

ORIGINAL

Decision No. 59308

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of DUARTE WATER COMPANY
to issue note and mortgage under
Loan Agreement with Pacific Mutual
Life Insurance Company

Application No. 41630

O P I N I O N

This is an application for an order of the Commission authorizing Duarte Water Company to execute a loan agreement and a mortgage, and to issue notes in the aggregate principal amount of \$200,000 for the purpose of financing, in part, its construction program for the balance of 1959 and for the year 1960.

Applicant is engaged in business as a public utility water corporation in, and in the vicinity of, the City of Duarte, Los Angeles County. As computed from the August 31, 1959 balance sheet attached to the application, the company had invested \$1,851,614 in its water facilities, net after provision for depreciation, which had been financed by long-term debt including advances in aid of construction and by common stock equity in approximate percentages of 17 and 83, respectively.

The company now reports that it has need for additional funds from external sources to meet a portion of its 1959-60 construction budget of \$318,602 and that it has made arrangements to obtain \$200,000 of the funds required through the issue of notes in favor of Pacific Mutual Life Insurance Company.

The proposed notes will mature on January 1, 1980, and will bear interest payable semiannually at the rate of 5-1/2 per cent per annum. The borrowings will be made under and pursuant to the terms of a supplemental loan agreement dated September 1, 1959, with Pacific Mutual Life Insurance Company, and payment on the notes will be secured by an existing mortgage dated as of January 1, 1959, as supplemented and amended by a proposed mortgage.

The proposed supplemental mortgage contains a provision that commencing June 1, 1962, applicant will prepay annually, without premium, an amount equal to 2 per cent of the maximum aggregate principal amount of the additional loan theretofore outstanding. In addition, such proposed mortgage will permit applicant to prepay all or any part of the additional loan in multiples of \$1,000, plus the premium thereon; provided, however, that prior to January 1, 1965, no such prepayments shall be made with any proceeds of any funds procured by the applicant by borrowing. Such optional prepayments shall be subject to the payment of a premium of 5.5 per cent prior to January 1, 1966, with annual reductions of .4 per cent thereafter to January 1, 1979.

We have considered this application and are of the opinion, and so find, (1) that applicant has need for additional funds to meet construction costs; (2) that applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision and that the ensuing lower financial requirements will inure to the benefit

of the consumers; and (3) 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 purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we will enter our order granting the application. The authorization thus 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.

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, NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. Duarte Water Company, on and after the effective date hereof and on or before May 1, 1961, may execute a loan agreement and a mortgage and may issue its 5-1/2 per cent promissory notes in the aggregate principal amount of not to exceed \$200,000 for the purpose set forth in this application, said loan agreement, mortgage and notes to be in, or substantially in, the same form as those attached to the application as Appendix A.

2. Duarte 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.

3. The authority herein granted will become effective when Duarte Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$200.

Dated at San Francisco, California, this 1st day of December, 1959.

Evelyn M. Rye
President
Matthew J. Rye
E. J. Fox
Theodore J. Jenner

Commissioners

