

**ORIGINAL**

Decision No. 55170

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of  
CALIFORNIA WATER & TELEPHONE COMPANY  
to issue and sell bonds.

Application No. 39106

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 \$3,000,000 of first mortgage bonds.

The bonds will constitute a new series. They will bear interest at the rate of 4.80% per annum, will mature November 1, 1986, and will be callable initially at a premium of 7.50% prior to November 1, 1962, and thereafter at annually reducing premiums, provided, however, that they may not be redeemed prior to November 1, 1962, directly or indirectly, from, or in anticipation of, the proceeds of the sale of any security of the company.

The company proposes to sell the bonds to a group of institutions, for investment, at the principal amount plus accrued interest and to use the proceeds, after payment of expenses incident to the sale which are estimated at \$15,350, to reimburse its treasury for funds expended for the construction

or improvement of its facilities which had not been obtained through the sale of securities. Upon thus replenishing its treasury it intends to use the monies to carry on its 1957 construction program. According to exhibits filed in this proceeding, its capital expenditures, up to March 31, 1957, which had not been financed through the sale of securities but which had been met with treasury cash, aggregated \$12,546,078, with its gross expenditures during 1957 being estimated at \$15,818,000.

A review of applicant's financial condition and results of operations as reflected by its balance sheet and earnings statements clearly shows that it has need for external funds to augment its working cash and to enable it to proceed with its construction activities, that its earnings should be sufficient to service its securities, including the proposed issue, and that its capital structure lends itself to the sale of bonds at this time. Its capitalization ratios, giving effect to its proposed financing, are indicated in the following tabulation:

First mortgage bonds	36.8%
Debentures	11.7
Preferred stock	13.7
Common stock equity	<u>37.8</u>
Total	<u>100.0%</u>

The application will be granted, it being our opinion that the money, property or labor to be procured or paid for by the issue of the bonds authorized herein is reasonably required for the purposes specified 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 thus granted is for the issue 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.

ORDER

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary and that the application should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company may execute a supplemental indenture in, or substantially in, the same form as that filed in this proceeding, and may issue and sell not exceeding \$3,000,000 of bonds on or before October 31, 1957, at not less than the principal amount thereof, plus accrued interest, pursuant to the terms of said supplemental indenture.
2. California Water & Telephone Company shall use the proceeds from the sale of said bonds for the purposes set forth in this application. The accrued interest may be used for said purposes or for general corporate purposes.
3. California Water & Telephone Company shall file 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 \$2,000.

Dated at Los Angeles, California, this 25<sup>th</sup> day of June, 1957.

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

Commissioners

