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ORIGINAL

Decision No. 88610 MAR 21 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of )  
 )  
 CALIFORNIA WATER SERVICE COMPANY, )  
 a corporation, )  
 )  
 to issue and sell \$3,000,000 principal )  
 amount of its First Mortgage Bonds, )  
 Series V, and to execute and deliver )  
 a Supplemental Mortgage of Chattels )  
 and Trust Indenture. )  
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Application No. 57834  
(Filed January 26, 1978)

O P I N I O N

California Water Service Company (Cal Water) seeks authority to issue and sell at private sale not exceeding \$3,000,000 aggregate principal amount of its First Mortgage 8.60% Bonds, Series V, and to execute and deliver a Twenty-Seventh Supplemental Indenture.

Cal Water is a California corporation engaged in the retail water business in many localities throughout the State of California. For the twelve months ended November 30, 1977 the utility reported operating revenues of \$45,122,616, depreciation and amortization expenses totalling \$3,760,493, and net income of \$4,733,863. Exhibit A attached to the application contains a balance sheet dated November 30, 1977 which is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net utility plant	\$156,037,751
Other physical property - net	630,680
Sinking funds	379,877
Current assets	8,592,033
Deferred charges	675,333
Total	<u>\$166,315,674</u>
<u>Liabilities and Capital</u>	
Long-term debt	\$ 67,425,880
Notes payable	1,900,000
Preferred stock	6,659,525
Common stock equity	52,962,527
Advances for construction	20,294,539
Contributions in aid of construction	7,095,513
Miscellaneous reserves	387,049
Current liabilities	9,590,641
Total	<u>\$166,315,674</u>

Cal Water presently has outstanding \$1,900,000 of short-term bank loans, the proceeds of which were applied to the current construction program. The company anticipates that an additional \$2,000,000 of short-term money will be borrowed prior to sale of the Series V Bonds proposed herein.

Unreimbursed capital expenditures reported by Cal Water as of November 30, 1977 totalled \$72,855,855. Excluding projects to be financed by advances for construction and contributions in aid of construction, the utility estimates that gross construction outlays for 1978 will amount to \$7,976,000, of which 60% will be financed with internally generated funds.

In this application, Cal Water proposes to issue and sell \$3,000,000 aggregate principal amount of First Mortgage 8.60% Bonds, Series V, due November 1, 2006. The bonds would be secured by an existing Indenture as previously supplemented, and by a proposed Twenty-Seventh Supplemental Mortgage of Chattels

and Trust Indenture which would create the new series and further secure payment of principal on all bonds outstanding. The bonds would be subject to a ten-year restricted redemption provision and annual sinking fund payments of \$15,000 would commence October 31, 1978. Beginning with the year ending October 31, 1982 such sinking fund payments would increase to \$105,000 annually.

Cal Water has a tentative commitment from an institutional investor, Bankers Life Company, for purchase of the Series V bonds at 100% of their principal amount, namely, \$3,000,000 plus accrued interest. The utility will not execute any underwriting agreement but proposes to pay a commission (estimated not to exceed \$15,000) to Dean Witter Reynolds, Inc. for services rendered in negotiating the sale. Net proceeds derived from the sale, other than accrued interest, would be used to reimburse Cal Water's treasury for a portion of moneys actually expended prior to November 30, 1977 for capital improvements. The accrued interest would be used for general corporate purposes. According to the Commission's Competitive Bidding Rule, as most recently promulgated by Decision No. 81908, dated September 25, 1973, in Case No. 4761, competitive bidding is not required for debt security issues of \$5,000,000 or less.

Cal Water's recorded capital ratios as of November 30, 1977 and as adjusted on a pro forma basis to give effect to the proposed bond issue are summarized as follows:

<u>Component</u>	<u>November 30, 1977</u>	
	<u>Recorded</u>	<u>Adjusted</u>
Long-term debt	53.1%	54.1%
Preferred stock	5.2	5.1
Common equity	<u>41.7</u>	<u>40.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In support of the application, Cal Water states that the proposed interest rate is reasonable for a private placement in light of market conditions prevailing at the time of negotiation; moreover, sale of the Series V Bonds would have been extremely difficult without ten-year refunding protection which tended to lower the interest rate below that required for a shorter period of refunding protection.

The Operations Division has reviewed the application and concurs with the conclusion of the Finance Division that the proposed financing is required for the company's construction program.

After consideration, the Commission finds that:

1. The proposed bonds would be for proper purposes.
2. Applicant has need for external funds for the purposes specified in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Twenty-Seventh Supplemental Indenture would not be adverse to the public interest.
5. The money, property, or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purpose specified herein, which purpose, except as otherwise authorized for accrued interest, is not, in whole or in part, reasonably chargeable to operating expenses or to income.

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, and that the effective date of the order should be the date on which applicant pays the prescribed fee. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed 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. California Water Service Company may issue and sell its First Mortgage Series V 8.60% Bonds due November 1, 2006 in an aggregate principal amount not exceeding \$3,000,000.

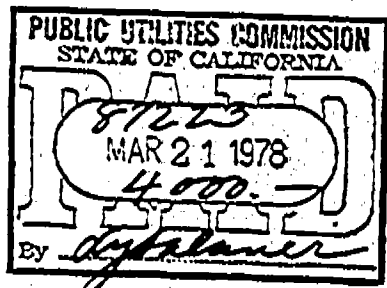
2. California Water Service Company may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Twenty-Seventh Supplemental Indenture) in substantially the same form as Exhibit D, attached to the application.

3. California Water Service Company shall apply the proceeds from the sale of said bonds to the purposes specified in the application.

4. California Water Service 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.

5. This order shall become effective when California Water Service Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$4,000.

Dated at San Francisco, California, this 21st day of MARCH, 1978.



*Robert Bateman*  
President  
*William [Signature]*  
*Leonard [Signature]*  
*Clayton [Signature]*  
*Clare [Signature]*  
Commissioners