

ORIGINAL

Decision No. 69305

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Conservative Water Company)
for authority to issue and sell)
a 5-1/8% promissory note for)
\$125,000 due July 1, 1990, and)
to execute and deliver a)
Supplemental Mortgage dated)
as of July 1, 1965.)

Application No. 47676
Filed June 17, 1965
and Amendment
Filed June 22, 1965

O P I N I O N

In this proceeding, Conservative Water Company seeks an order from the Commission authorizing it to execute and deliver a supplemental mortgage and to issue a promissory note in the principal amount of \$125,000.

Applicant is a California corporation engaged in the business of producing, distributing and supplying water in portions of Los Angeles County. The most recent annual report of Conservative Water Company, which covers the year 1964, discloses gross operating revenues of \$364,362, a net income for the year of \$36,881, and a total of 8,721 active service connections at the end of the period, exclusive of fire service connections. A summary of the company's reported assets and liabilities as of April 30, 1965, obtained from Exhibit A attached to the application, is as follows:

Assets

| | |
|------------------------------|--------------------|
| Utility plant less reserves | \$ 949,060 |
| Investment and fund accounts | 9,597 |
| Current and accrued assets | 92,407 |
| Deferred debits | <u>8,280</u> |
| Total | <u>\$1,059,344</u> |

Liabilities

| | |
|--------------------------------------|--------------------|
| Long-term debt | \$ 284,500 |
| Common stock | 100,000 |
| Earned surplus | 441,910 |
| Contributions in aid of construction | 66,871 |
| Current and accrued liabilities | 157,896 |
| Deferred credits | <u>8,167</u> |
| Total | <u>\$1,059,344</u> |

The application shows that the utility has financed its plant investment, in part, with borrowings 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 loans and has executed a mortgage dated November 14, 1950 and two subsequent supplemental mortgages. The company reports that during the twelve-month period ended April 30, 1965 net additions to its utility plant totaled \$142,106, and that funds for such purpose were obtained from internal sources and short-term borrowings from banks and suppliers, and from open accounts with creditors.

Applicant proposes to borrow an additional \$125,000 from Pacific Mutual Life Insurance Company under the terms of a Loan Agreement which provides for the draw down of such sum on or before August 1, 1965. Said borrowing will be evidenced

by a promissory note in the principal amount of \$125,000, maturing July 1, 1990 and requiring fixed prepayments of principal commencing July 1, 1968 in annual installments of \$3,750. Interest at the rate of 5-1/8% per annum will be payable semi-annually and the note will be secured by the existing mortgage as heretofore supplemented and as further supplemented by a proposed Third Supplemental Mortgage. Optional prepayment privileges will be subject to the five-year restriction frequently imposed on long-term loans. It appears that applicant's common stock equity ratio will be approximately 57% after issuance of the note contemplated herein.

The company reports that the proceeds of the proposed note issue will be applied toward (a) discharging creditors' accounts and short-term borrowings aggregating approximately \$34,000, (b) paying estimated costs of \$4,000 related to the new note issue and (c) reimbursing applicant's treasury by approximately \$87,000 for capital expenditures.

The Commission has considered this matter and finds that: (1) the proposed note issue is 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 note herein authorized is reasonably required for the purposes specified herein; and (4) such purposes, except as otherwise authorized for accrued

interest and costs relating to the loan, 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. Conservative Water Company may execute and deliver a Loan Agreement and Third Supplemental Mortgage, which documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Conservative Water Company may issue its promissory note in the principal amount of not to exceed \$125,000 for the purposes specified in the application, as amended. The accrued interest may be used for said purposes or for general corporate purposes. Said note shall be in the same form, or in substantially the same form, as that annexed to the application.

3. Conservative 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 on the day of payment by Conservative Water Company of the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$125, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California, this 29th day of June, 1965.

Frederick B. Holst
 President

George H. Trover
 Commissioner

William G. ...
 Commissioner

