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ORIGINALDecision No. 91068 NOV 30 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:

SAN GABRIEL VALLEY WATER COMPANY,
A California corporationfor authorization to issue and sell not
exceeding \$3,000,000 aggregate principal
amount of its First Mortgage Series L,
10% Bonds of 2005 and to execute and
deliver a Seventeenth Supplemental Trust
IndentureApplication No. 59243
(Filed October 26, 1979)
and Amendment
(Filed November 26, 1979)O P I N I O N

San Gabriel Valley Water Company (San Gabriel) requests authority to issue and sell at private sale not exceeding \$3,000,000 aggregate principal amount of its First Mortgage Series L, 10% Bonds, and to execute and deliver a Seventeenth Supplemental Trust Indenture.

San Gabriel requests this authority pursuant to Sections 816 through 818, and 851 of the Public Utilities Code. Notices of the filing of the application and amendment were published on the Commission's Daily Calendars of October 30 and November 28, 1979, respectively.

San Gabriel is a California corporation engaged in the retail water business in several localities in Los Angeles and San Bernardino counties. For the twelve months ended September 30, 1979, the utility reported operating revenues of \$8,517,961, depreciation and amortization expenses totaling \$635,227; and net income of \$1,100,975. Exhibit B, attached to the application, contains a balance sheet dated September 30, 1979, which is summarized as follows:

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<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$26,875,268
Investments	6,391,055
Current Assets	1,690,876
Deferred Charges	<u>57,637</u>
Total	<u>\$35,014,836</u>
 <u>Liabilities and Capital</u>	
Long-Term Debt	\$ 9,467,500
Preferred Stock	925,000
Common Stock Equity	13,066,850
Advances for Construction	4,152,886
Contributions in Aid of Construction	4,724,197
Current Liabilities	2,179,669
Miscellaneous Reserves	<u>498,734</u>
Total	<u>\$35,014,836</u>

The company has adopted a 1979 capital budget of \$1,203,600. San Gabriel indicates it will be necessary to make short-term borrowings of \$1,460,000 to pay off its Series C, 3-3/8% and Series D, 3-3/8% First Mortgage Bonds due January 1, 1980 prior to the sale of the Series L Bonds. Such borrowings will be repaid following the sale of the proposed Series L, 10% Bonds in early January 1980.

The remaining proceeds from the sale of the proposed Series L Bonds will be utilized to fund a portion of San Gabriel's proposed 1980 capital budget set at \$2,047,500, excluding projects to be financed by advances for construction and contributions in aid of construction.

San Gabriel proposes to issue and sell \$3,000,000 aggregate principal amount of First Mortgage Series L, 10% Bonds due January 1, 2005. The bonds would be secured by an existing Indenture as previously supplemented, and by a proposed Seventeenth Supplemental

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Trust Indenture further supplemented and amended. The bonds would be subject to a ten-year restricted redemption provision and annual sinking fund payments of \$90,000. The Company plans to sell the new bonds to Pacific Mutual Life Insurance Company for cash, at the principal amount plus accrued interest, pursuant to the terms of a purchase commitment.

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.

San Gabriel's recorded capital ratios as of September 30, 1979 and as adjusted on a pro-forma basis to give effect to the proposed bond issue are summarized as follows:

<u>Component</u>	<u>September 30, 1979</u>	
	<u>Recorded</u>	<u>Pro-Forma</u>
Long-Term Debt	40.4%	44.0%
Preferred Stock	3.9	3.7
Common Equity	<u>55.7</u>	<u>52.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In support of the application, San Gabriel states that the proposed interest rate is reasonable for a private placement in light of market conditions prevailing at the time of negotiation. Sale of the proposed Series L Bonds would be extremely difficult without a ten-year refunding protection which tends to lower the interest rate below that required for a shorter period of refunding protection.

The Revenue Requirements Division has reviewed the application and concludes that the proposed financing is required to refund the existing Series C and D Bonds and for capital expenditures set forth in Exhibit C attached to the application. The Division, however, reserves the right to reconsider the reasonableness of construction expenditures in future rate proceedings.

Findings of Fact

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 Seventeenth 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 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.
6. There is no known opposition and there is no reason to delay 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:

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 June 30, 1980, San Gabriel Valley Water Company may issue and sell its First Mortgage Series L, 10% Bonds due January 1, 2005 in an aggregate principal amount not exceeding \$3,000,000.

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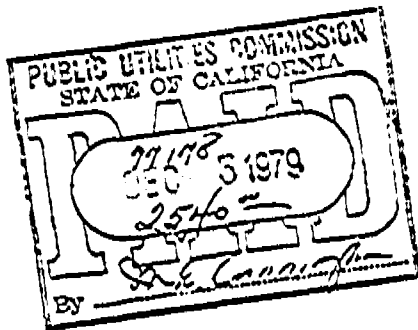
2. San Gabriel Valley Water Company may execute and deliver a Seventeenth Supplemental Trust Indenture in substantially the same form as Exhibit F, attached to the application.

3. San Gabriel Valley Water Company shall apply the proceeds from the sale of the bonds to the purposes specified in the application.

4. San Gabriel Valley 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.

5. This order shall become effective when San Gabriel Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,540.

Dated NOV 30 1979, at San Francisco, California.



John E. Byers
President
James L. Stanger
Robert W. Stovall
Walter J. ...
Samuel L. ...
Commissioners