to said agreement; and (c) to )  
 execute a Second Supplemental Indenture )  
 supplementing its Mortgage of Chattels )  
 and Real Property dated as of May 1, )  
 1951. )  
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Application No. 39715

Orrick, Dahlquist, Herrington & Sutcliffe,  
by Warren A. Palmer, for applicant.

O P I N I O N

The Campbell Water Company, applicant herein, is a public utility water corporation engaged in distributing water to approximately 2,250 customers in and about Campbell, Santa Clara County. In this application it seeks authorization to issue promissory notes in the aggregate principal amount of not to exceed \$110,000 and to execute a supplemental mortgage of chattels and real property and a supplemental loan agreement with Pacific Mutual Life Insurance Company.

The application was filed on January 9, 1958. A public hearing was held before Examiner Coleman in San Francisco on January 29, 1958, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Under authorization heretofore granted by the Commission, applicant entered into a loan agreement with Pacific Mutual Life Insurance Company, executed a mortgage of chattels and real property, together with a supplemental indenture, and issued promissory notes in the principal amount of \$125,000, payable in annual installments aggregating \$5,000 with interest at the rate of 4-1/2% per annum. The principal amount of the notes has been reduced to \$103,000.

Applicant now reports that it has need for additional funds and that it has made arrangements to borrow \$110,000 from Pacific Mutual Life Insurance Company in order to finance the cost of additions and betterments which are considered essential in order to give proper service to present and prospective customers. The estimated costs of the proposed capital improvements are as follows:

<u>Addition or Betterment</u>	<u>Estimated Cost</u>
Pump house and pump foundations	\$ 5,000
Source of supply - pump restaging	1,500
Booster station equipment	13,000
Transmission mains	9,000
Reservoir	28,500
Booster pump piping	6,000
Distribution main additions	4,000
Pumping equipment, Well No. 6	7,000
Engineering	5,000
1000' 8" C.I. main - Latimer Ave.	6,000
Purchase of well and site	6,000
Campbell Ave. 8" main (replacement)	9,000
Winchester Rd. 6" main (replacement)	7,000
100 meters at \$30 each	<u>3,000</u>
Total	<u>\$110,000</u>

The proposed borrowing will be represented by notes payable on or before May 1, 1978 and bearing interest at the rate of 5-5/8% per annum. The arrangements provide, however, that the

company shall pay to the lender annually, commencing November 1, 1964, fixed payments aggregating \$3,500 on account of the principal of the \$110,000 of notes. In addition, the company will have the option at any time after April 30, 1963, to prepay the notes at an initial premium of 10% if prepayment is made prior to April 30, 1965 and, thereafter, at premiums decreasing every two years.

The record shows that applicant is, and for a number of years has been, faced with residential growth in its service area, that its investment has doubled since the year 1950, that the number of service connections has increased from 1,470 in December, 1950 to 2,250 at the present time, and that applicant will have to make still further additions to its lines to serve prospective customers during 1958. Applicant's financial statement filed with the application shows that for the 11-month period ended November 30, 1957, its operating revenues amounted to \$103,720 as compared with \$93,167 during the corresponding period of 1956, and that its net profit before depreciation and income taxes amounted to \$47,510 during the 11-month period of 1957 as compared to \$39,172 during the corresponding period of 1956. The financial statement also shows applicant's assets, liabilities and capital as of November 30, 1957 as follows:

Assets

Plant and equipment -		
Cost	\$597,437	
Less - reserve	<u>182,824</u>	
Net plant and equipment		\$414,613
Current assets -		
Cash	20,405	
Accounts receivable	5,790	
Prepaid expenses	6,804	
Materials and supplies	<u>2,665</u>	
Total	<u>35,664</u>	
Less - current liabilities	<u>10,727</u>	
Net current assets		24,937
Deferred debits		<u>2,719</u>
Total		<u>\$442,269</u>

Liabilities and Capital

Mortgage notes	\$103,000
Advances for construction	122,878
Donations	728
Preferred stock	50,000
Common stock and surplus	<u>165,663</u>
Total	<u>\$442,269</u>

Testimony indicates that applicant made its negotiations for its proposed borrowing during September and October, 1957. Although financial and economic conditions may have changed since the time applicant entered into its negotiations with Pacific Mutual Life Insurance Company, it appears that the terms finally agreed upon were the best it could obtain at the time and were reasonable in the light of conditions then prevailing. The record indicates that applicant should be able to meet its debt service requirements under the proposed borrowing with a sufficient margin. Upon the record as is now before us, we will enter an order granting applicant's requests.

The authorization herein granted is for the issue of notes and the execution of a supplemental indenture 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

A public hearing having been held on the above-entitled matter and the Commission having considered the matter and being of the opinion that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The Campbell Water Company, on and after the effective date hereof and on or before October 31, 1958, may execute a supplemental loan agreement and a supplemental mortgage of chattels and real property and may issue its notes in the aggregate principal amount of not exceeding \$110,000 for the purpose of financing the cost of additions and betterments, which supplemental loan agreement, supplemental mortgage, and notes shall be in, or substantially in, the same form as those filed in this proceeding.

2. The Campbell 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 The Campbell Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$110.

Dated at Los Angeles, California, this 10<sup>th</sup> day of FEBRUARY, 1958.

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

