

Decision No. 86159**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA WATER )  
 SERVICE COMPANY to issue and )  
 sell 120,000 shares of its \$25 )  
 par value Cumulative Preferred )  
 Stock, Series K. )

Application No. 56602  
 (Filed July 7, 1976)

O P I N I O N

California Water Service Company seeks authority to issue and sell 120,000 shares of its \$25 par value Cumulative Preferred Stock, Series K.

The shares (1) would have a dividend rate of 9-1/4% per annum, (2) would be subject to restricted redemption prior to August 15, 1986, (3) would have no regular voting rights, and (4) would require basic sinking fund payments of \$120,000 per year beginning August 14, 1982.

Applicant reports that it has tentative commitments to sell said 120,000 shares of preferred stock at a price equal to their par value, namely \$25 per share, as follows:

<u>Name</u>	<u>Number of Shares</u>
Nationwide Mutual Insurance Company	60,000
Nationwide Life Insurance Company	40,000
Nationwide Mutual Fire Insurance Company	20,000

As compensation for negotiating the sale of stock, applicant intends to pay Dean Witter & Co. Incorporated a commission estimated not to exceed \$15,000. The net proceeds to be derived from the sale of the stock would be used to reimburse applicant's treasury for capital expenditures.

The utility's capitalization ratios at March 31, 1976, and after giving effect to the issuance on June 15, 1976 of \$4,000,000 principal amount of its Series U bonds, and to the proposed issuance of \$3,000,000 aggregate par value of Cumulative Preferred Stock, Series K, are as follows:

	<u>March 31, 1976</u>	<u>Pro Forma</u>
First mortgage bonds	54.1%	54.3%
Preferred stock	3.1	5.4
Common stock equity	<u>42.3</u>	<u>40.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
3. The proposed redemption restriction is reasonable.
4. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. There is no known opposition and there is no reason to delay granting the relief requested.

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

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of value of the

company's stock or properties nor 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:

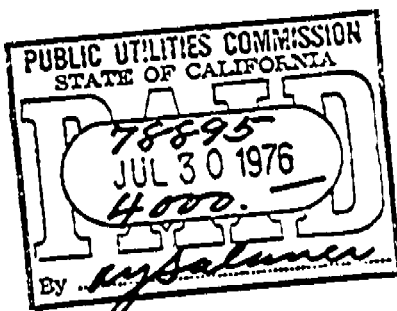
1. California Water Service Company, on or after the effective date hereof and on or before September 30, 1976, may issue and sell not exceeding 120,000 shares of its \$25 par value Cumulative Preferred Stock, Series K, substantially in accordance with the terms and conditions set forth in the application.


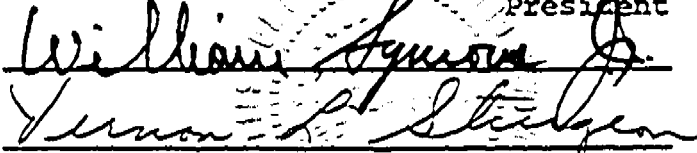
2. California Water Service Company shall use the net proceeds from the sale of said stock to reimburse its treasury for capital expenditures.

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 1904.1 of the Public Utilities Code, which fee is \$4,000.

Dated at San Francisco, California, this 27<sup>th</sup> day of JULY, 1976.



  
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President  
  
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Commissioners  
Commissioner Leonard Ross, being  
necessarily absent, did not participate  
in the disposition of this proceeding.  
Commissioner Robert Batinovich, being  
necessarily absent, did not participate  
in the disposition of this proceeding.