

ORIGINALDecision No. 82630

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA-AMERICAN WATER COMPANY)
 for exemption from the competitive) Application No. 54655
 bidding rule for its proposed issue) (Filed February 14, 1974)
 and sale of \$6,000,000 principal)
 amount of its Debentures.)

Dinkelspiel, Pelavin, Steefel & Levitt, by
Charles de Y. Elkus, Jr. and Philip K. Jensen,
 Attorneys at Law, for applicant.
Sidney J. Webb, for the Commission staff.

O P I N I O N

California-American Water Company requests an order exempting from the Commission's competitive bidding rule a proposed sale of \$6,000,000 principal amount of the company's debentures.

After due notice, a public hearing in the above-entitled matter was held before Examiner Tomita in San Francisco, on March 8, 1974, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is a California corporation owning and operating water systems in the Counties of Los Angeles, Monterey, San Diego and Ventura. For the year 1973, it reports operating revenues and net income amounting to \$12,371,087 and \$512,864, respectively.

In a portion of Exhibit A attached to the application, applicant reports assets and liabilities at December 31, 1973, as follows:

Assets

Utility plant	\$66,568,104
Construction work in progress	447,877
Accumulated depreciation	(15,637,656)
Utility plant acquisition adjustments	9,806,193
Other property and investments	44,958
Total property	<u>61,229,476</u>
Current assets	3,695,264
Deferred debits	<u>5,086,157</u>
Total	<u>\$70,010,897</u>

Liabilities

Common stock	\$21,500,000
Paid-in capital	4,376,163
Retained earnings	1,822,005
Bonds and other long-term debt	22,502,500
Notes payable to banks	6,000,000
Current liabilities	1,876,815
Customer advances for construction	5,599,343
Other deferred credits	514,729
Contributions in aid of construction	<u>5,819,342</u>
Total	<u>\$70,010,897</u>

The notes payable to banks in the amount of \$6,000,000 represent borrowings for capital expenditures previously authorized by this Commission, and would be repaid with funds to be derived from the proposed debentures.

Applicant believes that it will be in the best interests of itself and its consumers to sell the proposed debentures by negotiated sale rather than by competitive bidding. The company's request for exemption from competitive bidding is based upon the following:

1. Advice by applicant's investment bankers that there is little or no likelihood that any investment banker would join in a syndicate to submit a bid due to the comparatively small size of the offering.
2. Advice by applicant's investment bankers that if any bid were submitted, it would be on terms less favorable than those that could be obtained through negotiated sale.
3. Lack of knowledge of applicant in the financial markets due to its relative newness.
4. Lack of a rating for the debentures by any of the recognized rating authorities.
5. Pending condemnation litigation concerning a substantial segment of applicant's property.
6. Greater difficulty of obtaining revisions and consents of the holders of securities issued under indentures when the securities are publicly and widely held, than when sold to comparatively few investors through the issuer's investment bankers.

After consideration of the application, testimony and exhibits, and noting the absence of any opposition, we find that the sale of the proposed debentures at competitive bidding should not be required. On the basis of this finding we conclude that the application should be granted.

The exemption herein granted is not to be construed as an indication that the Commission will grant an application seeking authority to issue and sell said debentures.

O R D E R

IT IS ORDERED that the issue and sale by California-American Water Company of not exceeding \$6,000,000 principal amount of its debentures are hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended.

The effective date of this order is the date hereof, and the exemption herein granted will expire on December 31, 1974.

Dated at San Francisco, California, this 26th day of MARCH, 1974.

James L. Sturgeon
President

William J. Snow

[Signature]
[Signature]
Commissioners

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