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**ORIGINAL**

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CALIFORNIA WATER SERVICE COMPANY,  
a corporation,

for an order authorizing it to  
issue an additional amount of its  
First Mortgage Bonds

Application No. 46181  
Filed February 5, 1964

O P I N I O N

California Water Service Company has filed this appli-  
cation requesting authorization to issue and sell \$3,000,000  
principal amount of its bonds, and to execute a supplemental  
indenture.

Applicant is a California corporation engaged as a  
public utility in the business of providing water service in  
various localities in the State of California. As of  
December 31, 1963, it reports serving 232,176 customers.  
Assets and liabilities, as reflected in the December 31,  
1963 corporate balance sheet attached to the application,  
have been condensed as follows:

Assets

Utility plant -	\$87,233,741	
Less: Depreciation and amortization reserves	14,855,461	\$72,378,280
Current assets		3,617,474
Other assets		568,159
Total		<u>\$76,563,913</u>

Liabilities and Capital

Capital -		
Long-term debt	\$30,915,000	
Preferred stock	4,058,450	
Common stock equity	29,075,266	\$64,048,716
Advances for construction		7,514,659
Contributions in aid of construction		1,493,958
Current liabilities		2,863,514
Other liabilities		643,066
Total		<u>\$76,563,913</u>

The application shows that the company has financed its investment in utility plant primarily through the issuance of bonds, preferred and common stock, and through the use of internally generated funds. The \$30,915,000 of long-term debt outstanding on December 31, 1963 represents 48% of capitalization and includes six series of outstanding bonds summarized as follows:

<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Series</u>	<u>Coupon Rate</u>	<u>Bonds Outstanding</u>
1945-50	1975	C	3.25%	\$17,002,000
1951-53	1975	D	3.625	3,345,000
1953	1975	E	4.125	1,908,000
1954	1979	F	3.35	1,434,000
1955	1980	G	3.75	4,326,000
1956	1981	H	4.6	2,900,000
Total				<u>\$30,915,000</u>

For the year ended December 31, 1963, the company reports gross operating revenues of \$17,019,810. Its reported net operating income of \$3,589,234 for 1963 is in excess of three times the interest requirement on bonds outstanding.

Exhibit B attached to the application shows that additions and betterments to utility plant in 1964 will require estimated capital expenditures of \$4,345,240. Applicant reports that it may be necessary, prior to the sale of its bonds, to obtain up to \$2,000,000 of temporary short-term bank loans in order to meet current requirements for construction.

The proposed issue of bonds will constitute a new series in the principal amount of \$3,000,000 to be designated as First Mortgage 4.65% Bonds, Series I, dated as of November 1, 1963 and due on November 1, 1993. Said bonds will be subject to redemption at an initial regular redemption premium of 4.65%, plus accrued interest, during the twelve months beginning November 1, 1963, and thereafter at annually reducing premiums; provided, however, that during the five-year period ending November 1, 1968, the bonds will not be subject to redemption as part of any refunding from the proceeds of the issuance of bonds, notes or other evidences of indebtedness having an effective net interest cost of less than 4.65%.

Subject to receiving authorization from the Commission, the company proposes to sell the bonds to a group of institutional buyers at par plus accrued interest and to use the proceeds, exclusive of accrued interest, to repay short-term bank loans and to reimburse its treasury. Repayment of the new issue will be secured by an existing mortgage of chattels and trust indenture as heretofore supplemented and further supplemented by a proposed Fourteenth Supplemental Indenture. Issuance of the new series will increase applicant's debt ratio to approximately 50% of total capitalization.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant will be required to pay a lower interest rate than it would be in the absence of a restricted redemption provision; (3) 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 (4) such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein given is for the issue of bonds and the execution of a supplemental mortgage of chattels and trust indenture, and is not to be construed as indicative of amounts to be included in future proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California Water Service Company may execute a Supplemental Mortgage of Chattels and Trust Indenture (Fourteenth Supplemental Indenture) in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D.

2. California Water Service Company may issue and sell not to exceed \$3,000,000 of its First Mortgage 4.65% Bonds, Series I, on or before June 30, 1964, at not less than the principal amount plus accrued interest, and shall use the proceeds, other than accrued interest, for the purposes specified in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. California Water Service 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. This order shall become effective when California Water Service 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 3rd day of MARCH, 1964.

President  
*George H. Brewer*

George H. Brewer

Frederic B. Hillhoff

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

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

