

ORIGINAL

Decision No. 75092

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)	
SOUTHERN CALIFORNIA WATER COMPANY)	
for authority to issue and sell)	Application No. 50709
not exceeding \$3,000,000 aggregate)	Filed November 27, 1968
principal amount of its 5-3/4%)	
Convertible Subordinated Debentures)	
and Related Common Stock.)	

O P I N I O N

This is an application for an order of the Commission authorizing Southern California Water Company to execute and deliver an indenture, to issue and sell not exceeding \$3,000,000 aggregate principal amount of its convertible debentures, and to issue its common shares in exchange for and upon conversion of the debentures.

Applicant is a California corporation operating public utility water systems in portions of the Counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino and Ventura. In addition, the company renders electric service in the vicinity of Big Bear Lake in San Bernardino County. For the twelve months ended September 30, 1968, the utility reports total operating revenues of \$11,873,845 and a net income of \$1,847,080.

The utility proposes to issue and sell \$3,000,000 aggregate principal amount of its 20-year 5-3/4% Convertible Subordinated Debentures through private placement to a small group of institutional investors at the principal amount thereof plus accrued interest. As compensation for negotiating the sale of the debentures, applicant intends to pay Dean Witter & Co. Incorporated and Kirkpatrick, Pettis, Smith, Polian Inc. a total fee of \$26,250, computed on the basis of 7/8 of 1% of \$3,000,000. The debentures will be convertible into common shares at an initial conversion price of \$18.86-42/53 per share, which is approximately 12% above a reported bid price on November 8, 1968, the date on which the conversion price was determined.

The proceeds, exclusive of accrued interest, to be derived from the sale of the debentures will be applied toward the partial retirement of outstanding bank loans for financing the acquisition of property or the construction, completion, extension or improvement of applicant's facilities. The accrued interest will be used for general corporate purposes, which may include any of the foregoing, or the payment on account of the first installment of interest on the debentures. The company contemplates that said outstanding bank loans will amount to \$3,500,000 at the time it sells the debentures.

Applicant's capitalization ratios as of September 30, 1963, adjusted to give effect to the proposed \$3,000,000 debenture issue, are reported as follows:

Debt	57.1%
Preferred stock	7.3
Common stock equity	<u>35.6</u>
Total	<u>100.0%</u>

After consideration the Commission finds that: (1) the proposed debenture and common stock issues are for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the application; (3) 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 debentures and common stock 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. Southern California Water Company may execute and deliver an indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit A of Exhibit B.

2. Southern California Water Company may issue and sell not exceeding \$3,000,000 aggregate principal amount of its 5-3/4% Convertible Subordinated Debentures at the price and for the purposes set forth in the application.

3. At any time or from time to time after the effective date of this order applicant may issue its common shares in exchange for and upon conversion of said debentures, such exchange and conversion to be made upon the initial conversion basis of 53 common shares for each \$1,000 of debenture principal converted (159,000 shares for the entire \$3,000,000), and otherwise to be upon the terms and provisions set forth in the indenture authorized by Ordering Paragraph No. 1 hereof.

4. Southern California Water Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the debenture proceeds were used.

5. This order shall become effective on the day of payment by Southern California Water Company of the fee prescribed by Section 1904(b) of the Public Utilities Code, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California, this 17th day of DECEMBER, 1968.

William Squoush
President

August

And P. Morrissey
Commissioners

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

