

ORIGINAL

Decision No. 63419

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AZUSA VALLEY WATER COMPANY, a corporation, for an Order authorizing it to borrow money and execute a Loan Agreement, Note and Supplemental Mortgage in connection therewith.

Application No. 44217
Filed February 26, 1962

O P I N I O N

This is an application for an order of the Commission authorizing Azusa Valley Water Company, a corporation, applicant herein, to execute a loan agreement and a supplemental mortgage, and to issue \$750,000 principal amount of notes.

Applicant is a California corporation, which is a wholly-owned subsidiary of The Azusa Irrigating Company, and which operates as a public utility water corporation having its principal place of business in the City of Azusa. It intends to use \$250,000 of the proceeds from the proposed notes to complete its Wilson Reservoir, in order to provide additional storage capacity, and to reimburse its treasury for funds spent for the acquisition of real property for the site of a filtration plant. It proposes to use the remaining \$500,000 of proceeds to finance the cost of the filtration plant, to pay for 7,500 feet of 20" and 30" pipe to connect the plant with the existing system, and to construct a new reservoir of 3,000,000 gallons capacity adjacent to the plant.

The new notes will be guaranteed by The Azusa Irrigating Company and will be issued by applicant pursuant to a loan agreement with The Lincoln National Life Insurance Company. The notes will be secured by an existing mortgage, as amended, and by a supplemental mortgage to be executed, will bear interest at the rate of 5-1/2% per annum and will be payable on January 1, 1982.

For the year 1961, applicant reports operating revenues of \$661,007 and a net income of \$78,287. As of December 31, 1961, its net investment in plant was reported at \$3,443,044 as compared with long-term debt of only \$917,500; its current assets were \$205,608 and current liabilities \$280,095. The company's capital ratios as of the end of the year and as adjusted to give effect to the proposed financing, were as follows:

	<u>December 31, 1961</u>		<u>Pro forma</u>	
	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>
Notes	\$ 917,500	35%	\$1,667,500	50%
Preferred stock	646,400	25	646,400	19
Common stock and surplus	<u>1,045,406</u>	<u>40</u>	<u>1,045,406</u>	<u>31</u>
Total	<u>\$2,609,306</u>	<u>100%</u>	<u>\$3,359,306</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 additional borrowings for the purposes

indicated in the application; (2) the proposed issue of notes is for proper purposes; (3) applicant's recorded and prospective results of operations should be sufficient to service said notes; (4) 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 (5) such purposes 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 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. Azusa Valley Water Company, a corporation, may execute and deliver to The Lincoln National Life Insurance Company a loan agreement and a supplemental mortgage in the same form, or substantially in the same form, as the copies attached to the application as Exhibits C and D, respectively.

2. Azusa Valley Water Company, a corporation, may issue, execute and deliver a note, or notes, in the aggregate principal amount of not to exceed \$750,000 for the purposes set forth in this application.

3. Azusa Valley 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 Azusa Valley Water Company, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$750.

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

[Signature]
President

[Signature]

[Signature]

Commissioners

Commissioner C. Lyn Fox, being necessarily absent, did not participate in the disposition of this proceeding.

