

ORIGINAL

Decision No. 78674

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)

DEL ESTE WATER COMPANY,
a corporation,)

for an order authorizing it to)
enter into a Supplemental Loan)
Agreement, and to issue its)
promissory note for \$500,000)
and execute and deliver a Sixth)
Supplemental Indenture and)
Security Agreement pursuant)
thereto.)

Application No. 52558
Filed April 16, 1971

O P I N I O N

Del Este Water Company seeks an order of the Commission authorizing it (a) to enter into a Supplemental Loan Agreement, (b) to execute and deliver a Sixth Supplemental Indenture and Security Agreement, and (c) to issue a promissory note in the principal amount of \$500,000.

Applicant is a California corporation engaged in the public utility water business serving portions of Stanislaus County. For the year 1970 it reports operating revenues and net income of \$705,229 and \$56,902, respectively. The utility's assets and liabilities as of December 31, 1970 are summarized from Exhibit I-A, attached to the application, as follows:

Assets

| | |
|-------------------|--------------------|
| Current assets | \$ 162,769 |
| Net utility plant | 2,229,252 |
| Other assets | <u>60,109</u> |
| Total | <u>\$2,452,130</u> |

Liabilities

| | |
|---|--------------------|
| Current liabilities | \$ 116,713 |
| Notes payable, including current portion | 806,831 |
| Advances for construction | 437,061 |
| Contributions in aid of construction | 59,085 |
| Common stock equity | <u>1,032,440</u> |
| Total | <u>\$2,452,130</u> |

According to a proposed Supplemental Loan Agreement with Pacific Mutual Life Insurance Company, applicant contemplates borrowing \$500,000 to be used (a) to retire two previously authorized notes issued to Pacific Mutual Life Insurance Company, the balances of which are currently due and Payable in the aggregate amount of \$260,000, (b) to retire \$160,000 of loans from Wells Fargo Bank, N.A., and (c) to finance additions and betterments amounting to \$80,000. The application shows that said bank loans are represented by a previously authorized \$130,000 note, and a short-term \$30,000 note issued to obtain funds for financing a portion of the utility's 1970 construction program.

The new borrowing would be evidenced by a promissory note bearing interest at the rate of 9-1/4% per annum, and requiring repayment of the principal amount in annual installments of \$10,000 commencing April 1, 1973, with the unpaid balance becoming due on April 1, 1996. The note would be subject to a

restricted prepayment provision until April 1, 1981, and would be secured by an existing Mortgage of Chattels and Real Property, as previously supplemented, and as further supplemented by a proposed Sixth Supplemental Indenture and Security Agreement.

After consideration the Commission finds that:

1. The proposed note issue is for proper purposes.
2. The proposed interest rate is reasonable for a private placement in the light of market conditions prevailing at the time of negotiation.
3. Applicant would 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 note 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.
5. The proposed documents would not be adverse to the public interest.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. 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.

ORDER

IT IS ORDERED that:

1. Del Este Water Company may enter into a Supplemental Loan Agreement with Pacific Mutual Life Insurance Company, and may

execute and deliver a Sixth Supplemental Indenture and Security Agreement, which documents shall be in the same forms, or in substantially the same forms, as those attached to the application as Exhibits III(a) and III(b), respectively.

2. Del Este Water Company may issue its promissory note in the principal amount of not exceeding \$500,000, which note shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit III(c).

3. Del Este Water Company shall apply the proceeds to be derived from the issue of said note to the purposes set forth in the application.

4. Del Este 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.

5. This order shall become effective when Del Este Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$660.

Dated at San Francisco, California, this 11th day of MAY, 1971.

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Chairman
[Handwritten signature]
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Commissioners

