

CACD/CFF

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Decision

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Park Water Company)
 for authority to issue evidence of)
 indebtedness (First Mortgage Bonds).)
 (U-314-W))

Application 87-10-022
 (Filed October 15, 1987)

O P I N I O N

Summary of Decision

This decision grants Park Water Company (Park Water) the authority requested in the application.

Park Water requests authority, under Public Utilities (PU) Code Sections 816 through 830 and 851, for the following:

1. To issue, sell and deliver as a private placement, not to exceed \$3,500,000 aggregate principal amount of the utility's First Mortgage Bonds (New Bonds); and
2. To secure the New Bonds under the provisions of Park Water's existing supplemental indenture (Supplemental Indenture).

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 23, 1987. No protests have been received.

Park Water, a California corporation, operates as a public utility under the jurisdiction of this Commission. Park Water is engaged in the operation of a water system in the southeastern and northeastern sections of Los Angeles County, and in the vicinity of Lompoc in Santa Barbara County. Also, Park Water is engaged as a public utility in providing sewer service in Santa Barbara County. Furthermore, Park Water has two wholly

owned subsidiaries in California, Santa Paula Water Works, Ltd., engaged in the operation of a public utility water system in and around Santa Paula in Ventura County; and Apple Valley Ranchos Water Company, engaged in the operation of a public utility water system in the unincorporated area of Apple Valley in San Bernardino County.

For the year 1986, Park Water reported that it generated total operating revenues of \$9,040,462 and net income of \$704,939, as shown in the 1986 Annual Report to the Commission. Also, for the seven months ended July 31, 1987, Park Water reported that it generated total operating revenues of \$5,337,178 and net income of \$123,776, shown as a part of Exhibit A attached to the application.

Also shown as part of Exhibit A attached to the application is Park Water's Balance Sheet as of July 31, 1987, summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$15,022,049
Other Investments	9,686,357
Current and Accrued Assets	1,276,912
Deferred Debits	<u>1,137,933</u>
Total	\$27,123,251
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$17,037,837
Long-Term Debt	1,768,446
Current and Accrued Liabilities	2,299,359
Advances for and Contributions in Aid of Construction	4,337,896
Deferred Credits	<u>1,679,713</u>
Total	\$27,123,251

Terms and Conditions Pertaining to the Issuance of the New Bonds

Park Water proposes to issue, sell and deliver its New Bonds on a negotiated private placement basis to the Pacific Mutual Life Insurance Company. Currently, this insurance company holds the majority of Park Water's outstanding long-term indebtedness. The application states that the New Bonds will have an interest rate not to exceed 11% per year and these debt securities will have an average life of about 16 years, with the last New Bond maturing 25 years from its issue date. Interest payments will be made bi-annually, while principal payments will be made annually. The New Bonds will be secured under the provisions of Park Water's existing Supplemental Indenture.

Competitive Bidding Rule

Under the provisions of Commission Resolution F-616 dated October 1, 1986, Park Water's proposed issue and sale of the New Bonds is exempt from the Commission's Competitive Bidding Rule because the aggregate principal amount is less than \$20,000,000.

Use of Proceeds

Park Water proposes to use the proceeds from the issuance of the New Bonds to fund the construction of new facilities for system improvements. Park Water anticipates that during the years 1987, 1988 and 1989, several of the utility's California divisions and subsidiaries will be required to construct over \$3,500,000 worth of new wells, pumping equipment, new mains and

main replacements, in order to continue to provide good service to its customers. A listing of these construction projects, by division or subsidiary and by year, indicating estimated construction costs is attached to the application as Exhibit C. A tabulation showing the estimated construction budgets by component and year is summarized as follows:

<u>Component</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
New Wells and Well Pumping Equipment	\$ 785,000	\$ 0	\$ 0
New Water Transmission Mains	106,500	308,000	200,000
Replacement of Water Mains	<u>656,000</u>	<u>777,500</u>	<u>897,000</u>
Total	\$1,547,500	\$1,085,500	\$1,097,000

The Commission Advisory and Compliance Division (CACD) has reviewed Park Water's construction budgets and has concluded that the issue and sale of the New Bonds is necessary to fund the planned construction. However, Park Water is placed on notice by this decision that the Commission does not find that the company's construction program is necessary or reasonable for ratefixing purposes. These are issues normally tested in general rate or rate base offset proceedings.

Capital Ratios

Park Water's capital ratios as of July 31, 1987, as recorded and adjusted to give pro forma effect to the proposed

issue of the New Bonds which was provided to the Commission by letter dated October 19, 1987, is summarized as follows:

<u>Component</u>	<u>July 31, 1987</u>	<u>Pro Forma</u>
Common Stock Equity	90.4%	76.1%
Long-Term Debt	<u>9.6</u>	<u>23.9</u>
Total	100.0%	100.0%

The CACD has analyzed Park Water's cash requirements forecasts and concludes that the proposed financing is necessary to help meet forecasted cash requirements.

Findings of Fact

1. Park Water, a California corporation, operates as public utility under the jurisdiction of this Commission.
2. The proposed issuance of the New Bonds would be for proper purposes and not adverse to the public interest.
3. The terms and conditions of the existing Supplemental Indenture are reasonable and not adverse to the public interest.
4. Park Water has need for external funds for the purposes set forth in the application.
5. The proposed issuance of the New Bonds is not required to be through competitive bidding.
6. The Commission does not, by this decision, determine that Park Water's construction program is necessary or reasonable for ratefixing purposes. These issues are normally tested in general rate or rate base offset proceedings.

7. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The proposed New Bonds are for lawful purposes and the money, property or labor to be obtained by them is required for these purposes. Proceeds from the securities issue may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b), to enable Park Water to proceed with its financing expeditiously.

ORDER

IT IS ORDERED that:

1. Park Water Company (Park Water), on or after the effective date of this order and on or before July 1, 1988, may issue, sell and deliver its First Mortgage Bonds (New Bonds) in an aggregate principal amount not to exceed \$3,500,000, in accordance with the terms and conditions to be negotiated as described in the application.

2. Park Water may secure the New Bonds under the provisions of the utility's existing supplemental indenture (Supplemental Indenture).

3. Park Water shall apply the net proceeds of the sale of the New Bonds for the purposes set forth in the application.

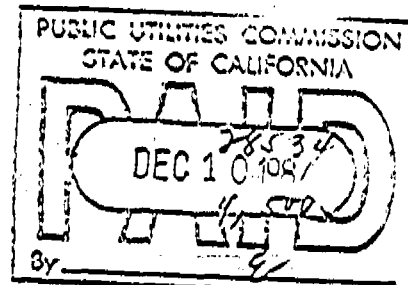
4. Park Water shall file the reports required by General Order Series 24.

5. The application is granted as set forth above.

The authority granted by this order to issue the New Bonds will become effective when Park Water pays \$4,500, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated DEC 9 - 1987, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser
Victor Weisser, Executive Director