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Decision No. 89263 AUG 22 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

DOMINGUEZ WATER CORPORATION,
a California corporation,)

Application No. 58239
(Filed July 18, 1978)
and Amendment
(Filed July 25, 1978)

for authorization to issue and sell)
not exceeding \$2,000,000 aggregate)
principal amount of its First Mortgage)
Series H 9-3/8% Bonds of 1998 and to)
execute and deliver an Eighth)
Supplemental Indenture.)

O P I N I O N

Dominguez Water Corporation (Dominguez) requests authority to issue and sell at private sale not exceeding \$2,000,000 aggregate principal amount of its First Mortgage 9-3/8% Bonds, Series H, and to execute and deliver an Eighth Supplemental Indenture.

Applicant is a California corporation providing public utility water service in Los Angeles County. For the twelve months ended March 31, 1978, the utility reported operating revenues of \$5,560,794, depreciation expenses of \$471,517, and net income of \$460,290. 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	\$18,333,139
Other property and investments	1,117,293
Current assets	1,151,908
Deferred charges	99,787
Total	<u>\$20,702,127</u>
<u>Liabilities and Capital</u>	
Long-term debt	\$ 6,282,500
Preferred stock	950,000
Common stock equity	5,014,487
Customer advances for construction	3,119,626
Contributions in aid of construction	4,212,860
Current liabilities	<u>1,122,654</u>
Total	<u>\$20,702,127</u>

Dominguez proposes to issue and sell \$2,000,000 aggregate principal amount of First Mortgage 9-3/8% Bonds, Series H, due August 31, 1998. The bonds would be secured by an existing indenture as previously supplemented, and by a proposed Eighth Supplemental Trust Indenture which would create the new series of bonds and further secure payment of principal on all bonds outstanding. The bonds would be subject to a ten-year restricted redemption provision. The new supplemental indenture would provide a sinking fund commencing in the year 1979 in an amount sufficient to redeem annually 2% (\$40,000) of the aggregate principal amount of the new bonds issued.

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.

Dominguez proposes to sell the bonds to Pacific Mutual Life Insurance and Occidental Life Insurance Company pursuant to the terms of a Bond Purchase Agreement, at a price equal to 100% of the principal amount plus accrued interest. Under the terms of the agreement, Pacific Mutual Life Insurance would purchase \$1,000,000 and Occidental Life Insurance Company would purchase \$500,000 of the bonds in August, 1978. If interest coverage requirements are met by the utility, the additional \$500,000 in bonds would be purchased by Occidental Life Insurance Company in March of 1979.

The application indicates that Blyth Eastman Dillon & Co., Incorporated was commissioned by Dominguez to place \$2,000,000 of First Mortgage Bonds at the best possible rate. Twelve companies were formally contacted and two companies, Pacific Mutual Life Insurance Company and Occidental Life Insurance Company of California, agreed to purchase bonds at a 9-3/8% interest rate. The utility proposes to pay Blyth Eastman Dillon & Co., Incorporated a fee of 1% (estimated at \$20,000) of the principal amount of the new bonds for services rendered in negotiating the sale.

The utility'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>Recorded</u>	<u>Pro Forma</u>
Short-term debt	5.0%	- %
Long-term debt	48.7	56.6
Preferred stock	7.4	6.9
Common equity	<u>38.9</u>	<u>36.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Dominguez would use the proceeds from the issue and sale of the bonds to retire outstanding bank loans incurred for the construction, completion, extension or improvements of the company's facilities, and to pay at maturity \$493,500 aggregate principal amount of its Series C 5% Bonds of 1978, with any remainder to be used for working capital.

The Finance Division of the Commission staff has reviewed the application and has concluded that the proceeds from the proposed sale of bonds are needed for the purposes specified.

The Operations Division of the Commission staff has reviewed the utility's construction program in conjunction with Dominguez rate Application No. 57631 and has concluded that the expenditures forecasted are not unreasonable.

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 set forth in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Eighth Supplemental Trust Indenture would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no 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. Because of the time element relative to the issuance of a portion of the bonds in August 1978, Dominguez has requested an order effective upon payment of the fee. 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. Dominguez Water Corporation may execute and deliver an Eighth Supplemental Trust Indenture in substantially the same form as that attached to the amended application as Exhibit B-1.

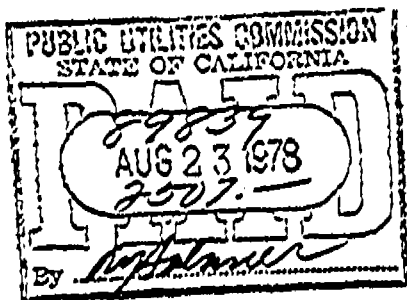
2. Dominguez Water Corporation, for the purposes specified in this proceeding, may issue, sell and deliver not exceeding \$2,000,000 aggregate principal amount of its First Mortgage Series H 9-3/8% Bonds of 1998 substantially in accordance with the provisions of a Bond Purchase Agreement, a copy of which is attached to the amended application as Exhibit C-1.

3. Dominguez Water Corporation shall apply the proceeds from the sale of the said bonds to the purposes specified in the application.

4. Dominguez Water Corporation shall file with the Commission the reports 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 Dominguez Water Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,507.

Dated at San Francisco, California, this 22nd day of AUGUST, 1978.



Robert B. Berman
President
William J. S. S. S.
Vernon L. S. S.

Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

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