

ORIGINAL

Decision No. 77828

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 )  
 PARK WATER COMPANY )  
 )  
 for authority to issue evidence of )  
 indebtedness (promissory notes) )  
 )  
 )

Application No. 52111  
 Filed August 6, 1970

Roc and Rollas, by Chris S. Rollas, for applicant.  
Casimir S. Strelinski and Sidney J. Webb, for the  
 Commission staff.

O P I N I O N

Park Water Company seeks an order of the Commission authorizing it to issue notes in the aggregate principal amount of not exceeding \$3,000,000, and to execute and deliver related encumbering documents.

After due notice, a public hearing in the above-entitled matter was held before Examiner Donovan in Los Angeles on September 22, 1970, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is a California corporation supplying and distributing water in portions of Los Angeles County and San Bernardino County. For the year 1969 it reports operating revenues

and net income of \$2,178,603 and \$249,733, respectively. A summary of the company's reported assets and liabilities at July 31, 1970, is as follows:

<u>Assets</u>	
Utility plant less reserve for depreciation	\$ 9,396,344
Other assets	<u>788,074</u>
Total	<u>\$10,184,418</u>

<u>Liabilities</u>	
Common stock	\$ 679,325
Capital surplus	1,320,675
Earned surplus	2,011,423
Contributions in aid of construction	2,542,686
Long-term debt	1,584,000
Short-term notes payable	1,180,000
Customer advances for construction	584,692
Other liabilities	<u>281,617</u>
Total	<u>\$10,184,418</u>

By Decision No. 74643, dated September 4, 1968, in Application No. 49080, the Commission conditionally authorized the utility to make effective certain rate schedules, one of the conditions being that the company must adopt a specified three-year improvement program estimated to cost \$1,279,200. Exhibit No 1, filed in this proceeding, shows that applicant expended \$203,200 in 1968 and \$470,800 in 1969, and expects to spend \$450,000 in 1970, all in connection with such program. In addition, the testimony shows that the company anticipates expending, among other things, approximately \$460,000 during 1970 for normal plant additions and betterments.

The utility proposes to borrow not exceeding \$3,000,000 from Pacific Mutual Life Insurance Company and The Lincoln National Life Insurance Company. The indebtedness is to be represented by notes bearing a May 1, 1990 due date, the interest rate to be 9-1/2% per annum with respect to \$1,100,000 and 9-3/4% per annum for the remainder. The notes will be subject to a restricted prepayment provision until May 1, 1980, and will be issued substantially in accordance with the terms of a Loan Agreement. Among other things, the Loan Agreement will provide for a Mortgage and Security Agreement to secure the loan, Supplemental Mortgages pertaining to after-acquired property, and additional Supplemental Mortgages.

Out of the loan proceeds the utility will use \$1,100,000 to refinance the \$1,100,000 balance outstanding on 3-3/8% notes due March 1, 1976 in favor of said insurance companies and authorized by Decision No. 45673, dated May 8, 1951, in Application No. 32254. In order to meet its financial needs and to solve its cash flow problems, applicant proposes to use the \$1,900,000 balance of the loan proceeds to repay \$1,180,000 bank borrowings for temporary financing of a substantial portion of said improvement program and other capital expenditures, of which the amount of \$650,000 was authorized by Decision No. 75120, dated December 20, 1968, in Application No. 50717, and to pay for permanent additions and betterments to its plant facilities amounting to \$720,000.

With respect to the substantial increase in the interest rate applicable to \$1,100,000 of indebtedness, the record shows that, after making extensive attempts to obtain financing elsewhere, applicant has no alternative to refinancing said indebtedness in order to obtain necessary additional long-term financing.

After consideration the Commission finds that:

1. The proposed notes are for proper purposes.
2. The proposed agreements, mortgages and supplemental mortgages would not be adverse to the public interest.
3. Applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted prepayment provision.
4. 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, 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. 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:

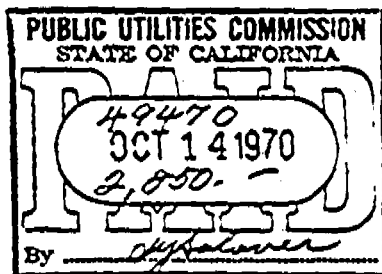
1. Park Water Company may execute, deliver and enter into a Loan Agreement, including the encumbering documents referred to therein, which agreement shall be in the same form, or in substantially the same form, as Exhibit A attached to the application.

2. Pursuant to the Loan Agreement authorized by Ordering Paragraph No. 1 hercof, Park Water Company, for the purposes specified in this proceeding, may issue not exceeding \$3,000,000 aggregate principal amount of its notes, which notes shall be in the same form, or in substantially the same form, as those filed in this proceeding as Exhibits B-1 and B-2.

3. Park 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 Park Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,250.

Dated at San Francisco, California,  
this 14th day of OCTOBER, 1970.



[Signature]  
Chairman  
[Signature]  
William J. Moore  
[Signature]  
Vernon L. Sturgeon  
Commissioners