

ORIGINAL

Decision No. 73787

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA
CONSOLIDATED WATER COMPANY, INC.,)
a California corporation, for)
authority to issue and sell)
First Mortgage Bonds, Series B.)

Application No. 49873
Filed December 12, 1967
and Amendment
Filed February 20, 1968

O P I N I O N

California Consolidated Water Company, Inc. requests authorization from the Commission to enter into a Loan Agreement, to execute and deliver a First Supplemental Indenture and to issue and sell \$500,000 aggregate principal amount of its bonds.

Applicant is a California corporation engaged in business as a public utility distributing water to consumers located in Santa Barbara, San Luis Obispo and Lake Counties. For the twelve months ended October 31, 1967, the company reports total operating revenues of \$421,475 and net income of \$74,616.

Information on file with the Commission discloses that as of October 31, 1967, applicant's net utility plant, after deducting accumulated depreciation, amounted to \$3,062,398. The corporation's capitalization percentages on said date, excluding contributions in aid of construction, and as adjusted to give effect to the financing proposed herein, are computed as follows:

	<u>October 31, 1967</u>	<u>Pro Forma</u>
Long-term debt	29%	41%
Advances for construction	29	24
Preferred stock	10	8
Common stock equity	<u>32</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>

The application shows that the utility's long-term debt consists of \$700,000 principal amount of First Mortgage Bonds, 5-1/8%, Series A, due March 1, 1994, which were issued and sold to Pacific Mutual Life Insurance Company under and pursuant to the terms of an Indenture dated March 1, 1964. The company also reports outstanding short-term notes issued in favor of its parent corporation, Consolidated Water Company, and Pacific National Bank of San Francisco in respective amounts of \$301,175.52 and \$130,000. It is stated that the proceeds from said notes were used for financing acquisitions of water systems and for plant improvements.

The bond issue proposed in this proceeding will constitute a new series to be designated First Mortgage Bonds, 6-3/4%, Series B, due January 1, 1998. Said bonds will be secured by an existing indenture as supplemented by a proposed First Supplemental Indenture and will be subject to optional redemption at a price of 108% of the principal amount, plus accrued interest, if redeemed before January 1, 1978, and thereafter at annually reducing premiums commencing with a 4.42% premium. However, prior to January 1, 1973, the bonds may not be redeemed directly or indirectly from, or in anticipation of, the proceeds from other borrowings at an interest cost of less than 6-3/4% per annum.

With respect to the restricted redemption provisions, applicant has submitted a letter from Smith, Barney & Co., dated November 1, 1967, a copy of which is attached to the application as part of Exhibit G. Among other things, the letter indicates that (a) none of the eight institutional lenders approached in placing the bonds would offer more favorable terms; (b) the redemption provisions represent the best available in view of the short supply of bond money and the relatively small size of the utility, and (c) conditions in the money market since placement of the issue have become less favorable.

Applicant plans to sell the bonds to Pacific Mutual Life Insurance Company at their principal amount plus accrued interest. The proceeds will be applied toward retiring the previously described short-term notes in an aggregate amount of \$431,175.52, defraying estimated expenses of \$17,500 in connection with the issuance and sale of said bonds, and providing approximately \$51,324 for plant additions and betterments.

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 the proposed restricted redemption provisions; (3) 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; (4) 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 (5) the proposed Loan Agreement and First Supplemental 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, 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 Consolidated Water Company, Inc. may enter into a Loan Agreement and may execute and deliver a First Supplemental Indenture in the same form, or in substantially the same form, as those filed in this proceeding as Exhibit A and Exhibit B-1, respectively, subject to appropriate modifications in detail property descriptions.
2. On or after the effective date hereof and on or before June 30, 1968, California Consolidated Water Company, Inc. may issue, sell and deliver not exceeding \$500,000 principal amount of its First Mortgage Bonds, 6-3/4%, Series B, due January 1, 1998, at not less than the principal amount plus accrued interest, and shall use the proceeds, other than 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 Consolidated Water Company, Inc. 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 Consolidated Water Company, Inc. has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$500.

Dated at San Francisco, California,
this 27th day of FEBRUARY, 1968.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

