

Decision 91 12 062 DEC 18 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
WATER COMPANY (U-133-M) to issue )  
and sell First Mortgage Bonds )  
and/or Debentures and/or Notes not )  
exceeding \$28,000,000 principal )  
amount and to execute and deliver )  
Supplemental Indenture(s) and/or )  
Loan Agreement(s) )

**ORIGINAL**

Application 90-12-073  
(Petition for Modification  
Filed October 30, 1991)

S U P P L E M E N T A L O P I N I O N

Summary of Decision

This decision grants Southern California Water Company (SoCal Water) the authority requested in its Petition for Modification (Petition) of Decision (D.) 91-03-047.

Notice of the filing of the Petition for Modification appeared on the Commission's Daily Calendar of November 6, 1991. No protests have been received.

Modification Sought

By D.91-03-047, dated March 22, 1991, the Commission authorized SoCal Water to issue and sell First Mortgage Bonds and/or Debentures and/or Notes not exceeding \$28,000,000 principal amount. The proceeds from the issuance and sale were to be used to repay all or a portion of SoCal Water's outstanding short-term bank loans and to defray a portion of SoCal Water's capital expenditures. Pursuant to Public Utilities (PU) Code § 823(a) the proceeds cannot be used for any purpose not authorized by the Commission.

In May 1991, using the authority granted under D.91-03-047, SoCal Water issued and sold \$28,000,000 in 9.56% Notes due in the year 2031. A portion of the proceeds was used to repay all short-term bank borrowings which were outstanding at the time, with additional proceeds used to finance capital

expenditures. As of the date of the filing of its Petition, SoCal Water held some of the proceeds in short-term investment instruments which were earning approximately 5%.

Presently, SoCal Water has \$6,000,000 outstanding in 11.75% Notes due August 1, 1993. As of August 1, 1991, a restrictive provision of the 11.75% Notes, which effectively precluded SoCal Water from redeeming the 11.75% Notes, expired. At this time, SoCal Water can redeem the 11.75% Notes upon payment of a premium equal to 3.92% of the principal amount of the 11.75% Notes redeemed.

In light of recent declines in interest rates and the expiration of the restrictive redemption provision of the 11.75% Notes, SoCal Water seeks the permission of the Commission to modify D.91-03-047 to authorize the use of a portion of the proceeds from the issuance and sale of the 9.56% Notes to redeem, prior to maturity, the 11.75% Notes. In support of its request, SoCal Water provides information which indicates that the net interest savings, after consideration of the premium which would be paid, would be approximately \$224,553 on a nominal dollar basis and \$185,011 on a present value basis. The Commission Advisory and Compliance Division (CACD) has reviewed the information provided by SoCal Water in support of its Petition. CACD has no objection to SoCal Water's request and recommends that SoCal Water be granted the requested authority.

#### Findings of Fact

1. SoCal Water, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. PU Code § 823(a) prohibits the use of proceeds from the issuance of bonds, notes or other evidence of indebtedness for any purpose not authorized by the Commission.
3. The authority granted SoCal Water by D.91-03-047 did not include the use of any proceeds from the sale of the debt

securities authorized by D.91-03-047 for the redemption of other long-term debt securities.

4. A restrictive provision under the 11.75% Notes which limited SoCal Water's ability to redeem the notes prior to maturity expired August 1, 1991.

5. The redemption premium presently applicable to the 11.75% Notes is 3.92%.

6. Proceeds remaining from the issuance of the 9.56% Notes are presently earning at a rate of approximately 5%.

7. The early redemption of the 11.75% Notes would provide a nominal interest saving of approximately \$224,553.

8. There is no known opposition to the Petition and no reason to delay granting the authority requested.

#### Conclusions of Law

1. A public hearing is not necessary.

2. The Petition should be granted to the extent set forth in the following supplemental order.

3. The use of proceeds requested in the Petition is for lawful purposes.

4. This authorization is not a finding of the value of SoCal Water's debt, nor does it exempt the securities from inclusion in cost of capital or general rate proceedings.

5. The following supplemental order should be effective on the date of signature.

S U P P L E M E N T A L   O R D E R

IT IS ORDERED that:

1. Decision (D.) 91-03-047, dated March 22, 1991, is modified to authorize Southern California Water Company to use a portion of the proceeds from the issuance and sale of its 9.56% Notes due in the year 2031 to redeem prior to maturity its 11.75% Notes due August 1, 1993. This redemption may include up to the full principal amount of such notes, \$6,000,000, plus a redemption premium and accrued interest.

2. The Petition for Modification is granted as set forth above.

3. In all other respects, D.91-03-047 remains in full force and effect.

4. The authority granted by this supplemental order shall become effective on the date of signature.

Dated DEC 18 1991, at San Francisco, California.

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

  
NEAL J. SPULMAN, Executive Director

PATRICIA M. ECKERT  
President  
JOHN B. CHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners