

ORIGINAL

Decision No. 70338

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHWEST WATER COMPANY, a)
California corporation, for)
permission to borrow money and)
in connection therewith to issue)
and sell its 5-1/2% Series "E")
Bonds, due January 1, 1986,)
under an Indenture dated as of)
January 1, 1966, and to issue)
its 5-1/2% Series "D" Preferred)
Stock.)

Application No. 48192
Filed January 20, 1966

O P I N I O N

This is an application for an order of the Commission authorizing Southwest Water Company to execute and deliver a Purchase Agreement and a Sixth Supplemental Trust Indenture, and to issue and sell \$1,000,000 principal amount of first mortgage bonds and 5,500 shares of preferred stock having an aggregate par value of \$275,000.

The Purchase Agreement will provide that, except for temporary use of a portion of the proceeds from the sale of the preferred stock as a deposit for the issuance of the bonds, which deposit may be temporarily invested in United States Government Bonds or United States Treasury Certificates, applicant will use the amounts of cash to be received upon the sale of said securities only for: (1) paying expenses in connection with the sale of said bonds and stock; (2) paying for the cost of permanent additions as defined in the previously authorized original trust indenture; (3) providing additional working

capital; and (4) retiring certain outstanding notes issued in connection with (a) its purchase of the facilities of La Mirada Water Co., (b) water system improvements and (c) the payment of refunds on advances for construction. Among the outstanding notes to be retired is one dated January 1, 1965 in the principal amount of \$327,933.85 issued pursuant to authority granted by Decision No. 68333, dated December 15, 1964, in Application No. 46832.

The bond issue proposed in this proceeding will constitute a new series to be designated First Mortgage Series E 5-1/2% Bonds. They will be dated as of January 1, 1966, will mature January 1, 1986, and will include a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time. Said bonds will be secured by an existing indenture as heretofore supplemented and as further supplemented by a supplemental trust indenture to be dated as of January 1, 1966. The preferred stock issue will consist of 5,500 shares of 5-1/2% Series D Preferred Stock having a par value of \$50 per share. Dividends will be cumulative and payable at the rate of 5-1/2% per annum of said par value. The company proposes to sell the bonds and preferred stock to life insurance companies at prices of 100% of the principal amount plus accrued interest, and at the par value, respectively.

Applicant states that without the funds to be obtained from the proposed issues of bonds and preferred stock it will be unable to pursue its program of improving its production and distribution systems so as to supply water within its service

areas, which are located in portions of Los Angeles, Orange, Riverside and San Bernardino Counties.

The Commission has considered this matter and finds that:

1. The proposed preferred stock and bond issues are for proper purposes.
2. Applicant will be required to pay interest at a lower rate than it would be in the absence of a restricted redemption provision.
3. The money, property or labor to be procured or paid for by the issues of the preferred stock and bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
4. The proposed supplemental trust indenture will not be adverse to the public interest.

On the basis of the foregoing findings we conclude that the application 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 the 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. Moreover, this decision shall not be construed as authorizing applicant to deviate from the prescribed water main extension rule.

O R D E R

IT IS ORDERED that:

1. Southwest Water Company may execute and deliver a Purchase Agreement and a Sixth Supplemental Trust Indenture in the same form, or in substantially the same form, as those attached to the application.

2. Southwest Water Company may issue and sell not to exceed \$1,000,000 aggregate principal amount of its First Mortgage Series E 5-1/2% Bonds, at not less than their principal amount plus accrued interest.

3. Southwest Water Company may issue and sell, at their par value of \$50 per share, not to exceed 5,500 shares of its 5-1/2% Series D Preferred Stock.

4. Southwest Water Company shall use the proceeds from the sale of said bonds and preferred stock, exclusive of accrued interest, for the purposes set forth in the application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

5. Southwest 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 Southwest Water Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$673.

Dated at San Francisco, California,
this 15th day of FEBRUARY, 1966.

Frederic B. Holdhoff
President
George T. Driver
Auguston
William G. Bernard

Commissioners

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

