

**ORIGINAL**

Decision No. 70930

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA CITIES )  
WATER COMPANY, a California )  
corporation, to issue and sell )  
\$1,500,000 principal amount of )  
First Mortgage Bonds )

Application No. 48573  
Filed June 23, 1966

O P I N I O N

California Cities Water Company has filed this application requesting authorization to issue and sell \$1,500,000 principal amount of its first mortgage bonds and to execute an Indenture.

Applicant is a California corporation owning and operating public utility water properties in portions of Los Angeles, Orange and San Bernardino Counties. The balance sheet attached to the application discloses that as of May 31, 1966, applicant's investment in net utility plant, after deducting the depreciation reserve, was \$5,059,348. The corporation's capitalization ratios on the balance sheet date, as disclosed by applicant and as adjusted to give effect to the financing proposed herein, are as follows:

	<u>May 31, 1966</u>	<u>Pro Forma</u>
Long-term debt	11%	28%
Advances for construction	27	22
Common stock equity	<u>62</u>	<u>50</u>
Total	<u>100%</u>	<u>100%</u>

In connection with the merger authorized by Decision No. 68242, dated November 24, 1964, in Application No. 47080, the utility, among other things, assumed certain long-term debt represented by 6% promissory notes which were issued originally in an aggregate principal amount of \$500,000 in favor of Pacific Mutual Life Insurance Company in compliance with authority granted by this Commission. The application shows that as of May 31, 1966, the company's long-term debt included an outstanding balance of \$450,000 pertaining to said notes and that outstanding short-term bank loans aggregated \$904,500. Applicant reports that the proceeds received from the short-term obligations were used for purposes related to said merger and to financing plant improvements and working capital requirements.

Applicant requests authority to issue and sell bonds due December 1, 1995, in the principal amount of \$1,500,000 to be designated First Mortgage Bonds, 5-3/8%, Series A, under and pursuant to the terms of an Indenture. Redemption of the bonds will be subject to the frequently imposed five-year restricted redemption provision.

Upon receiving authorization from the Commission, the company proposes to issue and sell the bonds to Pacific Mutual Life Insurance Company at their principal amount plus accrued interest in exchange for cash in the amount of \$1,050,000 and the above-mentioned 6% long-term notes having an unpaid balance of \$450,000. Applicant reports that the \$1,050,000 cash proceeds, exclusive of accrued interest, will

be applied toward (a) repaying short-term notes aggregating \$904,500; (b) paying estimated expenses of \$45,000 incidental to the bond sale; and (c) financing, in part, the construction, completion, extension or improvement of its facilities at an estimated cost of \$139,544.

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 interest at a lower rate than it would in the absence of a restricted redemption provision; (3) the execution of the proposed Indenture will not be adverse to the public interest; (4) 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 (5) 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 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. California Cities Water Company may execute and deliver an Indenture in the same form, or in substantially the same form, as that attached to the application.

2. California Cities Water Company may issue and sell not to exceed \$1,500,000 principal amount of its First Mortgage Bonds, 5-3/8%, Series A, at their principal amount plus accrued interest, for the purposes specified in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. California Cities Water Company shall file with the Commission a report, or reports, as required by General Order No. 24-8, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective when California Cities Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,025.

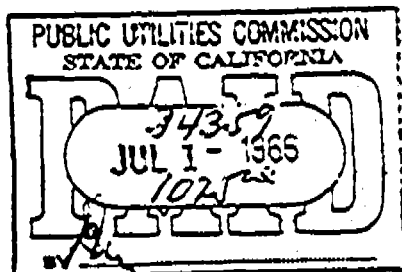
Dated at San Francisco, California,  
this 1st day of JULY, 1966.

Frederick B. Hallock  
President

George F. Crow

August

Commissioners



Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.