

ORIGINAL

Decision No. 58217

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

PALM SPRINGS WATER COMPANY,  
a California corporation,

For Authority To Issue Its First  
Mortgage 5-1/4% Series A Bonds And  
To Execute And Deliver An Indenture  
Of Mortgage And Deed Of Trust  
Securing The Same And A Purchase  
Agreement For The Sale Of Such Bonds.

Application No. 40905

O P I N I O N

Palm Springs Water Company has filed this application for authorization to execute a deed of trust and to issue and sell \$400,000 of first mortgage bonds.

The proposed deed of trust, with Security First National Bank, as trustee, will constitute a new and a first lien on applicant's property. It will secure the payment of an initial issue of \$400,000 of bonds which will be designated as Series A, and of additional bonds which will be issuable from time to time under certain terms and conditions as set forth in the indenture. Among other things, the instrument provides that no additional bonds may be authenticated or delivered upon the basis of the acquisition, construction, development, improvement, completion or extension of the property to the extent that such property is not eligible for rate-making purposes.

Applicant proposes to sell the \$400,000 of bonds of Series A to John Hancock Mutual Life Insurance Company at their face value, plus accrued interest. The bonds will bear interest at the rate of 5-1/4% per annum, will mature March 1, 1979, and will be subject to redemption, at the option of the company, at a premium of 5.25% if redeemed on or prior to March 1, 1964, and thereafter at premiums reducing annually in amount, provided, however, that the company may not redeem Series A bonds prior to March 1, 1964, if the funds for that purpose shall have been obtained, directly or indirectly, from the issuance and sale of one or more promissory notes, debentures, bonds, or other debt securities or obligations bearing an interest rate or having an interest cost of less than 5-1/4% per annum or if the company contemplates replacing the funds used for that purpose by other borrowed funds bearing an interest rate or having an interest cost of less than 5-1/4% per annum. There appears to be no restriction in the indenture against the redemption of bonds through the issue of equity securities.

The purpose of the presently proposed financing is to provide applicant with funds for refunding or discharging obligations aggregating \$193,500 and for financing, in part, the cost of construction of a new 5,000,000 gallon steel reservoir, to be known as the Tahquitz Reservoir, and the necessary related mains, meters, controls and facilities. The total estimated cost of the proposed construction is set forth in Exhibit D and is summarized as follows:

Tahquitz Reservoir	\$162,230
Painting reservoir	26,986
Reservoir site preparation	5,762
24" main at reservoir	3,852
Main on N. Ramon Road to reservoir	64,060
Master flow meter	1,645
Control valve and concrete vault	<u>3,782</u>
Total	<u>\$268,317</u>

In making this application the company has presented its financial statement which shows, among other things, operating revenues for the year 1958 of \$543,372 and net profit of \$125,870, after making provision for depreciation and federal income taxes. The financial statement further shows applicant's assets, liabilities and capital as of the end of 1958, indicating its financial condition at that time. A condensed statement is as follows:

<u>Assets</u>	
Utility plant, less reserve	\$1,987,699
Other investments	91,565
Current and prepaid assets	<u>142,117</u>
Total	<u>\$2,221,381</u>
<u>Liabilities and Capital</u>	
Long-term debt	\$ 46,080
Advances for construction	537,548
Current liabilities	380,622
Deferred credits	3,628
Contributions for construction	91,892
Preferred stock	48,750
Common stock and surplus	<u>1,112,861</u>
Total	<u>\$2,221,381</u>

We do not look with favor on the restrictive provisions in the indenture with respect to the redemption of the bonds. However, it appears that applicant is in immediate need of funds to liquidate current liabilities and to meet construction costs and we do not believe the additional expense of renegotiating the sale and the time involved would be warranted, especially in view of the small amount of the issue and the price at which the bonds will be sold. Under these circumstances, we will grant applicant's request.

In future rate cases we will consider the terms under which applicant has obtained its money and the then prevailing financial conditions. The order at this time should not be construed as binding the Commission to recognize the interest rate as determining the rate of return nor as indicative of amounts to be included in a future rate base for the determination of 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, that the money, property or labor to be procured or paid for through the issue of the bonds herein authorized is reasonably required 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. Palm Springs Water Company, on and after the effective date hereof and on or before September 30, 1959, may execute a purchase agreement and a deed of trust in, or substantially in, the same form as those filed as Exhibit D and Exhibit B, respectively, and may issue and sell not to exceed \$400,000 of First Mortgage Bonds, Series A, 5-1/4%, at not less than the principal amount thereof, plus accrued interest, for the purpose of paying indebtedness and of financing construction costs.
2. Palm Springs Water Company shall file with the Commission a monthly 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 Palm Springs Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$400.

Dated at San Francisco, California, this 21<sup>st</sup> day of March, 1959.

E. J. Fox  
President  
W. E. [unclear]  
[unclear]  
Theodore [unclear]  
Everett W. [unclear]  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
15774  
APR 3 - 1959  
BY