

Decision 82 07 011 JUL 7 - 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DOMINGUEZ WATER CORPORATION, a)
California corporation, for)
authorization to issue and sell)
not exceeding \$1,500,000 aggregate)
principal amount of its First)
Mortgage Series I Bonds of 1992,)
and to execute and deliver a Ninth)
Supplemental Trust Indenture.)

Application 82-06-03
(Filed June 2, 1982)

O P I N I O N

Dominguez Water Corporation (Dominguez), seeks authority to issue and sell not to exceed \$1,500,000 aggregate principal amount of its first mortgage bonds, Series I, and to execute and deliver a Ninth Supplemental Trust Indenture.

This authority is sought under Public Utilities (PU) Code Sections 818 through 830. Notice of the filing of the application was published in the Commission's Daily Calendar of June 3, 1982. No protests have been received.

Dominguez is a California corporation providing public utility service in Los Angeles County. For the 12 months ended December 31, 1981, the utility reported operating revenues of \$9,134,756 and net income of \$890,091. Exhibit A, attached to the application, contains a balance sheet which is summarized as follows.

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$21,743,278
Other Property and Investments	69,820
Current Assets	1,612,457
Deferred Charges	<u>152,319</u>
Total	\$23,577,874
<u>Liabilities and Common Equity</u>	
Long-Term Debt	\$ 6,900,000
Preferred Stock	930,000
Common Stock Equity	6,235,817
Customer Advances for Construction	3,790,985
Contributions in Aid of Construction	4,316,461
Current Liabilities	<u>1,404,611</u>
Total	\$23,577,874

Dominguez proposes to issue and sell not to exceed \$1,500,000 aggregate principal amount of its first mortgage bonds, Series I, due 1992 (New Bonds). The New Bonds would be secured by an existing indenture as previously supplemented, and by a proposed Ninth Supplemental Trust Indenture, as amended, which would create a new series of bonds and further secure payment of principal on all bonds outstanding.

The proposed New Bonds are to be dated as of the date of their sale and delivery, and are to mature 10 years later. It is proposed that the New Bonds will bear interest at a rate not to exceed 17-1/2% per annum payable semiannually. The new supplemental indenture will provide for a mandatory sinking fund

commencing in 1985 to redeem annually 10% of the aggregate amount of the New Bonds issued. The proposed New Bonds will be essentially nonredeemable, if such redemption is for the purpose of refunding at an effective lower interest cost. The sale of the proposed New Bonds is to be negotiated on behalf of Dominguez by Blyth Eastman Paine Webber Incorporated for a fee of up to 2% or \$30,000.

Unreimbursed capital expenditures reported by Dominguez as of December 31, 1981 totaled \$2,455,000. Excluding projects to be financed by advances for construction and contributions in aid of construction, the utility estimates that gross construction outlays for 1982 and 1983 will be \$1,573,000 and \$683,000, respectively, of which 12% and 65% will be financed with internally generated funds.

Dominguez's recorded capital ratios as of December 31, 1981 and as adjusted on a pro forma basis to give effect to the proposed bond issue are summarized as follows:

<u>Capital</u>	<u>Recorded</u>	<u>Pro Forma</u>
Short-Term Debt	3.9%	0
Long-Term Debt	45.1	52.3%
Preferred Stock	6.6	6.2
Common Equity	<u>44.4</u>	<u>41.5</u>
Total	100.0%	100.0%

Dominguez would use the proceeds from the issue and sale of the bonds in part to repay its lending bank \$500,000 currently owed. Current commitments for the construction, completion, extension, or improvements of the company's facilities exceed \$1,500,000, the amount of the proposed bond issue.

According to the Commission's Competitive Bidding Rule as most recently promulgated by Decision 81908, dated September 25, 1973 in Case 4761, competitive bidding is not required for debt security issues of \$5,000,000 or less.

The Revenue Requirements Division has reviewed the application and has concluded that the proceeds from the proposed sale of the bonds are needed for the purposes specified and has no objection to the proposed security issue. The Division reserves the right, however, to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Because of the utility's construction commitments exceed its current line of credit and because of its need to initiate a new line of credit, Dominguez requests an order made effective on the date of signature and payment of the prescribed fee in order to issue its Series I bonds expeditiously.

Findings of Fact

1. Dominguez, a California corporation, operates as a public water utility under the jurisdiction of this Commission.

2. The proposed issuance of bonds would be for proper purposes.

3. Dominguez has need for external funds for purposes set forth in the application.

4. The proposed restricted redemption provision is reasonable.

5. The terms and conditions of the proposed Ninth Supplemental Trust Indenture are reasonable and not adverse to the public interest.

6. 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. Proceeds from the security issue may not be charged to operating expenses or to income.

7. Dominguez, due to pressing financial needs, requests an order effective on the date of signature and payment of the fee, to enable it to issue its bonds expeditiously.

8. 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 following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable Dominguez to issue its New Bonds expeditiously.

O R D E R

IT IS ORDERED that:

1. Dominguez Water Corporation (Dominguez), on or after the effective date of this order and on or before December 31, 1982, may issue, sell, and deliver not to exceed \$1,500,000 aggregate principal amount of its Series I first mortgage bonds substantially in accordance with the terms and conditions described in the Ninth Supplemental Trust Indenture and the Bond Purchase Agreement, copies of which are attached to the application as Exhibits B and C.

2. Dominguez may execute and deliver a Ninth Supplemental Trust Indenture in substantially the same form as that attached as Exhibit B to the application.

3. Dominguez may execute and enter into a Bond Purchase Agreement in substantially the same form as Exhibit C, attached to the application.

4. Dominguez shall apply the proceeds of the sale of the bonds for the purposes specified in the application.
5. Dominguez shall file a written report within 30 days of the sale, with the Commission showing cost of money to the utility and the interest rate for the bonds.
6. Dominguez shall file the reports required by General Order Series 24.
7. The authority granted by this order to issue debt securities will become effective when Dominguez pays \$2,500, the fee set by PU Code Section 1904(b).

Dated JUL 7 1982 , at San Francisco, California.

RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner John E. Bryson,
being necessarily absent, did
not participate.

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

Joseph E. Bodovick
Joseph E. Bodovick, Executive Director

