

Decision No. 56268

**ORIGINAL**

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. 39758

Bacigalupi, Elkus & Salinger, by Charles de Y. Elkus, Jr., and Alvin H. Pelevin, for Applicant.

O P I N I O N

In this application, California Water & Telephone Company seeks authorization to execute a supplemental indenture and to issue and sell \$6,000,000 of first mortgage bonds.

The application was filed on January 27, 1958. A public hearing was held before Examiner Coleman in San Francisco on February 7, 1958, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The bonds will bear interest at the rate of 4-3/8% per annum, will mature on November 1, 1986 and will be callable prior to November 1, 1962 at a premium of 7.50% and thereafter at annually decreasing premiums, provided, however, that the bonds may not be redeemed prior to November 1, 1962, directly or indirectly, from, or in anticipation of, any borrowings by the company or the proceeds of the sale of any security. Applicant proposes to sell the bonds to four institutional buyers as follows:

|   |                  |
|---|------------------|
| John Hancock Mutual Life Insurance Company      | \$2,000,000      |
| Aetna Life Insurance Company                    | 1,500,000        |
| California State Employees' Retirement System   | 1,500,000        |
| Occidental Life Insurance Company of California | <u>1,000,000</u> |
| Total   | \$6,000,000      |

In order to proceed with its plans, the company requests the Commission to exempt the issue from its competitive bidding rule. The testimony offered in support of its request shows that applicant has had extensive negotiations for the sale of the securities, that the terms and conditions finally determined compare favorably with those obtained by other utilities and that there will be substantial savings in the expense of issuing the securities if the negotiated sale were to be accomplished, such savings occurring primarily in connection with the registration of the securities and in underwriters' commissions. Applicant's bonds which presently are outstanding are not rated and are not traded on the market.

The record shows that the proceeds to be received from the sale of the \$6,000,000 of bonds will be utilized to pay expenses incident to the sale, which are estimated at approximately \$22,600, and to reimburse the company's treasury for funds expended for construction, completion, extension and improvement of its facilities which were not obtained from the sale of evidences of ownership or indebtedness and to enable the company to proceed with its 1958 construction program. In Exhibit A applicant reports capital expenditures, as of November 30, 1957, of \$8,119,066 which had been financed with treasury cash and in Exhibit No. 1 it sets forth its 1958 estimated construction expenditures in the amount of \$13,045,000.

From a review of the application and the testimony, it is clear that applicant will have need for external funds for the purposes indicated in its application and that an order is warranted authorizing the issue of the bonds and exempting the proposed issue of bonds from the Commission's competitive bidding rule. At the conclusion of the financing, applicant's capital ratios, based on its December 31, 1957 balances, will be as follows:

|                     |                     |   |               |
|---------------------|---------------------|---|---------------|
| Bonds               | \$30,250,000        | - | 39.3%         |
| Debentures          | 7,625,000           | - | 9.9           |
| Preferred stock     | 8,812,000           | - | 11.5          |
| Common stock equity | <u>30,226,554</u>   | - | <u>39.3</u>   |
| Total               | <u>\$76,913,554</u> | - | <u>100.0%</u> |

It is reported that approximately \$2,700,000 of internal funds will be available during 1958 to meet the company's capital requirements leaving a balance of approximately \$5,000,000 more of outside funds which will have to be produced later in the year. Applicant reports that adequate bank credit is available to cover this need, should this be deemed desirable, but that presently it is anticipated additional equity financing will be undertaken in the summer or early fall.

The action on the company's present application is for the issue of securities only and shall not 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, that the

money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required 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; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue by California Water & Telephone Company of \$6,000,000 of First Mortgage Bonds, 4-3/8% Series, 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 in this proceeding as Exhibit C, and may issue and sell said \$6,000,000 of First Mortgage Bonds, 4-3/8% Series, due 1986, at not less than the principal amount thereof, plus accrued interest for the purposes indicated herein. 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 \$3,500.

Dated at San Francisco, California, this 25<sup>th</sup> day of FEBRUARY, 1958.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners

