

ORIGINAL

Decision No. 59536

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WASHINGTON WATER AND LIGHT COMPANY

for an Order authorizing it (a) to execute a supplemental loan agreement with Pacific Mutual Life Insurance Company; (b) to issue its promissory notes in the aggregate principal amount of \$150,000 pursuant to said agreement; and (c) to execute a Sixth Supplemental Indenture supplementing its Mortgage of Chattels and Real Property dated as of November 15, 1949.

Application No. 41713
(Amended)

O P I N I O N

In this application, as amended, the Commission is asked to issue its order authorizing Washington Water and Light Company to issue promissory notes in the aggregate principal amount of not to exceed \$150,000 and to execute a Sixth Supplemental Indenture and a Supplemental Loan Agreement with Pacific Mutual Life Insurance Company.

Applicant is engaged as a public utility in the distribution of water in its service area in the County of Yolo. For the year ended December 31, 1958, it reports operating revenues of \$173,602.53 and net income to surplus of \$21,068.19, and for the ten months ended October 31, 1959 operating revenues of \$156,257.98 and net income to surplus of \$11,599.52. As of December 31, 1958, applicant had 143 metered and 4,109 flat rate

commercial consumers connected to its lines. Its assets and liabilities as reflected in the October 31, 1959 balance sheet attached to the application as Exhibit A have been summarized as follows:

<u>Assets</u>		
Current assets -		
Cash	\$ 5,213.04	
Accounts receivable	5,630.48	
Investments	16,500.00	
Material and supplies	17,389.79	
Prepayments	<u>891.34</u>	\$ 45,624.65
Fixed assets	961,467.85	
Less - Reserve for depreciation	<u>247,418.85</u>	714,049.00
Deferred charges		<u>6,786.93</u>
Total		<u>\$766,460.58</u>

<u>Liabilities</u>		
Current liabilities -		
Accounts payable	\$ 12,574.47	
Customers deposits	127.50	
Accrued liabilities	<u>13,128.99</u>	\$ 25,830.96
Advances for construction		261,872.66
Long-term debt		198,000.00
Preferred stock		105,000.00
Common stock equity -		
Common stock	72,000.00	
Capital surplus	33,710.08	
Earned surplus	<u>70,046.88</u>	<u>175,756.96</u>
Total		<u>\$766,460.58</u>

Applicant reports that it is continually being required to extend and improve its facilities in order to meet the increasing demand for water service being placed upon it. For the ten months ended October 31, 1959, it reports that more than \$48,000 were expended for additions and betterments. In Exhibit F attached to the application, applicant lists specific additions

and improvements totaling \$150,000 which it will be required to undertake in the immediate future.

Applicant, in addition to using funds obtained as advances for construction, has heretofore financed its investment in properties through the issue of notes, preferred and common stocks, and through the use of retained earnings.

The \$198,000 of long-term debt outstanding on October 31, 1959 represent the unpaid balance on two notes payable to Pacific Mutual Life Insurance Company, the notes outstanding consisting of one with an unpaid balance of \$135,500 which bears interest at the rate of 4-1/2% per annum, and the other with an unpaid balance of \$62,500 which bears interest at the rate of 5% per annum. The notes are secured by a mortgage of chattels and real property as supplemented and modified by First, Second, Third, Fourth and Fifth Supplemental Indentures.

To finance its present construction program, applicant has made arrangements to borrow an additional \$150,000 from Pacific Mutual Life Insurance Company. The proposed borrowing will be in installments of \$75,000 on or about February 1, 1960, and the remaining \$75,000 on or before February 1, 1961. Each of said advances will be evidenced by a promissory note in the principal amount of \$75,000, bearing interest at the rate of 6% per annum and requiring repayment of the principal amount of each note in annual installments of \$1,875, payable on February 1 of each of the years 1961 to 1979, inclusive, and the balance on or

before February 1, 1980. The repayment of the additional loans will be secured by the existing mortgage of chattels and real property as heretofore supplemented and as further supplemented by a proposed Sixth Supplemental Indenture. The promissory notes which applicant proposes to issue provide for the repayment of all or any portion of the principal by paying the following percentages on the principal amount prepaid:

- (a) If such prepayment is made on or before February 1, 1966, 106%; and
- (b) If such prepayment is made after February 1, 1966, 106% less $\frac{2}{5}$ of 1% for each year or fraction thereof that has elapsed after February 1, 1966;

together in each instance with accrued interest on the principal so prepaid to the date of payment. However, prior to February 1, 1965, no such prepayment may be made directly or indirectly from or in anticipation of the receipt of funds borrowed by applicant at an interest cost of less than 6%. Moreover, applicant will be required to prepay a like portion of the other promissory notes secured by applicant's mortgage of chattels and real property.

Applicant advises that it has accepted the restricted redemption provisions contained in the proposed promissory note since it is of the opinion that it will not be in a position to pay any portion of the proposed additional loan prior to February 1, 1965. It is also applicant's position that the proposed loan terms are, as a whole, reasonable and advantageous to applicant and that applicant could not obtain a long-term loan for an additional amount of \$150,000 on more favorable terms than

under the proposed Supplemental Loan Agreement with Pacific Mutual Life Insurance Company. Upon reviewing this matter, we are of the opinion, and so find, that the proposed restricted redemption provisions are too onerous and should be modified so as to exclude the requirement that applicant will be required to prepay a like portion of its presently outstanding notes if it should desire to redeem all or a portion of the notes it now proposes to issue. Our order herein will be conditioned on such a modification in the proposed terms of the new notes.

Based on our review of the application, we are of the opinion, and so find, that (1) applicant will have need for the funds to be derived from the proposed financing in order to carry out its construction program and (2) the proposed issue of promissory notes, with the modification which we will require, as stated above, is compatible with the public interest and will not impair the company's ability to render service as a public utility.

The authorization herein granted is for the issue of notes and the execution of a Supplemental Loan Agreement and a Sixth Supplemental Indenture and is not to be construed as being 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, 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 are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

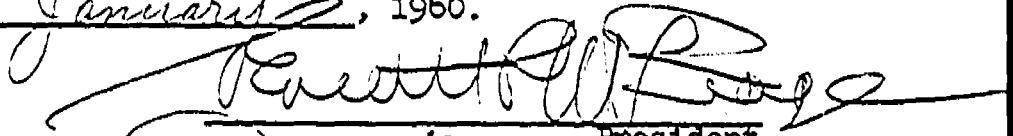
1. Washington Water and Light Company, on and after the effective date hereof and on or before June 30, 1961, may execute a Supplemental Loan Agreement and a Sixth Supplemental Indenture and may issue its notes in the aggregate principal amount of not to exceed \$150,000 for the purpose of financing the cost of additions and betterments, which Supplemental Loan Agreement, Sixth Supplemental Indenture and proposed notes shall be in, or substantially in, the same form as those filed in this proceeding, provided, however, that said Sixth Supplemental Indenture be modified by deleting from the form of the notes the following language:

"... provided, further, that no such optional prepayment shall be made at any time unless the Company shall also prepay, concurrently therewith, a like proportion (to the nearest \$1,000) of the then unpaid principal of each other promissory note issued by the Company and secured by the Mortgage of Chattels and Real Property, as supplemented, hereinafter described."

2. Washington Water and Light 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 Washington Water and Light Company (1) has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$150, and (2) has filed with the Commission a copy of its proposed Sixth Supplemental Indenture, including the notes referred to therein, modified as indicated herein.

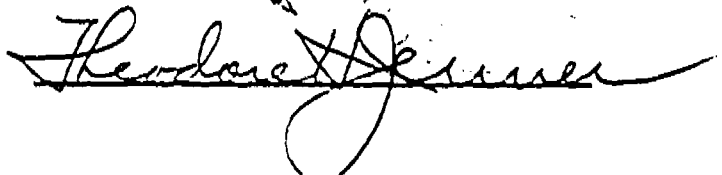
Dated at San Francisco, California,
this 26th day of January, 1960.



President







Commissioners

