

ORIGINAL

Decision No. 69741

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA WATER SERVICE COMPANY,
 a corporation,
 for an order authorizing it to issue
 an additional amount of its First
 Mortgage Bonds

Application No. 47898
Filed September 16, 1965

O P I N I O N

California Water Service Company has filed this application requesting authorization 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 supplying and distributing water for domestic and industrial uses in various localities in the State of California. Reports on file with the Commission indicate that the company's gross operating revenues and net income for the twelve months ended July 31, 1965 amounted to \$18,905,823 and \$2,847,693, respectively, and that the number of customers served on said date totaled 237,893.

The balance sheet, attached to the application as a portion of Exhibit A, discloses that as of July 31, 1965, the company's investment in net utility plant, after deducting depreciation and amortization reserves, was \$79,143,220. The

corporation's capitalization ratios on the balance sheet date, excluding \$2,142,968 of contributions in aid of construction, as reported by applicant and as adjusted to give effect to the financing proposed herein, are as follows:

	<u>July 31, 1965</u>	<u>Pro Forma</u>
Long-term debt	44%	46%
Advances for construction	11	11
Preferred stock	5	5
Common stock equity	<u>40</u>	<u>38</u>
Total	<u>100%</u>	<u>100%</u>

Applicant asserts that outstanding short-term bank loans utilized in the financing of its current construction program amounted to \$900,000 as of July 31, 1965. According to the company's estimates, gross construction expenditures for utility plant, excluding projects to be financed by advances for construction, will aggregate at least \$1,151,902 during the last five months of 1965, and \$4,500,000 for the year 1966. Exhibit C, attached to the application, shows unreimbursed net capital expenditures of \$21,671,947 as of July 31, 1965.

The proposed issue in the principal amount of \$3,000,000 will constitute a new series to be designated First Mortgage 4.85% Bonds, Series J. Said bonds will be dated November 1, 1965, will mature November 1, 1995 and will be redeemable at the company's option upon payment of an initial redemption price of 104.85%, plus accrued interest, if redeemed on or prior to October 31, 1966, and thereafter at annually reducing premiums. However, redemption may not be made prior to November 1, 1970 through the use of funds borrowed at an effective net interest cost of less than 4.85% per annum. The bonds will be secured by

an existing Mortgage of Chattels and Trust Indenture as heretofore supplemented and as further supplemented by a proposed Fifteenth Supplemental Indenture, a copy of which is attached to the application as Exhibit D.

Subject to receiving authorization from the Commission, applicant contemplates selling the bonds to five institutional investors at their principal amount, plus accrued interest. The gross proceeds from the sale, exclusive of accrued interest, will be used to repay outstanding short-term bank loans and to reimburse applicant's treasury.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the application; (3) the inclusion of a five-year restricted redemption provision in the terms of the bonds will enable applicant to obtain funds at a lower annual cost than it otherwise could; (4) the execution of a Fifteenth Supplemental Indenture will not be adverse to the public interest; (5) 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 (6) 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 the foregoing findings we conclude that the application should be granted. The authorization

herein given 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. California Water Service Company may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Fifteenth Supplemental Indenture) in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D.

2. California Water Service Company may issue and sell not to exceed \$3,000,000 aggregate principal amount of its First Mortgage 4.85% Bonds, Series J, on or before December 31, 1965, at not less than their principal amount, plus accrued interest, and shall use the proceeds, other than accrued interest, for the purposes set forth in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. California Water Service 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 California Water Service 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 OCTOBER, 1965.

Frederick B. Holcomb
President

George A. Brewer

Augusta

William B. ...

Commissioners

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

