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Decision No. 90926 OCT 23 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
WATER COMPANY for authority to issue)
and sell not exceeding 30,000 shares)
of its \$100 Preferred Shares, 9.25%)
Series)

Application No. 59105
(Filed August 28, 1979)

O P I N I O N

Southern California Water Company (SoCal Water) seeks authority to issue and sell by private placement, not exceeding 30,000 shares of its \$100 Preferred Shares, 9.25% Series.

SoCal Water requests this authority pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Daily Calendar of August 30, 1979.

SoCal Water is a California corporation engaged in the business of providing water service to customers in portions of 11 counties, mostly in Southern California. In one of the counties (San Bernardino) SoCal Water also provides electric service. For the 12 months ended June 30, 1979, the utility reported total operating revenues of \$30,687,598 and net income of \$3,212,130.

SoCal Water proposes to issue and sell the 30,000 shares of its \$100 Preferred Shares, 9.25% Series by private placement to Aetna Life Insurance Company for cash at \$100 per share plus accrued dividends. The shares would be subject to a ten-year restricted redemption at premiums declining from 9.25% per share to zero. Commencing in 1985, a \$150,000 annual sinking fund requirement would apply. The company intends to pay Dean Witter Reynolds, Inc. and Kirkpatrick, Pettis, Smith, Polian, Inc. an aggregate fee of \$30,000 as compensation for assisting in the placement of the shares.

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SoCal Water proposes to utilize the net proceeds of the sale of the 30,000 shares of its \$100 Preferred Shares, 9.25% Series to reimburse its treasury for money spent in its construction program and to repay outstanding short-term bank loans bearing an interest rate of 11-3/4%.

The Revenue Requirements Division of the Commission's staff has reviewed the application and concludes that the proceeds from the proposed issue of preferred stock are necessary to implement the company's construction program and to refund maturing short-term obligations. The Division, however, reserves the right to reconsider the reasonableness of any construction expenditures in future proceedings.

SoCal Water's capital ratios as of June 30, 1979 and adjusted to give effect to the proposed issuance of 30,000 shares of preferred stock assuming the sale is at \$100 per share, are summarized as follows:

<u>Component</u>	<u>Capital Ratios</u>	
	<u>As of June 30, 1979</u>	<u>Pro Forma</u>
Common Stock and Surplus	31.86%	31.86%
Preferred Stock	12.00	16.04
Long-Term Debt	44.71	44.71
Short-Term Debt	<u>11.43</u>	<u>7.39</u>
Total	<u>100.00%</u>	<u>100.00%</u>

SoCal Water has informed the Commission's staff that it contemplates completing the issuance and sale of the preferred stock by October 15, 1979. Because of the time constraint, we will make the order effective on the date signed.

Findings of Fact

1. The issuance of the proposed \$100 Preferred Shares, 9.25% Series 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 provisions are reasonable.
4. The money, property or labor to be procured or paid for by the issuance of the \$100 Preferred Shares, 9.25% Series 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~~^{known} opposition and there is no reason to delay *Kr* 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.

In issuing our order herein, we place SoCal Water 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.

ORDER

IT IS ORDERED that:

1. Southern California Water Company, on or after the effective date hereof and on or before December 31, 1979, may issue, sell and deliver not exceeding 30,000 shares of its \$100 Preferred Shares, 9.25% Series, on the terms set forth in the application and in a purchase agreement substantially in the form attached to the application as Exhibit B.

2. Southern California Water Company shall apply the net proceeds from the sale of said stock to the purposes set forth in the application.

3. Within thirty days after issuing, selling and delivering any of the \$100 Preferred Shares, 9.25% Series herein authorized, Southern California Water Company shall file with the Commission a statement, in accordance with General Order No. 24-B, disclosing the purposes for which the proceeds were used.

4. The effective date of this order is the date hereof.

Dated OCT 23 1979, at San Francisco, California.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

John E. Bryan
President

Robert D. Swales

Charles J. Sedwick

James M. Smith
Commissioners