

ORIGINAL

Decision No. 68535

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the Southern California Water)
Company for authority to issue)
and sell not to exceed)
\$3,000,000 aggregate principal)
amount of its First Mortgage)
Bonds, 4-3/4% Series, due 1995,)
and to execute and deliver a)
Supplemental Indenture dated)
as of February 1, 1965.)

Application No. 47249
Filed January 13, 1965

O P I N I O N

Southern California Water Company has filed this application requesting authorization from the Commission to issue and sell \$3,000,000 principal amount of its first mortgage bonds and to execute a supplemental indenture.

Applicant is a California corporation engaged as a public utility in the business of producing, distributing and supplying water in portions of Imperial, Kern, Los Angeles, Orange, Sacramento, San Bernardino and Ventura Counties. It also provides electric utility service in Bear Valley, San Bernardino County, and manufactures and sells ice at Barstow, California. For the eleven months ended November 30, 1964, applicant reports total utility operating revenues of \$8,771,265 and net income of \$1,565,230.

The application shows that as of January 13, 1965, the company's short-term bank borrowings aggregated \$2,300,000, the proceeds of which have been, or will be, used to pay for the acquisition of property or for the construction, completion, extension or improvement of its facilities. Applicant alleges that additional short-term borrowings may be made for similar purposes prior to sale of the bonds contemplated herein. The balance sheet, attached to the application as part of Exhibit A, indicates that as of November 30, 1964 advances for construction and contributions in aid of construction, were \$6,580,550 and \$1,965,965, respectively. The corporation's reported capitalization on the balance sheet date, excluding said construction advances and contributions, as recorded and as adjusted to give effect to the proposed new bond issue, is as follows:

| | <u>November 30, 1964</u> | | <u>Pro Forma</u> | |
|------------------------|--------------------------|-------------|---------------------|-------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| First mortgage bonds | \$17,190,000 | 48% | \$20,190,000 | 52% |
| Convertible debentures | 950,000 | 3 | 950,000 | 3 |
| Preferred stock | 3,480,000 | 10 | 3,480,000 | 9 |
| Common stock equity | <u>14,063,207</u> | <u>39</u> | <u>14,063,207</u> | <u>36</u> |
| Total | <u>\$35,683,207</u> | <u>100%</u> | <u>\$38,683,207</u> | <u>100%</u> |

In this proceeding, applicant requests authority to issue and sell \$3,000,000 principal amount of its First Mortgage Bonds, 4-3/4% Series due 1995. Said bonds will be dated as of February 1, 1965, will mature February 1, 1995 and will be subject to redemption at the company's option upon payment of an initial redemption price of 104-3/4%

plus accrued interest, if redeemed on or prior to January 31, 1966, and thereafter at annually reducing premiums. However, the bonds may not be redeemed prior to February 1, 1970 through the use of funds borrowed at an interest cost of less than 4-3/4% per annum. According to the application, the company's experience has indicated that without such restricted redemption provision, the market for its bonds would be substantially reduced and the probable cost to it of funds would be higher.

The bonds will be secured by an existing indenture as heretofore supplemented, and as further supplemented by a new supplemental indenture, a copy of which is attached to the application as Exhibit B. Subject to receiving authorization from the Commission, applicant will sell the bonds to a small number of institutional investors at their principal amount plus accrued interest and will apply the proceeds, exclusive of accrued interest, toward retirement of outstanding short-term bank loans and payment of capital costs. Applicant advises that the proceeds to be derived from accrued interest will be used for general corporate purposes. The company's construction budget, a copy of which is annexed to the application as Exhibit C, shows that estimated construction in 1965 will total \$4,281,000 and that \$1,781,000 of such expenditures will be financed by advances for construction and contributions in aid of construction.

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 bond 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. 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 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. Southern California Water Company may execute and deliver a Supplemental Indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit B.

2. Southern California Water Company may issue and sell not to exceed \$3,000,000 of its First Mortgage Bonds, 4-3/4% Series due 1995, at not less than their principal amount plus accrued interest, and shall use the proceeds for the purposes set forth in the application.

3. Southern California 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. The effective date of this order shall be five days after the date hereof, provided Southern California Water Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$2,000.

Dated at San Francisco, California, this 5th day of February, 1965.

Frederick B. Holdhoff
President

John J. Mitchell

George E. Hoover

William G. Brown
Commissioners

