

ORIGINAL

Decision No. 71357

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DOMINGUEZ WATER CORPORATION)
 for authority to issue and sell not)
 to exceed \$1,200,000 aggregate)
 principal amount of its First)
 Mortgage Series E 6-1/8% Bonds of)
 1936 and to execute and deliver a)
 Fifth Supplemental Indenture.)

Application No. 48766
Filed September 6, 1966

O P I N I O N

Dominguez Water Corporation has filed this application for authorization to execute and deliver a Fifth Supplemental Trust Indenture, and to issue, sell and deliver \$1,200,000 principal amount of its First Mortgage Series E 6-1/8% Bonds of 1936.

Applicant is a California corporation engaged in the public utility water business in Los Angeles County. For the seven months ended July 31, 1966, it reports total operating revenues of \$1,588,109 and a net income of \$168,139.

The utility proposes to sell its \$1,200,000 bonds to two insurance companies at their principal amount plus accrued interest. They will constitute a new series which will be secured by an existing Trust Indenture as heretofore supplemented and amended, and as further supplemented and amended by a proposed

Fifth Supplemental Trust Indenture, a copy of which is attached to the application as Exhibit C.

The bonds will be subject to an eight-year restricted redemption provision. In this connection, the application shows that a total of eleven prospective institutional investors were contacted with regard to the negotiation for the sale of the bonds, and that none of such institutions expressed any interest in purchasing the bonds at the 6-1/8% rate if the period of nonrefundability were limited to five years. In view of prevailing market conditions it appears that the market for the bonds would be substantially reduced and the interest cost would be higher without the eight-year redemption restriction.

The net proceeds from the sale of the bonds, exclusive of accrued interest, will be used to retire outstanding short-term bank loans for the acquisition of property or for the construction, completion, extension or improvement of applicant's facilities, and thereafter if any proceeds remain they will be used for capital purposes. Accrued interest will be used for the foregoing purposes or for general corporate purposes.

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 an eight-year restricted redemption provision; (3) the execution of a Fifth Supplemental Trust 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. Dominguez Water Corporation may execute and deliver a Fifth Supplemental Trust Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit C.

2. Dominguez Water Corporation may issue, sell and deliver not to exceed \$1,200,000 principal amount of its First Mortgage Series E 6-1/3% Bonds of 1936 at not less than their principal amount plus accrued interest, for the purposes specified in the application.

3. Dominguez Water Corporation 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 Dominguez Water Corporation has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$1,100, or on the tenth day after the date hereof, whichever day is later.

Dated at San Francisco, California,
this 11th day of OCTOBER, 1966.

Peter E. Mitchell
President

George H. Hoover

Frederick B. Holbrook

Augusta

William L. Bennett
Commissioners

