

ORIGINAL

Decision No. 78601

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
CALIFORNIA-AMERICAN WATER COMPANY)
for authority to issue and sell)
\$1,000,000.00 principal amount)
of its First Mortgage Bonds.)

Application No. 52495
Filed March 12, 1971

Bacigalupi, Elkus, Salinger & Rosenberg, by
E. B. Morosoli, Jr. and C. N. Rosenberg,
Attorneys at Law, for applicant.
S. J. Webb, for the Commission staff.

O P I N I O N

California-American Water Company requests an order of the Commission authorizing it to execute and deliver a supplemental indenture, and to issue and sell \$1,000,000 principal amount of bonds bearing an April 1, 1996 due date.

After due notice, a public hearing in the above-entitled matter was held before Examiner Donovan in San Francisco on April 7, 1971, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

The utility is a California corporation owning and operating water systems in the Counties of Los Angeles, Monterey, San Diego and Ventura. For the year 1970, it reports operating revenues and net income of \$11,251,225 and \$776,793, respectively.

The proposed issue will be designated as First Mortgage Bonds, 1971 Series, 9-1/4%, and will be secured by an indenture

as heretofore supplemented and as further supplemented by a proposed Third Supplemental Indenture containing a ten-year restricted redemption provision. Applicant proposes to sell the \$1,000,000 of new bonds to American Commonwealth Company of Wilmington, Delaware, the latter being a wholly owned subsidiary of the utility's parent corporation, American Waterworks Company, Inc. The testimony shows that the utility will expend the proceeds for the purposes of (a) retiring an authorized \$550,000 note in favor of Bank of America National Trust and Savings Association, and (b) reimbursing its treasury for capital improvements amounting to \$450,000.

The new bonds, together with mortgage bonds from other wholly owned subsidiaries of American Waterworks Company, Inc., will be used by American Commonwealth Company as security for \$50,000,000 principal amount of 9-1/4% bonds. Applicant believes that such method of combining its financing program with those of other related corporations will result in substantial economies in the issuance and sale of said bonds.

The interest rate of 9-1/4% per annum compares favorably with the 9-1/4% and 9-1/2% rates applicable to recently authorized \$3,000,000 bond issues of California Water Service Company and San Jose Water Works, respectively.

After consideration of the application, testimony and exhibits, and noting the absence of any opposition, we find that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.

3. The proposed interest rate is reasonable for a private placement in the light of market conditions prevailing at the time of negotiation.
4. The proposed Third 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 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. 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 a Third Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit No. 2.

2. California-American Water Company, on or after effective date hereof and on or before September 30, 1971, the purposes specified in this proceeding, may issue and sell to American Commonwealth Company not exceeding \$1,000,000 principal amount of its First Mortgage Bonds, 1971 Series 9-1/4%, on the terms and conditions set forth in this p

3. The proposed interest rate is reasonable for a private placement in the light of market conditions prevailing at the time of negotiation.
4. The proposed Third 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 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. 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.

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IT IS ORDERED that:

1. California-American Water Company may execute and deliver a Third Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit No. 2.

2. California-American Water Company, on or after the effective date hereof and on or before September 30, 1971, for the purposes specified in this proceeding, may issue and sell to American Commonwealth Company not exceeding \$1,000,000 principal amount of its First Mortgage Bonds, 1971 Series, 9-1/4%, on the terms and conditions set forth in this proceeding.

3. 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.

4. 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 \$900.

Dated at Los Angeles, California, this 27th day of APRIL, 1971.

Chairman
William J. Vukasin, Jr.
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

