

ORIGINAL

Decision No. 68064

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of)	
PALOS VERDES WATER COMPANY,)	
a California corporation,)	Application No. 46988
)	Filed September 17, 1964
for permission to sell and issue)	
bonds for cash in the amount of)	
\$1,500,000.)	

O P I N I O N

This is an application for an order of the Commission authorizing Palos Verdes Water Company to issue and sell \$1,500,000 principal amount of its bonds, and to execute a Fourth Supplemental Indenture and a Purchase Agreement.

Applicant is a California corporation engaged in business as a public utility providing water service to consumers in the Palos Verdes Hills in Los Angeles County. As of August 31, 1964, it reported 13,539 active service connections, exclusive of private fire connections and public fire hydrants. The company's reported net investment in plant on said date was \$9,677,284.

In this proceeding, applicant requests authority to issue \$1,500,000 principal amount of new bonds to be designated First Mortgage Series C 5-1/8% Bonds of 1989, dated November 1, 1964, and due November 1, 1989. Said bonds will be subject

to optional redemption at an initial regular premium of 5-1/8%, plus accrued interest, if redeemed on or prior to November 1, 1969, and thereafter at annually reducing premiums; provided, however, that prior to November 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. Repayment of principal will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Fourth Supplemental Indenture, a copy of which is appended to the application as Exhibit D. Said supplemental indenture contains an annual sinking fund provision equivalent to two per cent of the greatest principal amount of Series C bonds issued.

Subject to receiving authorization from the Commission, the company proposes to sell the bonds to Pacific Mutual Life Insurance Company, at par, plus accrued interest, under the terms of a Purchase Agreement, a copy of which is attached to the application as Exhibit C. The proceeds will be used (a) to refund 5-1/2% promissory notes aggregating \$1,000,000 issued pursuant to authority previously granted by this Commission; (2) to refund 5-1/2% short-term promissory notes amounting to \$300,000, which were issued to finance construction; and (3) to pay expenses incidental to the bond issue and to finance capital additions estimated at approximately \$200,000.

Applicant's income statement for the 12 months ended August 31, 1964, shows that its gross operating revenues totaled \$1,888,232; that depreciation expense amounted to \$214,397; and that net income for the period was \$235,763. It appears that substantial savings in interest expense should be realized by refunding outstanding 5-1/2% promissory notes and that income available for fixed charges should be sufficient to service the new bonds.

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 for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of these findings we conclude that the application should be granted. The authorization herein given is for the issue of bonds and the execution of a Fourth Supplemental Indenture and a Purchase Agreement, 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. Palos Verdes Water Company may execute a Fourth Supplemental Indenture, and a Purchase Agreement with Pacific Mutual Life Insurance Company, which documents shall be in the same form, or in substantially the same form, as those filed as exhibits in this proceeding.

2. Palos Verdes Water Company may issue and sell not to exceed \$1,500,000 of its First Mortgage Series C 5-1/8% Bonds of 1989, at not less than their 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. Palos Verdes Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective when Palos Verdes Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$500.

Dated at San Francisco, California,
this 20th day of October, 1964.

Frederick G. Halshoff
President

George H. Hoover
Commissioners

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

