

ORIGINAL

Decision No. 63285

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

PALOS VERDES WATER COMPANY,
a California corporation,

Application No. 44146
Filed January 29, 1962

for permission (i) to sell and
issue bonds for cash in the
amount of \$1,500,000 and (ii) to
borrow new funds up to \$1,000,000
evidenced by notes maturing
September 15, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Palos Verdes Water Company, a corporation, applicant herein, (1) to issue and sell \$1,500,000.00 principal amount of first mortgage bonds, (2) to execute a purchase agreement with Pacific Mutual Life Insurance Company for said bonds, (3) to execute a second supplemental indenture creating said bonds and designating them as First Mortgage Series B 5-1/2% Bonds of 1987, (4) to issue \$1,000,000.00 principal amount of promissory notes in favor of Security First National Bank, and (5) to execute with said bank a loan agreement relating to the notes.

Applicant is a California corporation which is engaged, as a public utility, in the business of selling and distributing water for domestic, agricultural, commercial and industrial

purposes in the Palos Verdes Hills in Los Angeles County. It proposes to sell the \$1,500,000.00 of bonds to obtain funds to discharge outstanding notes in the aggregate principal amount of \$1,209,944.80 which were issued pursuant to authority granted by Decision No. 61603, dated March 7, 1961, in Application No. 43136, and to finance the cost of certain additions to its transmission system as set forth in some detail in the application. The bonds will bear interest at the rate of 5-1/2% per annum, will mature on March 1, 1987, will be redeemable (except through certain sinking fund operations) prior to March 1, 1967, at a premium of 5-1/2% and thereafter at annually decreasing premiums, provided, however, that the bonds may not be redeemed or refunded by the applicant at any time prior to March 1, 1967, by the issuance of a new series of bonds, or the creation of any obligation, where the interest rate borne by such new series of bonds or such obligation is equal to, or lower than, the rate of 5-1/2% per annum.

In addition, applicant proposes to issue, from time to time to March 15, 1965, up to \$1,000,000.00 of 5-1/2% notes due September 15, 1965, in favor of Security First National Bank for the purpose of obtaining funds to pay for additions to its plant estimated as follows:

Storage	\$ 613,800.00
Pumping facilities	214,000.00
Transmission main extensions	<u>172,200.00</u>
Total	<u>\$1,000,000.00</u>

For the 12 months ended November 30, 1961, applicant reports operating revenues of \$1,528,838.21 and a net income of \$218,777.96. As of November 30, 1961, it reports bonds, notes, construction advances and contributions, and capital stock, including surplus, which, compared with the proposed financing, are as follows:

	<u>November 30, 1961</u>		<u>Pro forma</u>	
	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>
First mortgage bonds	\$1,455,000	22%	\$2,955,000	37%
Notes	1,209,945	18	1,000,000	13
Advances for construction	1,853,295	27	1,853,295	23
Contributions in aid of construction	141,800	2	141,800	2
Preferred stock	596,640	9	596,640	7
Common stock and surplus	<u>1,461,854</u>	<u>22</u>	<u>1,461,855</u>	<u>18</u>
Total	<u>\$6,718,534</u>	<u>100%</u>	<u>\$8,008,590</u>	<u>100%</u>

We have considered this application and, based upon the information before us, we find and conclude that (1) applicant will have need for externally generated funds for the purposes indicated in the application; (2) the proposed issues of bonds and notes are for proper purposes; (3) the terms of the proposed bond and note issues are not adverse to the public interest; (4) applicant will be required to pay a lower interest rate on the bonds it now proposes to issue than it would if the five-year redemption feature were to be deleted and the ensuing lower financial requirements should inure to the benefit of the consumers; (5) applicant's recorded and prospective results of operations should be sufficient to service said bonds and notes;

(6) the money, property or labor to be procured or paid for by the issue of the bonds and notes herein authorized is reasonably required by applicant for the purposes specified herein; and (7) such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we will enter our order granting the application.

The authorization herein granted is for the issue of bonds and notes 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, therefore,

IT IS ORDERED that -

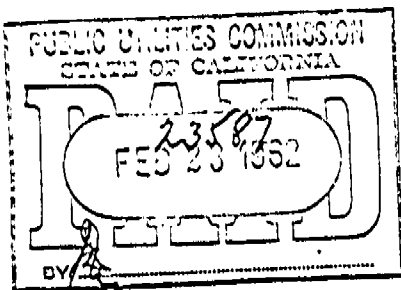
1. Palos Verdes Water Company, a corporation, may execute a purchase agreement with Pacific Mutual Life Insurance Company, a second supplemental indenture with United California Bank, as Trustee, and a loan agreement with Security First National Bank, which instruments shall be in the same form, or substantially in the same form, as those filed in this proceeding as Exhibits C, D and E, respectively.

2. Palos Verdes Water Company, a corporation, may issue and sell not to exceed \$1,500,000.00 principal amount of its First Mortgage Series B 5-1/2% Bonds of 1987, at not less than their principal amount plus accrued interest, and may issue not to exceed \$1,000,000.00 principal amount of 5-1/2% notes payable on September 15, 1965, for the purposes set forth in this application. The accrued interest from the sale of said bonds may be used for such purposes or for general corporate purposes.

3. Palos Verdes Water Company, a corporation, 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.

4. This order shall become effective when Palos Verdes Water Company, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,145.50.

Dated at San Francisco, California, this 20th day of FEBRUARY, 1962.



[Signature]
President
[Signature]
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Commissioners