

76071

Decision No. \_\_\_\_\_

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
	)	
CALIFORNIA - AMERICAN WATER COMPANY	)	Application No. 51281
	)	Filed July 29, 1969
for authority to issue and sell	)	
\$20,000,000 principal amount of	)	
its First Mortgage Bonds.	)	

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O P I N I O N

California-American Water Company seeks an order authorizing it to execute and deliver an indenture, and to issue and sell \$20,000,000 principal amount of bonds under the exemption from the Commission's competitive bidding rule granted by Decision No. 75598, dated April 29, 1969, in Application No. 50891.

Applicant is a California corporation operating water systems in portions of the Counties of Los Angeles, Monterey and San Diego. It is a wholly owned subsidiary of American Water Works Company, Inc., a Delaware corporation. Applicant's reported assets and liabilities at June 30, 1969, are summarized as follows:

Assets

Utility plant	\$49,247,443
Construction work in progress	315,696
Utility plant acquisition adjustments	11,164,730
Accumulated depreciation	(10,859,612)
Other property and investments	<u>47,947</u>
Total property	\$49,916,204
Current assets	2,922,576
Deferred debits	<u>539,629</u>
Total	<u>\$53,378,409</u>

Liabilities

Common stock	\$21,500,000
Paid-in capital	3,201,470
Retained earnings	855,310
Notes payable to banks	20,000,000
Current liabilities	807,552
Customer advances for construction	2,779,256
Other deferred credits	30,535
Contributions in aid of construction	<u>4,204,286</u>
Total	<u>\$53,378,409</u>

The \$20,000,000 of notes provided applicant on March 31, 1969 with funds used for repaying \$20,000,000 advanced from American Water Works Company, Inc. in 1966. The advance was applied toward the purchase of properties from California Water & Telephone Company and toward providing working capital.

In order to obtain funds for repaying the bank loans, applicant proposes to issue and sell \$20,000,000 principal amount of its First Mortgage Bonds, 1969 Series, 8-3/4%, due October 1, 1994. The bonds will be secured by a proposed indenture, will be

subject to a ten-year restricted redemption provision, and will be sold to 15 institutional investors at the principal amount thereof plus accrued interest.

According to the application, the principal terms and conditions of the proposed issuance and sale to be contained in the indenture consist of the following:

- a. Interest rate of 8-3/4%.
- b. May not be refunded for ten years with proceeds of borrowings at a lower interest rate.
- c. Additional bonds may be issued if at the time of issuance the outstanding bonds plus those to be issued do not exceed 65% of capital properties or 65% of capital as defined in the indenture.
- d. Dividends are restricted to net earnings after December 31, 1968, plus the sum of \$750,000.
- e. Retirement or redemption of bonds from proceeds of condemnation is to be made at the regular call premium.
- f. Applicant may not use any capital properties located outside the State of California as the basis for issuing additional bonds.
- g. Applicant must expend 1-3/4% of the total of bonds to be issued on additions to capital properties in each year that any bonds are outstanding.

Exhibit C, attached to the application, shows that each of the proposed bond purchasers is aware of the contents of said Decision No. 75598, which granted the exemption from competitive bidding.

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for funds from external sources for the purpose of repaying bank loans.
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, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. The proposed indenture will not be adverse to the public interest.
6. The terms and conditions of the proposed bond offering are not unreasonable in the light of prevailing market conditions.
7. The prospective purchasers are aware of the contents of Decision No. 75598, which points out adverse circumstances concerning the proposed bonds.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. 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-American 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 D.

2. California-American Water Company may issue and sell not exceeding \$20,000,000 principal amount of its First Mortgage Bonds, 1969 Series, 8-3/4%, due October 1, 1994, upon the terms and conditions set forth in purchase agreements in the same form, or in substantially the same form, as that attached to the application as Exhibit E.

3. California-American Water Company shall repay bank loans incurred on March 31, 1969, from the proceeds, other than accrued interest, to be derived from the bonds herein authorized. The accrued interest shall be used for general corporate purposes.

4. California-American 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.

5. The December 31, 1969 expiration date for the exemption granted by Decision No. 75592 to the contrary notwithstanding, California-American Water Company may issue, sell and deliver said bonds on or before June 30, 1970, in the manner herein authorized.

6. This order shall become effective when California-American Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$8,000.

Dated at San Francisco, California,  
this 26th day of AUGUST, 1969.

William S. Snow  
President

George S. ...  
W. J. M. Morsey

William ...  
Thomas ...  
Commissioners

