

Decision No. 54674

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
	:	
of)	Application No. 38820
	:	
CALIFORNIA WATER & TELEPHONE COMPANY,)	
	:	
to issue and sell debentures.)	
-----	:	

Bacigalupi, Elkus & Salinger, by Charles de Y. Elkus, Jr., for applicant.

O P I N I O N

This is an application for an order authorizing California Water & Telephone Company to execute a supplemental indenture and to issue and sell \$5,000,000 of debentures.

A public hearing was held before Examiner Coleman in San Francisco on March 1, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The debentures will bear interest at the rate of 5-1/4% per annum, will mature April 1, 1982, and will be callable at a premium of 10 per cent on or before March 31, 1963, and thereafter at annually decreasing premiums, provided, however, that the debentures shall not be redeemed prior to April 1, 1962 with the proceeds from the sale of any security of the company. The debentures will be sold to six insurance companies at their face value, plus accrued interest, under negotiated purchase agreements and the company, therefore, seeks exemption from the Commission's competitive bidding rule with respect to the proposed sale.

Applicant asserts that, under present conditions and those likely to exist in the foreseeable future, better results will be obtained by the sale of the debentures under negotiated arrangements than by competitive bidding and with a greater certainty of consummation of the transaction. The testimony shows that extended negotiations were had for the sale of applicant's securities and, as a result, it was concluded that the issue of debentures at this time is desirable and that the sale, as proposed, will be made under favorable terms and will save applicant substantial expenditures it would otherwise have to make, should competitive bidding be invoked, in costs of registration and in commissions. Upon the basis of the information before us, we are of the opinion we are warranted in granting the requested exemption.

Applicant seeks authorization to use the net proceeds from the sale of its debentures to reimburse its treasury for expenditures for additions to its facilities. In Exhibit A, it reports expenditures up to November 30, 1956 of \$7,961,579 which had been financed with treasury cash, primarily depreciation accruals and retained earnings, and not through the issue of securities.

As to the need for reimbursement, the record shows that at November 30, 1956, applicant's cash and deposits amounted to \$918,617 and its total current assets, including cash and deposits, to \$6,028,097 as compared with current liabilities of \$5,202,667. According to the application, the company will be called upon to expend during 1957 the sum of \$15,818,000 for additions to plant to take care of the increased demands for service in its present territory, as shown in some detail in Exhibit A, of which amount approximately \$13,000,000 must be obtained from external sources.

It appears that applicant intends to engage in bond financing at an early date to the extent of \$3,000,000 and in equity financing later in the year. Applicant's capital ratios, giving effect to the proposed debenture and bond issues, are as follows:

Bonds	-	36.7%
Debentures	-	4.6
Preferred stock	-	15.7
Common stock equity	-	<u>43.0</u>
Total		<u>100.0%</u>

Upon a review of the record, we are of the opinion that applicant will have need for the proceeds from the sale of the debentures, that the money, property or labor to be procured or paid for through the issue of such debentures is reasonably required by applicant for the purposes specified herein and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue and sale of securities only 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

A public hearing having been held on the above-entitled matter and the Commission having considered the evidence and being of the opinion that the application should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue by California Water & Telephone Company of \$5,000,000 of debentures hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended.

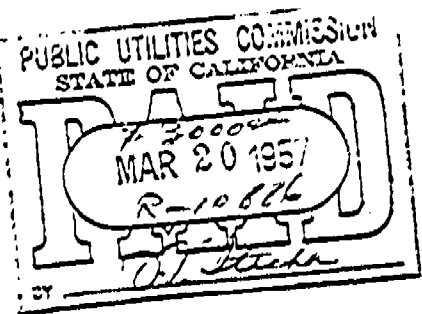
2. California Water & Telephone Company may execute a supplemental indenture in, or substantially in, the same form as that filed as Exhibit C in this proceeding and may issue and sell not to exceed \$5,000,000 in principal amount of its debentures 5-1/4% series, due April 1, 1982, at not less than their face value, plus accrued interest, and use the proceeds for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

3. California Water & Telephone 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.

4. The authority herein granted will become effective when California Water & Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$3,000.

Dated at San Francisco, California, this 19th day of March, 1957.

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



Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.