

**ORIGINAL**

Decision No. 67102

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of CALIFORNIA CONSOLIDATED WATER  
COMPANY, INC. to issue and sell  
\$700,000.00 of First Mortgage  
Bonds, Series A.

Application No. 46247  
Filed March 2, 1964  
and Amendments  
Filed March 30, 1964  
and April 13, 1964

O P I N I O N

This is an application for an order of the Commission authorizing California Consolidated Water Company, Inc. to issue and sell \$700,000 principal amount of its bonds and to execute a trust indenture.

Applicant, a wholly-owned subsidiary of Consolidated Water Company, is a California corporation engaged as a public utility in the operation of water systems which provide service to approximately 3,000 consumers in certain areas located in the vicinity of the City of Santa Maria, Santa Barbara County. The application shows that the company commenced operations in 1963 upon acquiring the water systems of Miraflores Water Company Incorporated and Oak Knoll Water Company Incorporated, and that it subsequently acquired the water systems of Orcutt Town Water Company and S.M. Water Company. For the five months ended December 31, 1963, applicant reports gross operating revenues and net income of \$85,235.53 and \$13,134.29, respectively. Assets and liabilities reflected in the December 31, 1963

corporate balance sheet attached to the application as Exhibit A are summarized as follows:

<u>Assets</u>		
Utility plant	\$1,739,401.15	
Less: Depreciation reserve	<u>173,858.07</u>	\$1,565,543.08
Current and accrued assets		115,928.08
Other assets		<u>12,349.16</u>
Total		<u>\$1,693,820.32</u>
<u>Liabilities and Capital</u>		
Common stock	\$ 490,000.00	
Earned surplus	<u>3,134.29</u>	\$ 493,134.29
Advances for construction		563,484.81
Contributions in aid of construction		78,291.50
Notes payable to associated companies		400,000.00
Notes payable to others		94,000.00
Other current liabilities		<u>64,909.72</u>
Total		<u>\$1,693,820.32</u>

The balance sheet indicates that the plant investment has been financed, in part, by advances for construction and that substantial capital has been obtained through issuance of short-term notes as well as from the sale of common stock to the parent corporation, Consolidated Water Company.

Applicant proposes to issue an initial series of bonds in the principal amount of \$700,000 to be designated First Mortgage Bonds, 5-1/8%, Series A, due March 1, 1994, under and pursuant to the terms of an Indenture to be dated as of March 1, 1964. The bonds will be subject to optional redemption at a price of 105-1/8%, plus accrued interest, during the twelve months beginning March 1, 1965, and thereafter at annually reducing

premiums; provided, however, that prior to March 1, 1969, the bonds will not be redeemable from the proceeds of other borrowings at an interest cost of less than 5-1/8% per annum.

The company proposes to sell the bonds to Pacific Mutual Life Insurance Company and to use the proceeds for refunding short-term obligations incurred in connection with the acquisition of water system properties, and for financing the construction, completion, extension and improvement of its facilities. It anticipates that bonds in the principal amount of \$500,000 will be issued during 1964 and that the remaining \$200,000 will be issued in 1965. Applicant also expects to issue \$200,000 par value of common stock on or before December 31, 1964, under authority granted by Decision No. 65710, dated July 16, 1963, and to request authority to issue an additional \$90,000 par value of its common stock. On a pro forma basis, it appears that the company's long-term debt, including advances for construction, would constitute approximately 60% of total capital upon completion of the proposed financing.

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 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 trust indenture, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. California Consolidated Water Company, Inc. may execute and deliver a trust indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit F, as amended.

2. On or after the effective date hereof and on or before December 31, 1965, California Consolidated Water Company, Inc. may issue and sell not to exceed \$700,000 of its First Mortgage Bonds, 5-1/8%, Series A, 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 Consolidated Water Company, Inc. shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective when California Consolidated Water Company, Inc. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$700.

Dated at San Francisco, California, this 21st day of April, 1964.

William L. Bernard  
President

Robert L. Hittell

Robert O. Beane

George H. ...

Fredrick B. Halaloff  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA

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By DRU