

**ORIGINAL**Decision No. 86692

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
 WATER COMPANY (a) to issue and sell )  
 not exceeding 30,000 of its \$100 )  
 Preferred Shares, 9.125% Series and )  
 (b) to exchange 30,000 shares of its )  
 \$100 Preferred Shares, Second 7.72% )  
 Series for 30,000 shares of its )  
 outstanding \$100 Preferred Shares, )  
 7.72% Series. )

Application No. 56350  
 (Filed November 2, 1976)

O P I N I O N

Southern California Water Company seeks authority (a) to issue, sell and deliver not exceeding 30,000 of its \$100 Preferred Shares, 9.125% Series, and (b) to exchange 30,000 of its \$100 Preferred Shares, Second 7.72% Series for 30,000 of its \$100 Preferred Shares, 7.72% Series.

Applicant is a California corporation operating public utility water systems in portions of the counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino and Ventura. In addition, the company provides electric service in the vicinity of Big Bear Lake in San Bernardino County. For the twelve months ended September 30, 1976, the utility reports total operating revenues and net income in the respective amounts of \$23,076,122 and \$2,433,430.

The company proposes to issue and sell to three institutional investors 30,000 of its \$100 Preferred Shares, 9.125% Series, for cash at a price of \$100 per share plus accrued dividends. The shares would be subject to a ten-year restricted redemption provision, and redemption premiums would be applicable

through November 30, 1996. Commencing in 1984, a 5% annual sinking fund requirement would apply which would increase to 7% in 1996. Applicant intends to pay Dean Witter & Co. Incorporated and Kirkpatrick, Pettis, Smith, Polian Inc. a fee of \$22,500 as compensation for negotiating the sale of the shares.

Applicant proposes to utilize the net proceeds of the sale of 30,000 of its \$100 Preferred Shares, 9.125% Series, to reimburse its treasury for funds expended by it solely for the acquisition of property, for construction, completion, extension or improvement of facilities and for payment of refunds on advances in aid of construction during the years 1975 and 1976.

In order to enable the utility to issue said 9.125% Series, it proposes to exchange its \$100 Preferred Shares, Second 7.72% Series for the \$100 Preferred Shares, 7.72% Series authorized by Decision 82063 dated October 30, 1973, as modified by Decision 82188 dated November 27, 1973, in Application 54370. The Second 7.72% Series will reduce the required earnings coverage of interest and dividends from twice to one and one-half times, the latter being the same coverage as is required on the new 9.125% Series. In addition, the second 7.72% Series would differ from the present 7.72% Series by requiring a 5% annual sinking fund commencing in 1981 instead of 4% commencing in 1983.

The utility's reported capitalization ratios as of September 30, 1976, and as adjusted to give effect to the proposed additional \$3,000,000 of preferred stock, as summarized from page 3 of Exhibit A, attached to the application, are as follows:

|                 | <u>September 30,</u><br><u>1976</u> | <u>Pro</u><br><u>Forma</u> |
|-----------------|-------------------------------------|----------------------------|
| Long-term debt  | 55.6%                               | 53.0%                      |
| Preferred stock | 9.9                                 | 14.1                       |
| Common equity   | <u>34.5</u>                         | <u>32.9</u>                |
| Total           | <u>100.0%</u>                       | <u>100.0%</u>              |

After consideration the Commission finds that:

1. The proposed stock issues would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed restricted redemption provisions are reasonable.
4. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purposes specified herein, which purposes are 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 the 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:

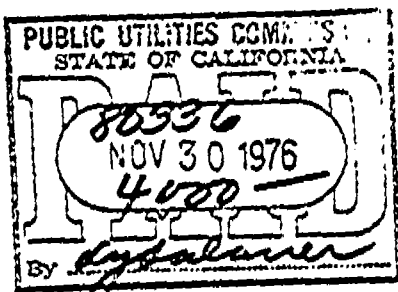
1. Southern California Water Company may issue, sell and deliver not exceeding 30,000 of its \$100 Preferred Shares, 9.125% Series at the price, on the terms and for the purposes set forth in the application, and upon terms set forth in a Purchase Agreement substantially in the form attached to the application as Exhibit C.

2. Southern California Water Company, on the terms set forth in the application, may exchange 30,000 of its \$100 Preferred Shares, Second 7.72% Series, for 30,000 of its \$100 Preferred Shares, 7.72% Series.

3. Southern California Water 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 Southern California Water 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 30<sup>th</sup> day of NOVEMBER, 1976.



William J. Sproule President  
James L. Steffen  
Edward K. ...  
Robert ...

Commissioners  
Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.