

ORIGINAL

Decision No. 40193

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA WATER COMPANY, for order or orders authorizing the issuance of bonds and the mortgaging of property.	) : ) : ) : )	Application No. 28311
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O P I N I O N

In this application, Southern California Water Company asks permission to issue and sell at competitive bidding \$5,100,000 of its first mortgage bonds, due May 1, 1977, and use the proceeds for the purposes hereinafter stated. It also asks permission to execute an indenture, a first mortgage, to be dated May 1, 1947, to secure the payment of its first mortgage bonds.

Southern California Water Company, hereinafter sometimes referred to as Applicant, is a corporation organized and existing under the laws of California. It is engaged in the business of distributing and supplying water in certain areas within the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento in the State of California. It is also engaged in the public utility business of distributing and supplying electricity in Bear Valley, in San Bernardino County, State of California, and in the manufacture and sale of ice in Barstow, California.

For the twelve months ending January 31, 1947, it reports its operating revenues at \$1,979,937.78, segregated as follows:

Water revenues	\$1,789,744.08
Electric revenues	148,173.08
Ice revenues	42,020.62

Its gross income, that is, the amount available for interest, dividends and surplus, for the twelve months ending January 31, 1947, is reported at \$452,393.65.

As of January 31, 1947, Applicant reports assets and liabilities as follows:

Assets

Fixed capital		\$10,844,016.17
Construction work in progress		246,974.30
Current assets		1,094,569.75
Cash and special deposits	\$ 545,054.26	
U.S. Treasury tax notes	42,000.00	
Accounts receivable	143,424.55	
Interest receivable	698.80	
Merchandise, materials and supplies	309,733.55	
Prepayments	53,658.59	
Non-operating property		99,734.89
Miscellaneous investments		52.00
Deferred accounts		141,188.84
Unamortized debt discount and expense	91,538.42	
Preferred stock expense	37,369.18	
Other deferred items	12,281.24	
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Total assets		<u>\$12,426,535.95</u>

Liabilities

Capital stock		\$ 3,148,300.00
Common stock (61,932 shares)	\$1,548,300.00	
Preferred stock 4 $\frac{1}{2}$ %--32,000 shares	800,000.00	
Preferred stock 4%--32,000 shares	800,000.00	
Funded debt--first mortgage bonds due 1970		3,800,000.00
Series A, 3-3/4%	3,500,000.00	
Series B, 3-1/2%	300,000.00	
Current liabilities		610,008.02
Accounts payable	152,448.39	
Consumers' deposits	100,014.55	
Accrued interest on funded debt	59,062.50	
Accrued taxes	285,856.21	
Accrued insurance	5,390.42	
Other current liabilities	7,235.45	
Consumers' advances for construction		318,137.32
Miscellaneous deferred credits		6.52
Reserves		3,116,306.31
Depreciation	3,053,846.31	
Uncollectible accounts	2,000.00	
Reserve for part service pension	60,459.50	
Donations in aid of construction		613,055.77
Premium on preferred stock		101,120.00
Capital surplus		162,018.75
Earned surplus		<u>557,583.20</u>
<b>Total liabilities</b>		<b><u>\$12,426,535.95</u></b>

Applicant's petition shows that on or about May 1, 1947, it will pay, through the use of the sinking and improvement fund monies, \$35,000 of its outstanding first mortgage bonds, Series A, and \$3,000 of its first mortgage bonds, Series B, leaving, as of that date, \$3,465,000 of the Series A bonds and \$297,000 of the Series B bonds outstanding. Applicant proposes to redeem these bonds on or about July 1, 1947. If it does so it must pay a premium equal to 5 $\frac{1}{2}$ % of the principal of the bonds. The redemption of its Series A and Series B bonds on or about July 1, 1947, entails an expenditure of \$3,959,515 for principal and premium payments. In addition, the company estimates its expenditures

incident to the issue and sale of the \$5,100,000 of bonds at \$73,000.

In Exhibit "C", Applicant for the year 1947 reports proposed capital expenditures of \$1,690,000, summarized as follows:

Water supply	\$ 375,000
Distribution mains	500,000
Meters and services	244,000
Bear Valley electric expenditures	160,000
Miscellaneous expenditures	92,500
Transmission main, pumping plant equipment and other expenditures to integrate central district	275,000
Contingencies	<u>43,500</u>
Total	<u>\$1,690,000</u>

The exhibit shows the areas in which the proposed expenditures will be made.

Applicant asks permission to use the proceeds which it will realize through the issue and sale of the \$5,100,000 of bonds to redeem all of its outstanding first mortgage bonds, to pay the expenses incident to the issue of the new bonds, and to pay in part the cost of its proposed 1947 construction expenditures or to reimburse its treasury because of income expended for those purposes before the bond proceeds become available.

Applicant will invite bids for the purchase of the \$5,100,000 of bonds. The bonds will mature March 1, 1977. A statement of the terms and conditions relating to bids provides that each bid must be for the purchase of the entire issue of \$5,100,000 of bonds and must name (1) the interest rate on the bonds, which shall be expressed in some multiple of 1/8th of 1%

and (ii) the price bid for the bonds, which shall be not less than 100% and not more than 102-3/4% of the principal amount thereof plus interest from May 1, 1947, to the date of delivery and payment of the bonds.

Applicant has filed with this application as Exhibit "A" a copy of its proposed new first mortgage. It has agreed to add to Section 5.13 a general covenant to the effect that it will keep its accounts as prescribed by any governmental authority having jurisdiction, or in the absence thereof, in accordance with good accounting practice. Applicant also proposes to amend its first mortgage to provide that bonds may be authenticated or cash withdrawn to the extent of 60% of the cost or fair value of property additions. With these additions we find the proposed mortgage to be in satisfactory form.

Applicant has withdrawn its request for permission to amortize over the period ending March 1, 1970, \$117,605 of the premium which it must pay upon the redemption of its Series A and Series B bonds, and the credit balance (\$501.60) representing unamortized premium and expense on said Series A and Series B bonds. It has concluded to write off against surplus the said premium and expense at the time the new bonds are sold.

O R D E R

The Public Utilities Commission of the State of California has considered the requests of Southern California Water Company and is of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of \$5,100,000 of first mortgage bonds due May 1, 1977, is reasonably required by said

Southern California Water Company for the purposes herein stated, which purposes, other than the payment of accrued interest and bond sale expense and premium, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company may, after the effective date hereof and on or before August 1, 1947, issue and sell, at a price to be fixed by a supplemental order, \$5,100,000 of its first mortgage bonds due March 1, 1977.

2. Southern California Water Company shall use the proceeds other than the accrued interest, derived from the issue and sale of said bonds for the following purposes:

(a) To redeem its outstanding Series A and Series B bonds, entailing an expenditure of approximately \$3,959,515.

(b) To pay expenses incident to the issue and sale of said \$5,100,000 of bonds--approximately \$73,000.

(c) Proceeds from the sale of bonds not used for aforesaid purposes shall be used by Southern California Water Company to pay in part the cost of the proposed capital expenditures set forth in Exhibit "C" on file in this application, or to reimburse Applicant's treasury because of income used for said purposes.

(d) The accrued interest may be used by applicant for general corporate purposes.

3. Pending the preparation and delivery of definitive bonds, Southern California Water Company may issue, sell and deliver temporary bonds in the face amount of \$5,100,000 under the same terms and conditions as those under which it is authorized to issue and sell said \$5,100,000 of definitive bonds.

4. Southern California Water Company shall publish an invitation for proposals for the purchase of said \$5,100,000 of bonds, at least ten (10) days prior to the date fixed for the opening of the bids, said invitation for proposals to purchase said bonds to be in, or substantially in, the form on file in this application.

5. Southern California Water Company may, for the purpose of securing the payment of said \$5,100,000 of bonds and such further bonds as it may from time to time issue, execute an indenture (a first mortgage) in, or substantially in, the same form as the indenture, amended as indicated in the foregoing opinion, filed in this application as Exhibit "A".

6. The authority herein granted to Southern California Water Company to issue and sell \$5,100,000 of bonds will become effective when the Commission has entered a supplemental order fixing the price at which Southern California Water Company may sell said \$5,100,000 of bonds and when said Southern California Water Company has paid the fee prescribed by Section 57 of the Public Utilities Act. All other authority granted in this order is effective upon the date hereof.

7. Southern California Water Company shall file with the Public Utilities Commission of the State of California such

report, or reports as are required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order. Applicant shall also file with the Commission, within six (6) months after the issue and sale of said \$5,100,000 of bonds, a statement showing in detail the expenses incurred by it in connection with the issue and sale of said \$5,100,000 of bonds. Applicant shall further file with the Commission, as soon as available, a copy of each amendment to its registration statement filed with the Securities and Exchange Commission and not heretofore filed with this Commission, and two (2) certified copies of its indenture (first mortgage) executed under the authority herein granted.

Dated at San Francisco, California, this 22<sup>nd</sup> day of April, 1947.

Harold P. Hull

Earl H. Powell

A. F. [unclear]

Kenneth Latta  
Commissioners



April 28, 1947.

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Fee in amount of \$2901.50 (due under Section 57 of Public Utilities Act) paid.

