

Decision No. 76924

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CALIFORNIA WATER SERVICE COMPANY, )  
a corporation, )  
for an order authorizing it to )  
issue an additional amount of its )  
First Mortgage Bonds )

Application No. 51713  
Filed February 18, 1970

O P I N I O N

California Water Service Company requests an order of the Commission authorizing it to issue and sell \$2,500,000 principal amount of its bonds, and to execute and deliver a supplemental indenture.

Applicant is a California corporation engaged in the business of supplying and distributing water for domestic and industrial purposes in various localities in California. For the year 1969, the company reports total operating revenues and net income amounting to \$25,766,824 and \$4,104,919, respectively.

The company's reported net utility plant, after deducting depreciation and amortization reserves, amounted to \$97,124,549 at December 31, 1969. As computed from a portion of Exhibit A, attached to the application, the corporation's capitalization

percentages on said date, excluding \$3,145,774 of contributions in aid of construction and adjusted to give effect to the proposed \$2,500,000 bond issue, are as follows:

Long-term debt	46%
Advances for construction	10
Preferred stock	4
Common stock equity	<u>40</u>
Total	<u>100%</u>

The application shows that as of December 31, 1969, the company's outstanding short-term bank loans amounted to \$2,500,000. The utility's budget for gross utility plant expenditures, excluding projects to be covered by advances for construction, totals \$4,411,159 according to Exhibit B, attached to the application. The company's unreimbursed expenditures at December 31, 1969, amounted to \$35,861,108 as calculated in Exhibit C, attached to the application.

The proposed bond issue will be designated as First Mortgage 9-1/2% Bonds, Series M, and will be secured by an existing Mortgage of Chattels and Trust Indenture as previously supplemented, and as further supplemented by a proposed Eighteenth Supplemental Indenture. The bonds will be dated November 1, 1969, will mature November 1, 1999, and will be redeemable at the company's option at an initial redemption price of 109.5% plus accrued interest, and thereafter at annually reducing premiums. However, the bonds will not be redeemable prior to November 1, 1979, through the use

of borrowed funds having an effective net interest cost to the utility of less than 9-1/2% per annum.

As justification for the ten-year restricted redemption provision, applicant cites its First Mortgage 6-1/4% Bonds, Series K, which are subject to ten-year refunding protection. Based upon the company's observations of the marketing by private placement of bonds similar to those of the utility, as well as the experience and advice of Dean Witter & Co. Incorporated, applicant states upon information and belief, the following:

"(1) that it would have been extremely difficult to sell the Series M Bonds in a private placement without ten-year refunding protection, and

"(2) that the inclusion of ten-year refunding protection tended to lower the interest rate from what the Series M Bonds would have had to bear in the present market if sold with a shorter period of refunding protection."

The utility intends to sell the new bonds at 100% of their principal amount plus accrued interest to Aid Association for Lutherans and The Teachers Retirement Board of Ohio in principal amounts of \$1,000,000 and \$1,500,000, respectively. The proceeds, exclusive of accrued interest, would be used for repaying short-term bank loans and for reimbursing applicant's treasury.

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 purposes set forth in the application.
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 proposed Eighteenth Supplemental Indenture would not be adverse to the public interest.
5. 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.

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 Water Service Company may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Eighteenth Supplemental Indenture) in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D.

2. On or after the effective date hereof and on or before June 30, 1970, California Water Service Company may issue and sell, at private sale, not exceeding \$2,500,000 aggregate principal amount of its First Mortgage 9-1/2% Bonds, Series M, at a price of not less than their principal amount plus accrued interest, and shall use the proceeds, other than accrued interest, for the purposes set forth in the application. The accrued interest may be used for said purposes or for general corporate purposes.

3. California Water Service 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.

4. This order shall become effective when California Water Service Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$3,500.

Dated at San Francisco, California,  
this 10<sup>th</sup> day of MARCH, 1970.

William J. ...  
President

August ...

Robert J. ...

...

Vernon L. ...  
Commissioners

