

ORIGINAL

Decision No. 63875

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of Rosa Water Company for an
order authorizing the issuance
of \$150,000.00 notes payable
and for an order authorizing
the issuance of \$100,000.00
additional common stock.

Application No. 44581
Filed June 25, 1962

O P I N I O N

Rosa Water Company has filed this application for authorization to issue a note in the principal amount of \$150,000 and common stock in the total amount of \$100,000 par value.

Applicant is engaged as a public utility in the business of supplying water to customers in Simi Valley, Ventura County. Information filed with the application shows that the company's customers increased in number from 3,336 at May 31, 1961 to 6,512 at May 31, 1962, and its net investment in utility plant increased during the same period from \$584,967 to \$808,926, and that the company had financed itself as follows:

Investment -		
Net utility plant		\$808,926
Deferred items, net		<u>2,989</u>
Total		<u>\$811,915</u>
Liabilities and net worth -		
Notes payable		\$255,062
Current accounts -		
Current liabilities	\$93,998	
Less: current assets	<u>10,766</u>	
Net current liabilities		83,232
Advances for construction		367,487
Common stock and surplus		<u>106,134</u>
Total		<u>\$811,915</u>

The outstanding indebtedness includes a short-term note in the principal amount of \$93,000 and notes aggregating \$100,000 held by applicant's officers.

The company now proposes to issue \$100,000 of common stock in satisfaction of the notes held by its officers and to borrow \$150,000 from Omaha National Bank to discharge the \$93,000 note, to pay for additional facilities aggregating \$42,286 and to provide working cash of \$14,714. The borrowing will be represented by a note, payable over a period of three years with interest at the rate of 6 percent per annum, secured by a first lien on applicant's properties.

At the conclusion of the financing, applicant's capital structure on a pro forma basis as of May 31, 1962, other than current liabilities, would include the following:

Mortgage note	\$150,000	21%
Advances for construction	367,487	51
Common stock and surplus	<u>206,134</u>	<u>28</u>
Total	<u>\$723,621</u>	<u>100%</u>

The company's reported results of operations show, for the five months ended May 31, 1962, operating revenues of \$32,006 and net profit of \$4,065, after deducting \$8,583 for depreciation. For the similar period in 1961, applicant reported operating revenues of \$13,266 and a net loss of \$12,120.

From a review of the application it clearly appears that the company has been experiencing a substantial growth requiring large expenditures of capital sums, that it has met its requirements, in large part, with borrowed money, and that permanent financing should be undertaken to improve the company's capital structure and cash position. We find and conclude that the proposed financing is for proper purposes, that the money, property or labor to be procured or paid for by the issue of the note and stock herein authorized is reasonably required for said purposes, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

We will enter an order granting the application. The authority herein granted is for the issue of securities only 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. We are making no finding of the value of applicant's properties.

O R D E R

The Commission has considered the above-entitled matter and has determined that a public hearing is not necessary, therefore,

IT IS ORDERED that -

1. Rosa Water Company, a corporation, on or after the effective date hereof and on or before December 31, 1962, may issue a note in the principal amount of not to exceed \$150,000 and common stock of an aggregate par value of not to exceed \$100,000, under the terms and for the purposes set forth in this application, and may execute a mortgage or deed of trust to secure the payment of said note.

2. Rosa 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.

3. The authority herein granted shall become effective when Rosa Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$150.

Dated at San Francisco, California, this 2nd day of JULY, 1962.

George G. Trover
President
John E. Ditchell
Charles W. Fox
Frederic B. Hallock

Commissioners

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

