

ORIGINAL

Decision No. 75927

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of DIAMOND BAR WATER)	
COMPANY for authority to issue)	Application No. 51191
promissory notes and to issue)	Filed June 24, 1969
common stock)	
<hr/>		

O P I N I O N

Diamond Bar Water Company requests an order of the Commission authorizing it to issue promissory notes in the aggregate principal amount of \$792,000, and to issue and sell \$1,573,000 aggregate par value of its common stock.

Applicant is a subsidiary of Transamerica Development Company which, in turn, is a subsidiary of Transamerica Corporation. The utility is a California corporation engaged in furnishing water service at Diamond Bar, which is located about three miles south-westerly of the City of Pomona, Los Angeles County. For the year 1968 the company reports gross operating revenues of \$359,633, and a net loss of \$64,027 after deducting \$83,205 for interest on debt to its parent company.

The utility reports that on December 31, 1968 it was serving 2,906 metered active service connections, 10 private fire connections and 326 public fire hydrants. Its reported assets and liabilities as of the same date are as follows:

Assets

Utility plant - net	\$2,772,025
Other assets	<u>131,425</u>
Total	<u>\$2,903,450</u>

Liabilities

Common stock	\$1,200,000
Earned surplus (deficit)	(679,756)
Notes payable to parent company	1,175,000
Advances for construction	1,084,936
Contributions in aid of construction	40,189
Other liabilities	<u>83,081</u>
Total	<u>\$2,903,450</u>

The company anticipates adding 600 services to its system in 1969, 1,000 services in 1970 and 1,500 services in 1971. The estimated cost for the acquisition and installation of facilities for maintaining the adequacy of the water system as a whole, other than those subject to the main extension rule, is \$1,079,000, details of which are set forth in Exhibit C attached to the application.

Applicant desires to obtain funds for (a) meeting the estimated \$1,079,000 cost of said acquisition and installation of facilities, (b) refunding the \$1,175,000 of notes shown in the foregoing statement of assets and liabilities, and (c) meeting \$111,000 of payments as they become due on refunds of advances for construction. These three items aggregate \$2,365,000, which the utility proposes to finance over a three-year period through the issuance of notes aggregating \$792,000 and the issuance and

sale, at par for cash, of \$1,573,000 aggregate par value of its common stock.

The new notes will be in favor of the utility's parent, Transamerica Development Company, and will be repayable on demand or, if no demand is made, on December 31, 1971, and will bear interest payable quarterly at the rate of 1% over the prevailing prime rate, as such rate may exist from time to time, as established by Bank of America National Trust and Savings Association. The additional common stock will consist of 15,730 shares of the par value of \$100 each, and will be issued to Transamerica Development Company.

Applicant's capitalization percentages at December 31, 1968, and estimated for the end of each of the following three years after giving effect to the proposed financing, are obtained from Exhibit D, attached to the application, as follows:

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Notes payable	42.3%	18.8%	18.4%	15.8%
Advances for construction	<u>39.0</u>	<u>41.1</u>	<u>41.6</u>	<u>44.2</u>
Total debt	<u>81.3</u>	<u>59.9</u>	<u>60.0</u>	<u>60.0</u>
Common stock	43.1	63.6	59.1	55.3
Earned surplus (deficit)	<u>(24.4)</u>	<u>(23.5)</u>	<u>(19.1)</u>	<u>(15.3)</u>
Total equity	<u>18.7</u>	<u>40.1</u>	<u>40.0</u>	<u>40.0</u>
Total capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. Applicant is a public utility operating under the jurisdiction of this Commission.
2. Applicant is a wholly owned subsidiary of Transamerica Development Company.
3. Applicant's reported capital structure at December 31, 1968 consisted of 81.3% debt (including advances for construction) and 18.7% equity.
4. Applicant proposes to issue securities which will enable it to maintain a capital structure approximating 60% debt and 40% equity.
5. The proposed stock and note issues are for proper purposes.
6. The money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of value of applicant's stock or properties nor 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. Diamond Bar Water Company, on or after the effective date hereof and on or before December 31, 1971, for the purposes specified in this proceeding, may issue and sell, at par for cash, not exceeding 15,730 shares of its \$100 par value common stock, and may issue promissory notes in the aggregate principal amount of not exceeding \$792,000, the latter to be in the same form, or in substantially the same form, as Exhibit F attached to the application.

2. Commencing no later than December 31, 1969, Diamond Bar Water Company shall maintain a capital structure consisting of at least 40% equity where advances for construction are included in debt.

3. Diamond Bar 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 Diamond Bar Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California,
this 15th day of JULY, 1969.

President

August

[Signature]

[Signature]

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.

