

Decision No. 69223

ORIGINAL

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, 4.65% Series, due 1995,)
and to execute and deliver a)
Supplemental Indenture dated)
as of July 1, 1965.)

Application No. 47612
Filed May 26, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Southern California Water Company (a) to issue and sell \$3,000,000 principal amount of its First Mortgage Bonds, 4.65% Series, in order to obtain funds to refund all outstanding bonds of its 5.40% Series, and (b) to execute and deliver a Supplemental Indenture.

The proposed issue will constitute a new series to be designated First Mortgage Bonds, 4.65% Series due 1995. Said bonds will be dated as of July 1, 1965, will mature July 1, 1995, and will be subject to the five-year restricted redemption provision frequently utilized. According to applicant, its experience has indicated that without such restriction the market price for its bonds would be substantially reduced and the probable cost to it of funds would be higher. The new issue will be secured by an existing Indenture as heretofore

supplemented and as further supplemented by a new Supplemental Indenture to be dated as of July 1, 1965.

Upon receiving authorization from the Commission, the company contemplates selling the \$3,000,000 of new bonds to a small number of institutional investors at their principal amount plus accrued interest, pursuant to the terms of a Purchase Agreement. Applicant reports that the entire net proceeds, after deducting estimated expenses of \$42,000 incident to the sale, will be applied toward redemption of its presently outstanding First Mortgage Bonds, 5.40% Series due 1990, in the principal amount of \$2,880,000. The company asserts that developments in the money market during recent weeks favor the placement of a refunding issue for the old bonds.

The application shows that the 5.40% Series bonds, dated as of February 1, 1960 and maturing February 1, 1990, will be redeemed at a premium of \$136,800, that expenses of redemption will approximate \$4,000, and that unamortized debt expense associated with the old bonds will be \$38,675. Applicant intends to charge such redemption costs and unamortized debt expense, less income tax benefits accruing therefrom, directly to its earned surplus account.

Exhibit C, attached to the application, discloses that the proposed refunding will result in a net annual interest savings of \$12,655 and that the \$30,000 annual sinking fund requirement on the new bonds will not commence until the year 1967.

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. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein granted is for the purpose of this proceeding only, 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 filed in this proceeding as Exhibit A appended to Exhibit B.

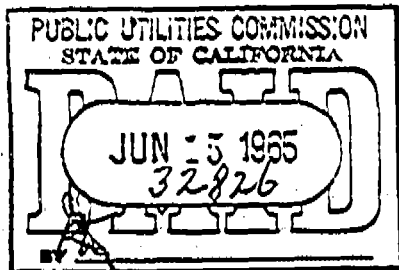
2. Southern California Water Company may issue and sell not to exceed \$3,000,000 aggregate principal amount of its First Mortgage Bonds, 4.65% Series due 1995, at not less than their principal amount plus accrued interest, and shall use the proceeds for the purposes set forth in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. Southern California Water Company may follow the procedure outlined in this proceeding for recording the redemption costs and unamortized debt expense associated with the refunding of said 5.40% bonds.

4. 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.

5. 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 \$120.

Dated at San Francisco, California, this 15th day of June, 1965.



Frederick B. Hallock
President
George T. Trover
Secretary
William W. Bennett
Commissioners