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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WASHINGTON WATER AND LIGHT COMPANY

for an Order authorizing it (a) to execute a supplemental loan agreement with Pacific Mutual Life Insurance Company; (b) to issue its promissory note in the principal amount of \$200,000 pursuant to said agreement; and (c) to execute a Seventh Supplemental Indenture supplementing its Mortgage of Chattels and Real Property dated as of November 15, 1949.

Application No. 46113
Filed January 17, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Washington Water and Light Company to issue a \$75,000 note and a \$200,000 note, and to execute a supplemental indenture and a supplemental loan agreement.

Applicant is a California corporation operating a public utility water system in portions of Yolo County. As of December 31, 1962, it reports serving 141 metered and 4,840 flat rate commercial active service connections. For the year ended December 31, 1962, the company reports operating revenues of \$247,465.19 and net income of \$27,793.21, and for the ten months ended October 31, 1963, it reports operating revenues and net income of \$212,242.81 and \$22,726.71, respectively.

Assets and liabilities reflected in the October 31, 1963 corporate balance sheet attached to the application as Exhibit A have been condensed as follows:

<u>Assets</u>		
Current assets		\$ 22,366.12
Utility plant -	\$1,359,504.40	
Less: Reserve for depreciation	<u>353,489.27</u>	1,006,015.13
Deferred charges		<u>6,098.99</u>
Total		<u>\$1,034,480.24</u>
<u>Liabilities and Capital</u>		
Capital -		
Long-term debt		\$ 322,375.00
Preferred stock		105,000.00
Common stock equity -		
Common stock	\$ 72,000.00	
Capital surplus	9,112.97	
Earned surplus	<u>160,544.22</u>	241,657.19
Advances for construction		305,087.98
Contributions in aid of construction		21,640.07
Current liabilities		<u>38,720.00</u>
Total		<u>\$1,034,480.24</u>

In addition to utilizing advances for construction as a source of funds in the past, applicant has financed its investment in utility plant primarily through the issue of notes, preferred and common stock, and through the use of retained earnings. The \$322,375 of long-term debt outstanding on October 31, 1963 represents the unpaid balance on the four notes payable to Pacific Mutual Life Insurance Company which are described in Exhibit A attached to the application and summarized as follows:

<u>Issue Date</u>	<u>Due Date</u>	<u>Unpaid Balance</u>	<u>Interest Rate</u>	<u>Annual Payment on Principal</u>
11-15-49	10-1-69	\$115,500	4 $\frac{1}{2}$ %	\$ 5,000
6- 9-55	7-1-75	62,500	5	5,000
2- 1-60	2-1-80	69,375	6	1,875
5- 1-61	2-1-80	<u>75,000</u>	6	<u>1,875</u>
Total		<u>\$322,375</u>		<u>\$13,750</u>

Applicant reports that through inadvertence it failed to make payments due in 1962 and 1963 on principal of the \$75,000 note dated May 1, 1961 and that Pacific Mutual Life Insurance Company has agreed to defer such payments until the final payment due February 1, 1980. To reflect this deferment, the company proposes to issue an amended note in exchange for the outstanding note. All notes are secured by a mortgage of chattels and real property, supplemented and modified by six indentures thereto.

In Exhibit C attached to the application, applicant shows that proposed capital expenditures in 1964 for extensions and improvements to plant facilities necessary to meet increasing demands of consumers in its service area will aggregate \$200,000. To finance this construction program the company has made arrangements to borrow an additional \$200,000 from Pacific Mutual Life Insurance Company. The proposed loan will be evidenced by a promissory note in the principal amount of \$200,000, bearing interest at the rate of 5-1/2% per annum payable semi-annually, and requiring repayment of the principal amount in annual

installments of \$4,000, payable on or before March 1 of each of the years 1966 to 1983, inclusive, and the balance on March 1, 1984.

Repayment of the additional loan will be secured by the existing mortgage of chattels and real property as heretofore supplemented and as further supplemented by a proposed Seventh Supplemental Indenture. The promissory note which applicant proposes to issue provides for prepayment of all or any portion of the principal by paying the following percentages on the principal amount prepaid:

- (a) If such prepayment is made on or before March 1, 1970, 105-1/2%; and
- (b) If such prepayment is made after March 1, 1970, 105-1/2% less two-fifths of 1% for each year or fraction thereof that has elapsed after March 1, 1970;

together in each instance with accrued interest on the principal so prepaid. However, prior to March 1, 1969, no such prepayment may be made directly or indirectly from or in anticipation of the receipt of funds borrowed by applicant at an interest cost of less than 5-1/2% per annum. Moreover, applicant will be required to prepay a like portion of the other promissory notes secured by its mortgage of chattels and real property.

Applicant anticipates that it will not be in a position to prepay any portion of the proposed additional loan prior to March 1, 1969. It is also the utility's opinion that the proposed loan terms are, as a whole, reasonable and advantageous.

and that it could not obtain a long-term loan for an additional amount of \$200,000 on more favorable terms than under the proposed supplemental loan agreement with Pacific Mutual Life Insurance Company.

The Commission has considered this matter and finds as follows:

1. The proposed note issues are for proper purposes.
2. The deferral of certain payments on the \$75,000 note dated May 1, 1961 and the issue of an amended note reflecting such deferment are not adverse to the public interest.
3. Applicant will have need for the funds to be derived from the proposed 5-1/2% note issue in order to carry out its construction program.
4. Applicant's resources under its existing rate structure should be sufficient to enable it to meet the payments of interest and installments on principal of the proposed indebtedness as they become due.
5. The inclusion of the five-year restricted redemption provision in the terms of the proposed 5-1/2% note will enable applicant to obtain funds at a lower annual cost than it otherwise could.
6. 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 such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein given is for the issue of notes and the execution of a supplemental loan agreement and a supplemental indenture, and is not to be construed as indicative of amounts to be included in future proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Washington Water and Light Company, on or after the effective date hereof and on or before July 31, 1964, may execute a Supplemental Loan Agreement and a Seventh Supplemental Indenture, and, for the purposes specified in this proceeding, may issue its promissory note in the principal amount of not to exceed \$200,000 and its amended promissory note dated May 1, 1961, in the principal amount of not to exceed \$75,000. Said Supplemental Loan Agreement, Seventh Supplemental Indenture and notes shall be in the same form, or in substantially the same form, as those attached to the application.

2. Washington Water and Light 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. This order shall become effective when Washington Water and Light Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$200.

Dated at San Francisco, California, this 18th day of FEBRUARY, 1964.

William M. Burnett
President

Edith E. Mitchell

Conrad W. Reage

George T. Grover

Fredrick B. Holshoff
Commissioners

