

ORIGINAL

Decision No. 62265

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 \$5,000,000
principal amount of its First
Mortgage Bonds, 5% Series, due 1991

Application No. 43479

Bacigalupi, Elkus & Salinger, by Alvin H. Pelavin, for Applicant.

O P I N I O N

In this application, California Water & Telephone Company seeks authorization to issue and sell \$5,000,000 of first mortgage bonds.

The application was filed on June 6, 1961. A public hearing was held before Examiner Coleman in San Francisco on June 26, 1961, 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 5% per annum, will mature on May 1, 1991, and will be callable prior to May 1, 1967, at a premium of 5% and thereafter at annually decreasing premiums, provided, however, that the bonds may not

be redeemed prior to May 1, 1966, 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 at private placement with nine institutional buyers as follows:

Aetna Life Insurance Company	\$2,000,000
California State Teachers Retirement System	750,000
California State Employees Retirement System	500,000
Aid Association for Lutherans	600,000
Equitable Life Insurance Company of Iowa	300,000
Modern Woodmen of America	250,000
Nationwide Life Insurance Co.	250,000
United Benefit Life Insurance Co.	200,000
Bankers Life Insurance Co. of Nebraska	<u>150,000</u>
Total	<u>\$5,000,000</u>

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 \$5,000,000 of bonds will be utilized to pay expenses incident to the sale, which are estimated at approximately \$23,600, 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 liquidate short-term loans, now in the neighborhood of \$2,500,000, and to proceed with its 1961 construction program. In Exhibit A, applicant reports its cash requirements during 1961 for construction purposes at \$13,033,000.

From a review of the application and the testimony, we find and conclude that applicant will have need for externally generated funds for the purposes indicated in its application; 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; that the terms of the proposed bond issue are not adverse to the public interest; that applicant would be required to pay a higher interest rate in the absence of a restricted redemption provision; and that the ensuing lower financial requirements will inure to the benefit of the consumer. At the conclusion of the financing, applicant's capital ratios, based on its April 30, 1961 balances, will be as follows:

Bonds	\$ 42,000,000	- 38.3%
Debentures	7,400,000	- 6.7
Preferred stock	14,209,000	- 13.0
Common stock equity	<u>46,056,000</u>	- <u>42.0</u>
Total	<u>\$109,665,000</u>	<u>100.0%</u>

It is reported that approximately \$4,500,000 of internal funds will be available during 1961 to meet the company's capital requirements leaving a balance of approximately \$8,500,000 which will have to be obtained from outside sources. Applicant reports that adequate bank credit is available to provide the funds in excess of the proceeds from the present financing.

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.

ORDER

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 \$5,000,000 of First Mortgage Bonds, 5% Series, due 1991, 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 issue and sell said \$5,000,000 of First Mortgage Bonds, 5% Series, due 1991, 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 shall 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 18th day of JULY, 1961.

Gerrit W. Day

President
John E. Mitchell

John J. Fox

Fredrick B. Gholhoff

Commissioners

