

ORIGINALDecision No. 62321

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PALM SPRINGS WATER COMPANY, a corporation, under Chapter 4, Article 5, of the Public Utilities Code, for authority to issue its First Mortgage Five and One-Fourth Per Cent Series B Bonds and to execute and deliver a supplemental indenture of mortgage and deed of trust securing said bonds, and also to execute and deliver a Purchase Agreement for the sale of said bonds

Application No. 43591
Filed July 10, 1961

O P I N I O N

Palm Springs Water Company has filed this application for authorization to execute a supplemental indenture and to issue and sell \$300,000 principal amount of first mortgage bonds.

The bonds will constitute a new series. They will be designated as First Mortgage 5-1/4% Series B Bonds of 1981, will mature July 1, 1981, and will be redeemable at a premium of 5-1/4% if redeemed on or prior to July 1, 1966, and thereafter at annually reducing premiums provided, however, that the corporation may not redeem Series B Bonds prior to July 1, 1966, if the funds for that purpose shall have been obtained directly or indirectly from the issuance and sale by the corporation 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 five and one-quarter per cent (5-1/4%) per annum, or if the corporation contemplates replacing the funds used for that purpose by other borrowed funds bearing an interest rate or having an interest cost of less than five and one-quarter per cent (5-1/4%) per annum.

The corporation proposes to sell the bonds to John Hancock Mutual Life Insurance Company at their principal amount, plus accrued interest, and to use the proceeds to discharge notes payable to Security First National Bank, aggregating \$250,000 on July 6, 1961, and to finance capital expenditures. The record shows that these presently outstanding notes were issued pursuant to the authorization of Decision No. 61721, dated March 28, 1961, to finance, in part, capital additions during 1959, 1960 and a part of 1961, and that applicant has budgeted expenditures of \$182,339 during 1961, a portion of which has not been, or will not be, provided by the notes authorized by said decision.

Applicant's financial statement, filed as Appendix C in this proceeding, shows that for 1960 its operating revenues were \$693,202, with net profit of \$139,299; that as of May 31, 1961, its recorded net investment in utility plant was \$2,705,016, its current assets were \$178,929 and its current liabilities, \$377,287, including the notes payable to the bank;

and that its capital ratios, adjusted to give effect to the proposed financing, were as follows:

Bonds	\$ 680,000	24%
Miscellaneous long-term debt	34,560	1
Advances for construction	694,842	25
Preferred stock	48,750	2
Common stock and surplus	<u>1,353,560</u>	<u>48</u>
Total	<u>\$2,811,712</u>	<u>100%</u>

From a review of the application we find and conclude that applicant will have need for funds from external sources to liquidate outstanding indebtedness and to improve and maintain its cash position; that an order authorizing the issue of the bonds is warranted; that applicant would be required to pay a higher interest rate in the absence of a restricted redemption provision than it now has agreed to pay; and that the ensuing lower financial requirements will inure to the benefit of the consumer. We will enter an order granting the application.

The action taken herein is for the issue of bonds 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; that the money, property or labor to be procured or paid for by the issue of the bonds 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 ORDERED that -

1. Palm Springs Water Company, on or after the effective date hereof and on or before December 31, 1961, may execute a supplemental indenture in substantially the same form as that filed in this proceeding as Appendix B and may execute a purchase agreement and issue and sell not to exceed \$300,000 of First Mortgage 5-1/4% Series B Bonds of 1981 at not less than their principal amount, plus accrued interest, for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

2. Palm Springs Water Company shall file 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 shall become effective when Palm Springs Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50.

Dated at San Francisco, California,
this 25th day of July, 1961.

[Signature] President
[Signature]
George D. Grover
Fredrick B. Holbrook
Commissioners

