

ORIGINAL

Decision No. 68313

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of VILLAGE WATER COMPANY for an)
order authorizing the execution)
and delivery of a Trust Indenture)
affecting all of Applicant's)
property and the issuance and)
sale of not to exceed)
\$1,600,000 of Bonds thereunder.)

Application No. 46976
Filed September 10, 1964

In the matter of the application)
of VILLAGE WATER COMPANY for an)
order authorizing the issuance)
by it of 14,600 shares of its)
common stock.)

Application No. 47118
Filed November 13, 1964

O P I N I O N

Village Water Company has filed these applications requesting authorization from the Commission (1) to issue and sell \$1,600,000 principal amount of its bonds; (2) to execute a Trust Indenture and a Purchase Agreement; and (3) to issue and sell 14,600 shares of its common stock having an aggregate par value of \$365,000.

Applicant is a California corporation engaged in business as a public utility providing water service to consumers located in southern Ventura County. As of December 31, 1963, it reported 1,275 active service connections, exclusive of private fire connections and public fire hydrants.

By Decision No. 67823, dated September 15, 1964, in Application No. 46869, the utility was authorized to issue and sell 22,000 shares of its common stock having an aggregate par value of \$550,000 in exchange for miscellaneous long-term debt and short-term obligations payable to associated companies. Applicant's capitalization as of June 30, 1964, excluding \$143,852 for contributions in aid of construction, as recorded and as adjusted to give effect to said stock issue and to the financing proposed in the current applications, is as follows:

	<u>June 30, 1964</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Payable to associated companies	\$1,106,796	48%	\$ 106,753	3%
Misc. long-term debt	378,159	16	1,628,202	49
Adv. for construction	368,374	16	203,374	6
Common stock equity	<u>458,954</u>	<u>20</u>	<u>1,373,954</u>	<u>42</u>
Total	<u>\$2,312,283</u>	<u>100%</u>	<u>\$3,312,283</u>	<u>100%</u>

The company reports that it expects substantial growth in its service area and that the proposals set forth in the current applications represent a further development of its program of recapitalization and economic reinforcement in order to prepare for the consequential financial demands anticipated in the future.

Applicant seeks authority to issue bonds in the principal amount of \$1,600,000 to be designated First Mortgage Series A 5-1/4% Bonds, due June 30, 1989, under and pursuant to the terms of a Trust Indenture. The bonds will be subject to optional redemption at a price of 105-1/4%, plus accrued

interest, if redeemed on or prior to July 1, 1969, and thereafter at annually reducing premiums. However, the bonds will not be redeemable prior to July 1, 1969 from the proceeds of other borrowings at an effective interest cost of less than 5-1/4% per annum.

Subject to receiving authorization from the Commission, the utility proposes to sell the bonds to Pacific Mutual Life Insurance Company at their principal amount, plus accrued interest, under the terms of a Purchase Agreement, copy of which is annexed to Application No. 46976 as Exhibit B. Said agreement designates as guarantor the Janss Investment Corporation, an affiliate of applicant, and it provides for the issue and sale of all the bonds on or before December 31, 1965. The proceeds will be used for purposes generally described in Application No. 46976 and in Exhibit C attached thereto as follows:

(a)	Repayment of loans from associated companies used for applicant's operations	\$ 180,522
(b)	Repayment of shortterm borrowings from associated companies to finance cost of plant additions and betterments	619,478
(c)	Reimbursement of treasury for construction expenditures, and for financing, in part, the cost of continuing construction	725,000
(d)	Payment of expenses incident to the bond issue and to increase working capital	<u>75,000</u>
	Total	<u>\$1,600,000</u>

The company also proposes to issue an additional 14,600 shares of its common stock having an aggregate par value of \$365,000 for purposes of obtaining \$200,000 cash working capital and using shares of common stock as payment in lieu of cash refunds on construction advances from affiliated corporations. The utility reports that shares will be issued on a dollar-for-dollar basis as refunds on such advances become due during the years 1965 through 1967. Applicant also indicates that it intends to seek authority at a later date to convert into equity all advances for construction held by affiliated entities at the end of 1967.

The Commission has considered these matters and finds that: (1) the proposed bond and stock issues are for proper purposes; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restricted bond redemption provision; (3) the money, property or labor to be procured or paid for by the issue of the bonds and stock 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. On the basis of these findings we conclude that the applications should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return

applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor 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. Village Water Company may execute a Trust Indenture and may enter into 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 attached to Application No. 46976 as Exhibit A and Exhibit B, respectively.

2. Village Water Company may issue and sell not to exceed \$1,600,000 of its First Mortgage Series A 5-1/4% Bonds, due June 30, 1989, at not less than the principal amount, plus accrued interest, and shall use the proceeds, other than accrued interest, for the purposes specified in Application No. 46976. The accrued interest may be used for said purposes or for general corporate purposes.

3. Village Water Company may issue and sell, at par, not to exceed 14,600 shares of its common stock having an aggregate par value of \$365,000 for the purposes specified in Application No. 47118.

4. Village Water Company is hereby authorized to deviate from the requirements of the Commission's water main extension rule to the extent that it may pay refunds as they become due in the form of common stock rather than cash.

5. Village 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.

6. This order shall become effective when Village Water Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$1,300.

Dated at San Francisco, California,
this 9th day of December, 1964.

Fredrick B. Holbrook
President

George T. Traver

William T. Beards

Commissioners

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

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

