

ORIGINAL

Decision No. 73643

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of San Gabriel Valley Water )  
Company for an Order authorizing )  
it to issue and sell \$2,000,000 )  
principal amount of its First )  
Mortgage 6-1/2% Improvement )  
Fund Bonds, Series J, Due )  
October 1, 1997, and to execute )  
to Bank of America National )  
Trust and Savings Association, )  
as Trustee, an Indenture )  
supplemental to its existing )  
Indenture, as amended, securing )  
the Company's bonded )  
indebtedness. )

Application No. 49879  
Filed December 15, 1967  
and Amendment  
Filed January 11, 1968

O P I N I O N

This is an application for an order of the Commission authorizing San Gabriel Valley Water Company to issue and sell \$2,000,000 principal amount of its bonds and to execute and deliver a supplemental trust indenture.

Applicant is a California corporation engaged in the business of providing water service to approximately 54,000 active connections located in the Counties of Los Angeles and San Bernardino. Financial statements on file with the Commission indicate that the utility's operating revenues and net income totaled \$3,291,952 and \$235,463, respectively, for the twelve months ended November 30, 1967. The corporation's capitalization

percentages on said date, and as adjusted to give effect to the proposed bond issue, are reported as follows:

	<u>November 30, 1967</u>	<u>Pro Forma</u>
Short-term borrowings	8%	-
Bonds	54	65%
Preferred stock	11	10
Common stock equity	<u>27</u>	<u>25</u>
Total	<u>100%</u>	<u>100%</u>

The application shows that the company's outstanding liabilities include a \$900,000 bank loan represented by a note previously authorized by this Commission. According to Exhibit E-1, attached to the amendment to the application, the utility's projected capital additions for the year 1968 aggregate \$1,196,760.

The proposed bond issue will be designated First Mortgage 6-1/2% Improvement Fund Bonds, Series J, Due October 1, 1997, and will be secured by an existing indenture as heretofore supplemented and amended and as further supplemented and amended by a proposed Fourteenth Supplemental Trust Indenture. The bonds will be redeemable at the company's option upon payment of an initial redemption price of 106.50% of the principal amount, plus accrued interest, if redeemed on or before October 1, 1968, and thereafter at annually reducing premiums. However, redemption may not be made prior to October 1, 1977 through the use of funds borrowed at a net interest cost of less than 6-1/2% per annum.

With respect to the ten-year restricted redemption provision, applicant has submitted letters from the prospective purchasers, copies of which are attached to the amendment to the application as Exhibits D-1 and D-2. The letters indicate that such restriction is prevalent in current financing and is a matter of policy in light of existing market conditions.

The utility plans to sell \$2,000,000 of new bonds to two life insurance companies, for cash, at their principal amount plus accrued interest, pursuant to the terms of Purchase Agreements. Applicant will apply the net proceeds toward (a) discharging \$900,000 of previously authorized debt, (b) repaying short-term bank loans, (c) financing the cost of plant additions and improvements and (d) reimbursing its treasury for money expended for plant additions. The proceeds derived from accrued interest will be used for ordinary corporate purposes.

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 this proceeding; (3) applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted redemption provision; (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; (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; and (6) the proposed Purchase Agreements and Fourteenth Supplemental Trust Indenture will not be adverse to the public interest. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application, as amended and supplemented, 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. San Gabriel Valley Water Company may execute and deliver a Fourteenth Supplemental Trust Indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit C.

2. San Gabriel Valley Water Company may issue and sell not exceeding \$2,000,000 principal amount of its First Mortgage 6-1/2% Improvement Fund Bonds, Series J, Due October 1, 1997, at not less than the principal amount plus accrued interest, in accordance with Purchase Agreements in the same form, or in substantially the same form, as those attached to the amendment to the application as Exhibits B-1 and B-2.

3. San Gabriel Valley Water Company shall apply the bond proceeds for the purposes set forth in the application as amended and supplemented.

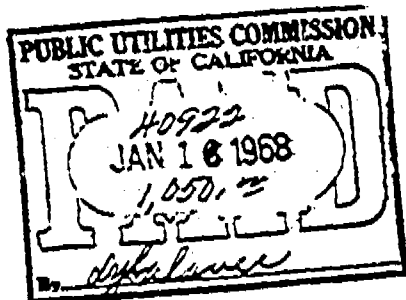
4. Pending application of the bond proceeds for the purposes authorized herein, San Gabriel Valley Water Company may invest temporarily any portion or portions thereof in short-term obligations of the United States of America.

5. San Gabriel Valley 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 San Gabriel Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,050, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California, this 16<sup>th</sup> day of January, 1968.

*[Signature]*  
President



*[Signature]*  
*[Signature]*  
*[Signature]*  
Commissioners

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