

ORIGINAL

Decision No. 68548

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
) )  
THE CAMPBELL WATER COMPANY )  
) )  
for an Order authorizing it )  
(a) to execute a supplemental )  
loan agreement with Pacific )  
Mutual Life Insurance Company )  
providing for an additional )  
loan of \$200,000; (b) to issue )  
its promissory notes in the )  
principal amount of \$200,000 )  
pursuant to said agreement; )  
and (c) to execute a Fourth )  
Supplemental Indenture )  
supplementing its Mortgage of )  
Chattels and Real Property )  
dated as of May 1, 1951. )

Application No. 47235  
Filed January 6, 1965

O P I N I O N

In this application, The Campbell Water Company requests an order of the Commission authorizing it to execute a supplemental indenture and a supplemental loan agreement and to issue promissory notes in the aggregate principal amount of not to exceed \$200,000.

Applicant is a California corporation engaged in business as a public utility distributing water in and about the City of Campbell, Santa Clara County. For the eleven months ended November 30, 1964 the utility reports gross revenues of \$275,105 and its net income for the period

amounted to \$31,807 after deducting a provision of \$40,300 for depreciation expense. The balance sheet attached to the application discloses that as of November 30, 1964, the company's net utility plant, after deduction of the depreciation reserve, amounted to \$1,302,382 and that its net current assets were \$45,041. The corporation's capitalization ratios on the balance sheet date, excluding \$10,244 for contributions in aid of construction, as reported by applicant and as adjusted to show the effect of the financing proposed herein, are as follows:

	<u>Nov. 30, 1964</u>	<u>Pro Forma</u>
Long-term debt	29%	38%
Advances for construction	34	30
Preferred stock	4	3
Common stock equity	<u>33</u>	<u>29</u>
Total	<u>100%</u>	<u>100%</u>

The application shows that the company has financed its plant investment, in part, with funds borrowed from Pacific Mutual Life Insurance Company and that pursuant to authority previously granted by this Commission, applicant has issued long-term notes in evidence of such borrowings and has executed a Mortgage of Chattels and Real Property dated as of May 1, 1951 and three subsequent indentures supplemental thereto.

The company asserts that the increased demand for water service in its territory has required an unusual amount of expenditures for property additions and betterments for several years and that more funds are now needed for further

additions and betterments essential for the proper servicing of its consumers. Applicant alleges that its projected construction costs prior to December 31, 1966 will amount to \$200,000, excluding installations to be financed by advances for construction and contributions in aid of construction. It anticipates that facilities having an estimated cost of \$150,200 will be completed before the end of 1965.

To finance such capital costs the company proposes to borrow \$200,000 from Pacific Mutual Life Insurance Company and to draw down \$100,000 initially on or before April 1, 1965 and the \$100,000 balance on or before December 31, 1966, under the terms of a supplemental loan agreement. The contemplated borrowing will be evidenced by promissory notes aggregating \$200,000, maturing on May 1, 1985 and requiring repayment of principal in annual installments equivalent to two percent of the original principal amount of each note issued. Interest at the rate of 5-1/4% per annum will be payable semi-annually and the notes will be secured by the existing Mortgage of Chattels and Real Property as heretofore supplemented and as further supplemented by a proposed Fourth Supplemental Indenture. Optional prepayment privileges will be subject to the five-year restriction frequently utilized.

Information available to the Commission indicates that applicant's operations have generated sufficient funds to meet the requirements of its outstanding financial

obligations and that it should be able to service the additional debt proposed herein.

The Commission has considered this matter and finds that: (1) the proposed note issues are for a proper purpose; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restricted prepayment provision; (3) the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purpose specified herein; and (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given is for the issue of notes and the execution of a Fourth Supplemental Indenture and a supplemental loan agreement, 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. The Campbell Water Company may execute a Fourth Supplemental Indenture and a supplemental loan agreement in the same form, or in substantially the same form, as the documents attached to the application.

2. The Campbell Water Company may issue its promissory notes in the aggregate principal amount of not to exceed \$200,000, under the terms set forth in such supplemental loan agreement and Fourth Supplemental Indenture, for the purpose of financing the cost of property additions and betterments.

3. The Campbell 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.

4. This order shall become effective when The Campbell 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 9th day of February, 1965.

Frederick B. Hallock  
President  
George T. Hoover  
William W. Bennett  
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Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

