

ORIGINAL

Decision No. 67501

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of CAMINO WATER COMPANY for an
order authorizing it to borrow
money and execute a loan
agreement, note and supplemental
mortgage in connection therewith.

Application No. 46631
Filed May 13, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Camino Water Company to issue promissory notes in the aggregate principal amount of \$200,000, and to execute a mortgage and a loan agreement.

Applicant is a California corporation engaged as a public utility in providing water service to an area located near the unincorporated community of Camarillo, Ventura County. Its 1963 annual report to the Commission shows gross operating revenues of \$51,432.91 and net income of \$7,109.32 for the year and 636 active service connections, exclusive of fire hydrants, at December 31, 1963. The company's assets and liabilities, as shown in the December 31, 1963 balance sheet attached to the application, are summarized as follows:

<u>Assets</u>		
Utility plant	\$363,346.94	
Less: Depreciation reserve	<u>24,461.31</u>	\$338,885.63
Current assets		<u>8,585.35</u>
Total		<u>\$347,470.98</u>
<u>Liabilities and Capital</u>		
Common stock	\$190,750.00	
Earned surplus	<u>4,284.78</u>	\$195,034.78
Advances for construction		137,278.70
Current liabilities		<u>15,157.50</u>
Total		<u>\$347,470.98</u>

The company has financed its investment in utility plant with funds obtained primarily from the sale of common stock and execution of subdivider water main extension contracts. The unrefunded balances of said contracts represented about 41% of depreciated plant as of December 31, 1963.

The application shows that applicant is situated in an area of rapid growth and that it anticipates an increasing demand for its services over the next several years. In Exhibit F-2, attached to the application, the company indicates that estimated capital expenditures for extensions and improvements to its plant facilities necessary for meeting such demand in the years 1964 and 1965 will amount to \$346,000 and \$209,500, respectively. These contemplated expenditures will be financed, in part, with funds to be obtained from subdivider advances estimated to aggregate \$299,100, from the sale of additional common stock in the amount of \$60,000 pursuant to previous authority granted by the Commission and from the borrowings

proposed in this application. Applicant indicates that its stockholders' equity will constitute approximately 40% of total capitalization including advances for construction.

The company has negotiated a loan commitment in the principal amount of \$200,000 with Pacific Mutual Life Insurance Company and, under the terms of the loan agreement, plans to borrow \$150,000 initially in 1964 and the \$50,000 balance in 1965. It proposes to utilize \$121,500 of the proceeds to finance the cost of extensions and improvements to its water system, to apply \$8,500 toward repayment of demand notes issued to obtain a well installation and to use the remaining \$70,000 for the purpose of purchasing and terminating main extension contracts at a price of not to exceed 50% of their unrefunded book balances. Applicant desires to terminate said contracts so that it may be in a position to accept further advances from subdividers for extensions contemplated herein and to hold the outstanding balance of such advances in the future within 50% of depreciated plant. Exhibit G, attached to the application, contains some general data relative to the contracts to be purchased, and additional information has been furnished as provided by the company's filed Rule 15, which indicates that the terminations will meet the requirements of the Water Main Extension Rule.

The proposed borrowings will be evidenced by a promissory note, or notes, in the aggregate principal amount of \$200,000, maturing on or before April 1, 1984 and bearing interest at the rate of 5-3/4% per annum payable semi-annually. Repayment of the loan will be secured by a mortgage which provides for annual sinking fund payments beginning on April 1, 1966, in an amount equal to two percent of the maximum principal amount outstanding prior to the date of such payment. All or any part of the loan will be subject to optional prepayment at a premium of 5-3/4% if such prepayment is made prior to April 1, 1969, and thereafter at annually reducing premiums, together with accrued interest in each instance. However, prior to April 1, 1969, no optional 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 5-3/4% per annum.

The Commission has considered this matter and finds that: (1) the proposed note issues are for proper purposes; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restriction in the optional prepayment provision; (3) the proposal to purchase and terminate main extension contracts is reasonable and in accordance with the Water Main Extension Rule; (4) 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 (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 conclude that the application should be granted. A public hearing is not necessary.

The authorization herein given is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Camino Water Company, for the purposes specified in this proceeding, may execute a mortgage and a loan agreement and may issue its promissory note, or notes, in the aggregate principal amount of not to exceed \$200,000, which documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Camino Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Camino Water 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 14th day of July, 1964.

Frederick B. Hallock
President

George J. Hoover

William B. ...

Commissioners

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

