

Decision 90 09 069 SEP 25 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA WATER SERVICE)
COMPANY U-60-W, a corporation, to)
issue and sell \$20,000,000 principal)
amount of its First Mortgage Bonds,)
Series CC, and to execute and deliver)
a Supplemental Mortgage of Chattels)
and Trust Indenture.)

ORIGINALApplication 90-07-044
(Filed July 17, 1990)O P I N I O NSummary of Decision

This decision grants California Water Service Company (Cal Water Service) the authority requested in the application.

Cal Water Service requests authority, pursuant to Sections 818 and 851 of the California Public Utilities Code (PU Code), for the following:

1. To issue and sell at private sale not exceeding \$20,000,000 aggregate principal amount of its First Mortgage Bonds, Series CC;
2. To execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 23, 1990. No protests have been received.

Cal Water Service, a California corporation, operates as a water utility under the jurisdiction of this Commission. Cal Water Service engages in the retail water business in many localities in the state of California from Chico in the north to the Palos Verdes Peninsula in the south.

For the twelve months ended May 31, 1990, Cal Water Service reported it generated total operating revenues of \$120,263,342 and net income of \$13,779,602 shown as part of Exhibit A to the application.

Also shown as part of Exhibit A is Cal Water Service's Balance Sheet as of May 31, 1990 which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Plant	\$314,129,602
Invest. in Non-Util. Prop.	406,584
Current Assets	19,296,509
Deferred Charges	<u>11,472,394</u>
Total	\$345,305,089

<u>Liabilities and Equity</u>	<u>Amount</u>
Common Share. Equity	\$109,215,622
Preferred Stock	3,475,000
First Mort. Bonds	86,020,882
Current Liabilities	28,016,433
Unamortized Inv. Tax Cr.	4,587,470
Deferred Inc. Taxes	15,363,606
Advances for Constr.	70,935,087
Misc. Reserves	2,450,936
Contr. in aid of Constr.	<u>25,240,053</u>
Total	\$345,305,089

Debt Securities

Cal Water Service proposes and desires to issue and sell \$20,000,000 principal amount of its First Mortgage Bonds (Bonds), Series CC, to be issued under and secured by that certain Indenture from Cal Water Service to American Trust Company and Los Angeles-First National Trust and Savings Bank, as Trustees, dated April 1, 1928, as supplemented, amended and modified by thirty-three indentures supplemental to that first indenture, and as to be further supplemented by a proposed Thirty-Fourth Supplemental Indenture.

Cal Water Service has not yet entered into any contract for the disposition of the Bonds, but Cal Water Service proposes to sell the Bonds to institutional investors for investment purposes and not for resale to the public. Cal Water Service will furnish the Commission a copy of the agreements for the sale of the Bonds as soon as such documents are available. Cal Water Service will not execute any underwriting agreement relating to the Bonds, but proposes to pay a reasonable commission (estimated to be approximately \$100,000) to Smith Barney Harris Upham & Co., Incorporated for its services in negotiating the sale.

As soon as available, Cal Water Service will file as Exhibit J to the application a preliminary proof of the Thirty-Fourth Supplement Indenture. When the form of the Thirty-Fourth Supplemental Indenture has been fully agreed upon with the purchasers, Cal Water Service will furnish the Commission with a copy. The terms and form of the Series CC Bonds will be as set forth in the Thirty-Fourth Supplemental Indenture.

The principal amount of the Bonds which Cal Water Service proposes to sell does not exceed \$20,000,000. Therefore, the issuance and sale of the Bonds is exempt from the requirements of the Commission's Competitive Bidding Rule as set forth in its Decision (D.) 38614, as amended by D.49941, D.75556 and D.81908, and by Resolution F-616.

Construction Budget

A summary of Cal Water Service's construction budget for the period of 1990 follows:

<u>Item</u>	<u>Amount</u>
Land and Land Rights	\$ 212,100
Structures and Improvements	2,041,400
Wells	488,800
Storage	639,900
Pumping Equipment	1,641,400
Water Treatment Equipment	287,900
Transmission and Distr. Mains	6,997,200
Services	2,246,300
Meters	2,040,600
Hydrants	357,300
General Equipment	<u>1,352,300</u>
Total	\$18,305,200

The Commission Advisory and Compliance Division (CACD) has reviewed the application and Cal Water Service's construction program. The CACD concludes that the proposed financing is necessary for the construction program; however, Cal Water Service is placed on notice, by this decision, that the Commission does not find that its construction budget is necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or rate base offset proceedings.

Capitalization Ratios

Cal Water Service's capitalization ratios at May 31, 1990, recorded, and at May 31, 1990, pro forma after giving effect to the proposed issuance of its Bonds in the aggregate principal amount of \$20,000,000 are as set forth below:

	<u>Recorded</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Long-Term Debt	\$ 86,020,882	43.3%	\$106,020,882	48.5%
Pref. Stock	3,475,000	1.7	3,475,000	1.6
Common Stock	<u>109,215,622</u>	<u>55.0</u>	<u>109,215,622</u>	<u>49.9</u>
Totals	\$198,711,504	100.0%	\$218,711,504	100.0%

Cal Water Service is placed on notice, by this decision, that the Commission does not find that its capital ratios are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or cost of capital proceedings.

Cash Requirements Forecast

Cal Water Service's cash requirements forecast for 1990 and 1991 is summarized as follows:

<u>Components</u>	<u>1990</u>	<u>1991</u>
Funds Needed for Construction Expenditures	\$18,305,000	\$20,300,000
Long-Term Debt (Sinking Fund Retirements)	965,000	1,065,000
Short Term Debt as of Beginning of Year	<u>7,750,000</u>	<u>-0-</u>
Total	\$27,020,000	\$21,365,000
Less:		
Estimated Internal Cash Generation	<u>10,220,000</u>	<u>11,365,000</u>
Additional Funds Required from External Sources	\$16,800,000	\$10,000,000

The CACD has analyzed Cal Water Service's cash requirements forecast for 1990 and 1991. The CACD has concluded that internally generated funds will provide \$10,220,000 or 37.8% of Cal Water Service's cash requirements for 1990 and \$11,365,000 or 53.2% in 1991. The CACD concludes that the proposed issuance of Cal Water Service's Bonds is necessary to help meet forecasted cash requirements which includes capital expenditures. The CACD has reviewed the application and has concluded that the proposed issuance of the Bonds is reasonable and that the authority should be granted.

Use of Proceeds

Cal Water Service estimates that its gross expenditures for Utility Plant for the period from January 1, 1990, to December 31, 1990, excluding expenditures on projects which may be covered by advances for construction and contributions in aid of construction, will amount to not less than \$18,305,200, as summarized in Exhibit B attached to the application. Cal Water

Service further estimates that approximately 56% of construction expenditures will be financed with internally generated funds.

Cal Water Service states that it plans to use the net proceeds derived from the sale of the Bonds to repay its short-term indebtedness (totaling \$13,000,000 as of May 31, 1990) and to fund a portion of its capital improvements for the year 1990.

Findings of Fact

1. Cal Water Service, a California corporation, operates as a water utility subject to the jurisdiction of this Commission.

2. Cal Water Service has need for external funds for the purposes set forth in the application.

3. The issuance of the proposed Bonds and the execution of a Supplemental Mortgage of Chattels and Trust Indenture would not be adverse to the public interest.

4. The issuance of the proposed Bonds is for proper purposes.

5. The money, property, or labor to be procured or paid for by the proposed Bonds is reasonably required for the purposes specified in the application.

6. There is no known opposition and there is 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 security issue is for lawful purposes and the money, property, or labor to be obtained by it are required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

The following order shall be effective on the date of signature and payment of a fee of \$16,000 set by §1904(b) of the PU Code.

O R D E R

IT IS ORDERED that:

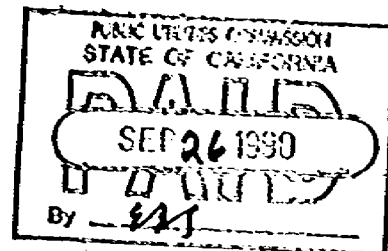
1. California Water Service Company (Cal Water Service), on or before March 31, 1991 may issue and sell at private sale not exceeding \$20,000,000 aggregate principal amount of its First Mortgage Bonds, in substantially the same form as set forth in the application.
2. Cal Water Service may execute and deliver the Supplemental Mortgage of Chattels and Trust Indenture (Thirty-Fourth Supplemental Indenture) in substantially the same form as set forth in Exhibit E attached to the application.
3. Cal Water Service shall file, with the CACD, copies of the agreements for the sale of the Bonds and the Thirty-Fourth Supplemental Indenture within 15 days of the execution of the documents.
4. Cal Water Service shall file the reports required by General Order Series 24.
5. The application is granted as set forth above.

6. The authority granted by this order to issue the Bonds will become effective when Cal Water Service pays \$16,000, the fee set forth by Public Utilities Code §1904(b). In all other respects this order is effective today.

Dated SEP 25 1990, at San Francisco, California.

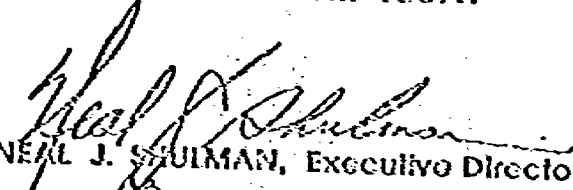
G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
PATRICIA M. ECKERT
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.



33992 - \$ 16,000-

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


NEAL J. SHULMAN, Executive Director