

ORIGINAL

Decision No. 63007

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,  
4.90% Series due 1991

Application No. 43955

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 November 24, 1961. A public hearing was held before Examiner Coleman in San Francisco on December 18, 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 4.90% per annum, will mature on November 1, 1991, and will be callable prior to November 1, 1967, at a premium of 5% and thereafter at annually decreasing premiums, provided, however, that the bonds may not be redeemed prior to November 1, 1966, directly or

indirectly, from, or in anticipation of, any borrowings by the company. Subject to receiving authorization from the Commission, the company proposes to sell the bonds at private placement to five institutional buyers as follows:

John Hancock Mutual Life Insurance Company	\$1,500,000
California State Teachers Retirement System	750,000
California State Employees Retirement System	1,000,000
Pacific Mutual Life Insurance Company	500,000
Shell Provident Fund	<u>1,250,000</u>
Total	<u>\$5,000,000</u>

In order to proceed with its plans, the company requests the Commission to exempt the issue from competitive bidding. The testimony offered in support of this request indicates 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 in selling bonds recently; that the inclusion of a restricted redemption provision in the terms of bonds of the nature of the proposed issue, in general, is required by institutional buyers and results in a better sale price than otherwise would be the case; and that there would be substantial expenses in issuing the securities under competitive bidding, such expenses 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.

Applicant proposes to use the proceeds to be received from the sale of the \$5,000,000 of bonds to pay expenses incident to the sale, which are estimated at approximately \$23,000, and to reimburse its 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. The record shows that applicant, upon replenishing its treasury, will have need for the cash to enable it to proceed with its 1962 construction program. According to the testimony, construction requirements will aggregate \$11,500,000 in 1962 of which approximately \$6,200,000 will be available from internal sources leaving a balance of approximately \$5,300,000, plus provision for adequate working capital, to be financed. It appears that bank credit is available to provide funds in excess of the proceeds from the present bond issue. Upon the conclusion of the financing, applicant's capital ratios, as of October 31, 1961, would be as follows:

Bonds	\$ 47,000,000	40.7%
Debentures	7,325,000	6.4
Preferred stock	14,012,000	12.1
Common stock equity	<u>47,151,000</u>	<u>40.8</u>
Total	<u>\$115,488,000</u>	<u>100.0%</u>

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 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. We will enter an order granting the application.

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 \$5,000,000 of First Mortgage Bonds, 4.90% Series due 1991, hereby is exempted from the Commission's competitive bidding rule which is set forth in Decision No. 38614, dated January 15, 1946, as amended.

2. California Water & Telephone Company may execute and deliver its Twenty-first Supplemental Indenture in substantially the same form as that filed as Exhibit C and may issue and sell said \$5,000,000 of First Mortgage Bonds, 4.90% 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 9<sup>th</sup> day of JANUARY, 1962.

*Ernest A. Ray*  
President  
*S. E. Dwyer*  
*S. L. Fox*  
*Frederick B. Hallock*

Commissioners

