

ORIGINAL

Decision No. 63421

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

DEL ESTE WATER COMPANY,

a corporation,

for an order authorizing it to execute and deliver a Fourth Supplemental Indenture to its Mortgage of Chattels and Real Property and to issue Four Additional Promissory Notes, on Certain Conditions

Application No. 44232
Filed March 1, 1962

O P I N I O N

Del Este Water Company has filed this application for authorization to execute a supplemental loan agreement and supplemental indenture and to issue promissory notes in the aggregate amount of not to exceed \$275,000.

The application shows that Del Este Water Company, under and by virtue of a loan agreement dated March 1, 1951, as supplemented in 1954 and 1959, has borrowed certain sums from Pacific Mutual Life Insurance Company; that it now owes the insurance company the sum of \$554,000, which is represented by four promissory notes secured by an outstanding mortgage and three supplemental indentures; and that it now desires to increase its borrowings by additional sums of not less than \$165,000 nor more than \$275,000, in four installments on or

December 31, 1963, such additional borrowings to be made pursuant to a further supplemental agreement with the insurance company and a fourth supplemental indenture.

The additional borrowings will be represented by notes payable on September 1, 1986, except as otherwise provided, with interest on unpaid balances at the rate of 5-1/2% per annum. It is provided that the utility shall pay fixed annual installments equal to two per cent of original principal amount and shall have the option to prepay all or any part of the unpaid principal at a premium of 5-1/2%, if prepayment is made on or before September 1, 1962, and at a premium of 5-1/2% less 22/100ths of one per cent for each year or fraction after September 1, 1962, together with accrued interest in each instance.

The company proposes to use \$110,000 of the new borrowings, if certain negotiations now under way are completed, to finance the purchase price of water systems operated by Moore Water Company and Osterberg Water Company, both located in Modesto, and to use \$165,000 to finance the cost of acquiring property and of constructing, completing, extending or improving water works facilities. The company reports that it spent \$126,947 in 1961 for additions to its water system and it estimates its construction expenditures will amount to \$169,950 in 1962 and 1963, as shown in some detail in Exhibit 3.

In presenting this matter to the Commission applicant has filed its financial statements which show, among other things, that during 1961 applicant's operating revenues amounted to \$483,365 and its net revenues, before taxes, to \$114,218, with interest and other fixed charges of \$25,264, and net income after taxes to \$56,930. The statements show that applicant has financed its net investments with long-term debt of \$554,000, preferred stock of \$125,000, and common stock and surplus of \$606,717. Applicant's current position was represented by current assets of \$104,701 and current liabilities of \$101,935.

Upon reviewing this matter we find and conclude that applicant's earnings and assets should be ample to service and support additional notes in the amounts covered by this application, that applicant will have need for additional borrowings for the purposes stated in the application, but that final authorization for the issue of the \$110,000 of notes to acquire other systems should be withheld pending receipt of complete information.

The authorization herein given is for the issue of notes and the execution of instruments 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 this application and being of the opinion that a public hearing is not necessary; that the application should be granted only to the extent set forth herein; 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 the expenditures herein authorized for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS ORDERED that -

1. Del Este Water Company may execute a Supplemental Loan Agreement with Pacific Mutual Life Insurance Company in, or substantially in, the form annexed to the application as Exhibit 2 and may execute and deliver a Fourth Supplemental Indenture in, or substantially in, the form annexed as Exhibit A to said Supplemental Loan Agreement.

2. Del Este Water Company, on or after the effective date hereof and on or before December 31, 1963, may issue its promissory notes in the aggregate amount of not to exceed \$275,000 pursuant to the terms of said Supplemental Loan Agreement, provided, however, that \$110,000 of said notes may be issued only when the Commission has issued a subsequent order, or orders, in this proceeding specifying the exact amounts of such notes and the purpose, or purposes, for which they may be issued.

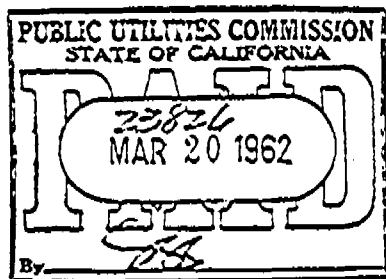
3. Del Este Water Company shall use the proceeds from \$165,000 of the notes herein authorized to finance the cost of additions and improvements to its water system as set forth in this application, other than the acquisitions of the water systems of Moore Water Company and Osterberg Water Company.

4. Del Este Water 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.

5. The authority herein granted shall become effective when Del Este Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$275.

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

[Signature]
President
[Signature]
George J. Trover
[Signature]
Commissioners



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