

ORIGINAL

Decision No. 73595

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 \$125,000; (b) to issue its)
promissory notes in the principal)
amount of \$125,000 pursuant to)
said agreement; and (c) to)
execute a Fifth Supplemental)
Indenture supplementing its)
Mortgage of Chattels and Real)
Property dated as of May 1, 1951.)

Application No. 49829
Filed November 30, 1967
and Amendment
Filed December 18, 1967

O P I N I O N

The Campbell Water Company requests authorization from the Commission to execute and deliver a Supplemental Loan Agreement and a Fifth Supplemental Indenture, and to issue and deliver promissory notes not exceeding \$125,000 in aggregate principal amount.

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 ten months ended October 31, 1967, the company reports total revenues of \$342,321 and net income of \$29,576.

The balance sheet as of October 31, 1967, attached to the application as Exhibit A, discloses that applicant's net utility plant, after deducting accumulated depreciation, amounted to \$1,611,032. The corporation's capitalization percentages on the balance sheet date, excluding donations in aid of construction, and as adjusted to give effect to the financing proposed herein, are computed as follows:

	<u>October 31, 1967</u>	<u>Pro Forma</u>
Long-term debt	35%	39%
Advances for construction	33	31
Preferred stock	3	3
Common stock equity	<u>29</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>

The application indicates 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 loans and has executed a mortgage and four subsequent supplemental indentures. The utility reports an unpaid balance of \$556,500 outstanding on said notes.

Applicant states that \$125,000 will be required for additions and betterments to its facilities prior to December 31, 1968, and that approximately \$30,000 obtained from short-term loans and \$30,000 provided by internal sources have already been expended for such purposes.

In this proceeding the company proposes to borrow \$125,000 from Pacific Mutual Life Insurance Company in order to provide funds for repaying said short-term loans, reimbursing its treasury and completing the balance of its improvement program through 1968. Applicant plans to draw down \$60,000 initially on or before February 1, 1968, and the balance on or before December 31, 1968, in accordance with the terms of a Supplemental Loan Agreement.

The proposed borrowing will be evidenced by promissory notes aggregating \$125,000, maturing on May 1, 1988, 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 6-3/4% per annum will be payable semi-annually, and the notes will be secured by an existing Mortgage of Chattels and Real Property as heretofore supplemented and as further supplemented by a proposed Fifth Supplemental Indenture.

The notes will be subject to optional prepayment at a price of 106-3/4% of the principal amount, plus accrued interest, if prepaid on or before April 30, 1973, and thereafter at annually reducing premiums. However, prior to May 1, 1978, 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 6-3/4% per annum.

In connection with the ten-year restricted prepayment provisions, applicant has submitted a letter from Pacific Mutual Life Insurance Company dated December 11, 1967, a copy of which is attached to the amendment to the application. The letter indicates that (a) such restrictions are standard in current financing, (b) Pacific Mutual Life Insurance Company can lend all it desires on a ten-year nonrefundability basis, and (c) under the circumstances there is no incentive for the lender to make loans having shorter nonrefundability periods.

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 interest at a lower rate than it would in the absence of the proposed restricted prepayment provisions; (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; (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the proposed Supplemental Loan Agreement and Fifth Supplemental Indenture will not be adverse to the public interest. 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 granted 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. The Campbell Water Company, on or after the effective date hereof and on or before December 31, 1968, may execute and deliver a Supplemental Loan Agreement and a Fifth Supplemental Indenture in the same form, or in substantially the same form, as those attached to the amendment to the application.

2. The Campbell Water Company may issue and deliver its promissory notes in the aggregate principal amount of not exceeding \$125,000 for the purposes specified in this proceeding. Said notes shall be in the same form, or in substantially the same form, as that attached to the application.

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 \$125.

Dated at San Francisco, California,
this 9th day of JANUARY, 1968.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

