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Decision No. **89192** **AUG 8 - 1972**

ORIGINAL
STATE OF CALIFORNIA

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of

CALIFORNIA WATER SERVICE COMPANY,
a corporation,

Application No. 58209
(Filed July 10, 1978)

to issue and sell \$4,000,000 principal amount of its First Mortgage Bonds, Series W, and to execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture.

O P I N I O N

California Water Service Company (Cal Water) requests authority to issue and sell at private sale not exceeding \$4,000,000 aggregate principal amount of its First Mortgage 9-3/8% Bonds, Series W, and to execute and deliver a Twenty-Eighth 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 March 31, 1978, the utility reported operating revenues of \$45,801,118, depreciation and amortization expenses totalling \$3,848,014, and net income of \$5,699,946. Exhibit A, attached to the application, contains a balance sheet dated March 31, 1978, which is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net utility plant	\$158,310,933
Other physical property - net	423,665
Sinking funds	5,415
Current assets	7,480,855
Deferred charges	975,680
Total	<u>\$167,196,548</u>
<u>Liabilities and Capital</u>	
Long-term debt	\$ 70,051,350
Preferred stock	6,650,775
Common stock equity	54,225,613
Advances for construction	21,062,273
Contributions in aid of construction	7,481,289
Miscellaneous reserves	280,799
Current liabilities	7,444,449
Total	<u>\$167,196,548</u>

The application indicates that Cal Water at June 30, 1978 had outstanding \$3,500,000 in short-term bank loans, the proceeds of which were applied to the current construction program. The company indicates that a portion of such borrowings will be repaid following the sale of the Series W Bonds.

Unreimbursed capital expenditures reported by Cal Water as of March 31, 1978 totalled \$72,213,619. 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.

Cal Water proposes to issue and sell \$4,000,000 aggregate principal amount of First Mortgage 9-3/8% Bonds, Series W, due November 1, 2007. The bonds would be secured by an existing

Indenture as previously supplemented, and by a proposed Twenty-Eighth 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 \$20,000 would commence October 31, 1979. Beginning with the year ending October 31, 1983 such sinking fund payments would increase to \$140,000 annually.

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 has tentative commitments from three institutional investors for purchase of the Series W Bonds at 100% of their principal amount, namely \$4,000,000 plus accrued interest, as follows:

<u>Name</u>	<u>Principal Amount</u>
Occidental Life Insurance Company	\$2,000,000
American United Life Insurance Company	1,000,000
Franklin Life Insurance Company	1,000,000

Cal Water will not execute any underwriting agreement relating to the Series W Bonds, but proposes to pay a commission (estimated not to exceed \$20,000) 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 the company's treasury for a portion of the moneys actually expended prior to March 31, 1978, for capital improvements. The accrued interest would be used for general corporate purposes. Because of time commitments, Cal Water requests an order effective on the earliest date permissible by law.

Cal Water's recorded capital ratios as of March 31, 1978 and as adjusted on a pro forma basis to give effect to the proposed bond issue are summarized as follows:

<u>Component</u>	<u>March 31, 1978</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
Long-term debt	53.5%	54.9%
Preferred stock	5.1	4.9
Common equity	<u>41.4</u>	<u>40.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In support of the application, Cal Water states that the proposed rate is reasonable for a private placement in light of market conditions prevailing at the time of negotiation; moreover, sale of the Series W 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 to reimburse the company's treasury for capital expenditures.

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-Eighth 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. On or after the effective date hereof and on or before March 31, 1979, California Water Service Company may issue and sell its First Mortgage Series W 9-3/8% Bonds due November 1, 2007 in an aggregate principal amount not exceeding \$4,000,000.

2. California Water Service Company may execute and deliver a Supplemental Mortgage of Chattels and Trust Indenture (Twenty-Eighth 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 \$5,000.

Dated at San Francisco, California, this 8th day of AUGUST, 1978.

Robert Bateman
President

Veronica L. Sturgeon
Charles P. Sherrill

Commissioners



Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Clair T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.