

ORIGINAL

Decision No. 59097

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

DEL ESTE WATER COMPANY,

a corporation,

for an order authorizing it to execute and deliver a Third Supplemental Indenture to its Mortgage of Chattels and Real Property and to issue two additional promissory notes.

Application No. 41499

OPINION AND ORDER

Del Este Water Company has filed this application for authorization to execute a supplemental loan agreement with Pacific Mutual Life Insurance Company and a third supplemental indenture supplementing its mortgage of chattels and real property, and to issue two promissory notes in the aggregate principal amount of \$150,000.

Applicant is engaged in the business of supplying water to domestic and industrial consumers in portions of the County of Stanislaus. According to its application it has invested \$1,282,494 in its water facilities, net after provision for depreciation, and has financed such facilities primarily from the following sources:

Mortgage indebtedness	\$ 436,000	34%
Subdividers' advances	183,174	14
6% preferred stock	125,000	10
Common stock equity capital	<u>531,898</u>	<u>42</u>
Total	<u>\$1,276,072</u>	<u>100%</u>

The mortgage indebtedness is represented by two notes issued to Pacific Mutual Life Insurance Company and maturing on March 1, 1971, consisting of a 4% note dated March 1, 1951, having a balance of \$316,000, payable 12,000 annually, and a 4-1/4% note dated December 1, 1955, having a balance of \$120,000, payable \$4,000 annually.

Applicant now reports that it has need for additional sums from external sources to repay existing short-term bank loans in the amount of \$35,000, to reimburse its treasury, and to finance completed and proposed 1959-60 construction and additions estimated at \$170,459, and that it has made arrangements to obtain \$150,000 of its capital requirements through the issue of two additional notes in favor of Pacific Mutual Life Insurance Company.

The new notes will be in the principal amount of \$75,000 each, one to be issued on or before October 31, 1959, and the other on or before July 30, 1960, both maturing on March 1, 1979, and bearing an interest rate of 5-1/2% per annum. The borrowings will be made under and pursuant to the terms of a supplemental loan agreement with Pacific Mutual Life Insurance Company and payment on the notes will be secured by the existing mortgage of chattels and real property, as supplemented by first and second supplemental indentures, and a proposed third supplemental indenture.

From a review of this matter we are of the opinion, and so find, that applicant will have need for additional funds; that its assets and earnings are ample to support an ex parte order approving this application; 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 purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Del Este Water Company, on and after the effective date hereof and on or before July 30, 1960, may execute a supplemental loan agreement and a third supplemental indenture and may issue its 5-1/2% promissory notes in the aggregate principal amount of not to exceed \$150,000 for the purposes set forth in this application, said supplemental loan agreement, supplemental indenture and notes to be in substantially the same form as those filed in this proceeding.

2. The authorization herein granted is for the issue of notes and the execution of documents securing their payment, 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.

3. Del Este Water Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Del Este Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$150.

Dated at San Francisco, California, this 12th day of October, 1959.

Carl E. Mitchell President
C. J. Fox
Theodore H. Jensen
Commissioners

