

ORIGINAL

Decision No. 69182

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of LESSER WATER COMPANY for an)
order authorizing it to borrow)
money and execute a loan)
agreement, note and mortgage in)
connection therewith; REQUEST)
FOR EX PARTE ORDER.)

Application No. 47265
Filed January 18, 1965
and Amendment
Filed April 16, 1965

O P I N I O N

Lesser Water Company has filed this application requesting authorization from the Commission to execute and deliver a Loan Agreement and a Mortgage of Real Property and Security Agreement, and to issue and deliver promissory notes in the aggregate principal amount of \$650,000.

Applicant is a California corporation engaged in the business of operating a public utility water system in portions of Ventura County. Its 1964 annual report shows gross operating revenues and net income of \$93,182 and \$8,314, respectively, and 1,049 active service connections at the end of the period, exclusive of fire connections and hydrants. The balance sheet, as of December 31, 1964, discloses total assets of \$756,666, offset by advances for construction amounting to \$125,167 and common stock equity of \$436,537 and by current and other liabilities totaling \$194,962.

The company asserts that it serves one of the fastest growing areas in southern California and that funds are needed to meet the rapid expansion of its water system. According to information submitted to the Commission, the utility expects to spend approximately \$1,374,257 for additions to its facilities during the three-year period ending June 30, 1967, and it estimates that the investment in gross plant on said date will be \$2,060,000.

The corporation's capital ratios on specified dates, after giving effect to applicant's projections and to the financing contemplated herein, are summarized as follows:

	<u>Pro Forma - June 30</u>		
	<u>1965</u>	<u>1966</u>	<u>1967</u>
Long-term debt	26%	37%	34%
Advances for construction	22	25	29
Common stock equity	<u>52</u>	<u>38</u>	<u>37</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

In this proceeding, applicant proposes to borrow the sum of \$650,000 from Pacific Mutual Life Insurance Company pursuant to the terms of a Loan Agreement which provides for the draw down of such sum on or before December 31, 1966. Said borrowing will be evidenced by promissory notes aggregating \$650,000, maturing January 1, 1990, and requiring sinking fund prepayments of principal commencing in 1968, in annual installments equivalent to two percent of the maximum principal amount of the loan outstanding. Interest at the rate of 5-1/2%

per annum will be payable semi-annually and the notes will be secured by a Mortgage of Real Property and Security Agreement. Optional prepayment privileges will be subject to the five-year restriction frequently imposed on long-term loans.

Exhibit A, attached to the amendment to the application, indicates that the proceeds of the proposed note issues will be used (a) to discharge a \$31,530 indebtedness previously authorized by this Commission, (b) to pay loan closing costs of \$10,000, and (c) to finance a portion of construction costs with the \$608,470 balance.

In connection with this proceeding the staff of the Commission investigated applicant's accounting records and procedures. Such investigation disclosed that in many respects the accounting records and procedures are incomplete and not in compliance with the requirements of the Commission. Such deficiencies were brought to the attention of applicant's management. Applicant is placed on notice that it is expected to correct and revise its accounting records and procedures so that they fully comply with the requirements contained in the Uniform System of Accounts for Water Utilities prescribed by this Commission. Further, applicant is admonished to review its main extension practices and to correct any such practices which do not fully conform with the provisions of its filed Main Extension Rule.

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 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 purposes specified herein; and (4) such purposes, except as otherwise authorized for loan closing costs, are 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, as amended, should be granted. 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. Lesser Water Company may execute and deliver a Loan Agreement, and a Mortgage of Real Property and Security Agreement, which documents shall be in the same form, or in substantially the same form, as those attached to the application as Exhibit C and Exhibit E, respectively.

2. Lesser Water Company may issue and deliver its promissory notes in the aggregate principal amount of not to exceed \$650,000 for the purposes specified in the application, as amended, which notes shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit D.

3. Lesser 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 Lesser Water Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$619.

Dated at San Francisco, California, this 8th day of JUNE, 1965.

Fredrick B. Hallock
President
John S. Mitchell
George H. Trover
Augusta
William B. Bennett
Commissioners

