

**ORIGINAL**

Decision No. 54022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CALIFORNIA WATER SERVICE COMPANY,  
a corporation,

Application No. 38500

for an order authorizing it to  
issue an additional amount of  
its First Mortgage Bonds.

O P I N I O N

California Water Service Company has filed this application for authorization (1) to execute a supplemental indenture defining the terms of a new series of First Mortgage 4.60% Bonds, Series H, and (2) to sell \$3,000,000 of said bonds by negotiated arrangements at not less than the principal amount plus accrued interest.

Applicant is undertaking the financing in order to liquidate short-term notes which represent temporary borrowings for construction purposes. It reports that on August 31, 1956, such short-term notes aggregated \$3,125,000 and it estimates that during the last four months of the year, it will be called upon to expend an additional amount of \$857,864, for construction purposes.

Information filed with the Commission shows that the company has been engaged in conducting an extensive construction program and that its investment in its plant and its volume of business have been increasing rapidly from year to year. A summary statement indicating its growth experience during the last five years is as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Service Connections</u>	<u>Gross Plant Additions</u>
1951	\$ 8,025,764	\$1,098,228	182,719	\$4,414,672
1952	9,070,162	1,255,849	192,400	3,553,704
1953	10,619,799	1,642,175	209,365	4,951,314
1954	11,169,013	1,683,210	217,413	4,618,770
1955	12,077,833	1,760,292	228,225	5,998,999

The company's financial reports show that its recorded investment in utility plant as of August 31, 1956, less related reserves, amounted to \$61,315,599 and that it has been its practice to meet its capital requirements in part by short-term borrowings and thereafter, from time to time, to replace such temporary borrowings with permanent financing in the form of long-term debt or shares of stock. Applicant's capital ratios, as of August 31, 1956, exclusive of short-term loans, and as adjusted to give effect to the proposed financing, are as follows:

	<u>August 31, 1956</u>	<u>Pro forma</u>
Bonds	54%	56%
Preferred stock	12	12
Common stock equity	<u>34</u>	<u>32</u>
Total	<u>100%</u>	<u>100%</u>

According to the financial statements, the company's gross income after depreciation charges has been in excess of three times its interest charges. During the last five years the company, after meeting its fixed charges, has paid annual dividends on its outstanding \$25 par value common stock at the rate of \$2 a share during 1951-1952 and a portion of 1953 and thereafter at the rate of \$2.20. The company's balance sheet shows current assets of \$3,607,090 and current liabilities of \$6,430,599 including,

however, the short-term notes applicant now proposes to liquidate.

From a review of the application, it is clear that the company will have need for funds from the sale of bonds to liquidate its short-term borrowings. In view of its financial condition, as reflected by its verified application and by its reported results of operation, we are of the opinion that we are warranted in entering an order granting its application. The approval indicated herein is for the issue and sale of bonds and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required by applicant for the purpose specified herein, and that such purpose, except as otherwise authorized, is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. California Water Service Company may execute a supplemental mortgage of chattels and trust indenture dated as of November 1, 1956, in, or substantially in, the same form as that filed in this proceeding as Exhibit D.

2. California Water Service Company may issue and sell not to exceed \$3,000,000 of its First Mortgage 4.60% Bonds, Series H, on or before December 31, 1956, at not less than the principal amount plus accrued interest.

3. California Water Service Company shall use the proceeds from the sale of its bonds, other than accrued interest, for the purpose of paying outstanding indebtedness. The accrued interest may be used for such purpose or for general corporate purposes.

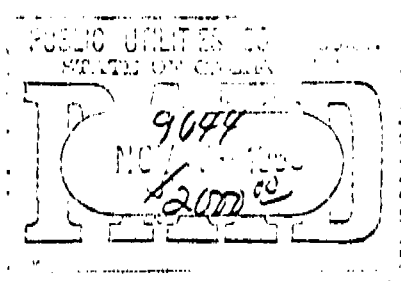
4. California Water Service Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,000.

Dated at San Francisco, California, this 5th day of November, 1956.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners



Commissioner C. Lynn Fox did not participate in the disposition of this proceeding.