

Decision No. 80025

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)  
of SOUTHWEST WATER COMPANY, a )  
California Corporation, for )  
permission to issue and sell )  
\$1,000,000 of Debentures. )

Application No. 53260  
(Filed April 13, 1972)

O P I N I O N

Southwest Water Company requests an order of the Commission authorizing it to issue and sell \$1,000,000 aggregate principal amount of its 8-1/2% Debentures Due November 1, 1975.

Applicant is a California corporation engaged in supplying water as a public utility within portions of Los Angeles, Orange, Riverside and San Bernardino counties. The application shows that the utility furnishes general metered service to approximately 18,400 customers.

The utility proposes to issue and sell not exceeding \$1,000,000 of its debentures to residents or institutions within the State of California. The debentures would be due November 1, 1975, would bear interest at the rate of 8-1/2% per annum payable quarterly, and would be callable at their face value at the company's option.

Applicant intends to use \$481,000 of the debenture proceeds for repaying demand notes issued for obtaining funds (a) to meet prior refunds amounting to \$400,000 due on advances for construction, and (b) for the construction of utility plant

or reimbursing working cash for such construction. The company would apply the remaining \$519,000 toward constructing utility plant, increasing working capital and paying refunds as they become due on advances for construction in estimated amounts of \$135,000, \$224,000 and \$160,000, respectively.

The application shows that, on a pro forma basis after giving effect to the proposed \$1,000,000 of debentures, the utility's capital structure would consist of approximately 42% equity and 58% debt exclusive of advances for construction. Moreover, the utility anticipates substantially reducing, if not completely eliminating, its outstanding long-term debt through funds eventually to be derived from disposing of a portion of its system through condemnation by the City of Riverside.

Without the funds contemplated by the proposed debentures, applicant states that it would be unable to pursue its program of improving its production and distribution system so as to supply water to the citizens of the State of California within its service area.

After consideration the Commission finds that: (1) the proposed debentures are for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the debentures herein authorized is reasonably required for the purposes specified herein; and (3) such 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. A public hearing is not necessary. The action taken herein shall not 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. Southwest Water Company, on or after the effective date hereof and on or before December 31, 1972, for the purposes specified in this proceeding, may issue and sell not exceeding \$1,000,000 in 8-1/2% debentures, due in 1975, for cash at not less than the face value, substantially in the form attached to the application as Exhibit A.
2. Southwest Water Company shall apply all proceeds to be derived from condemnation by the City of Riverside toward eliminating its indebtedness represented by bonds and debentures. The company shall apply the remainder, if any, of said proceeds to the same types of purposes as are herein authorized for debenture issue proceeds.
3. Southwest 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 Southwest Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,000, or on the

date it files with the Commission a written notification that it commits itself to adhere strictly to Ordering Paragraph No. 2 hereof, whichever date is later.

Dated at San Francisco, California, this 9th day of MAY, 1972.

William J. ... Chairman  
William J. ...  
...  
...  
... Commissioners

