

Decision No. 92068 JUL 29 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
 WATER COMPANY to issue and sell not)
 exceeding 550,000 shares of its)
 Common Stock, \$5 par value. }

Application No. 59715
 (Filed June 10, 1980)

O P I N I O N

Southern California Water Company (SoCal Water) requests authority to issue and sell not exceeding 550,000 shares of its Common Stock, \$5 par value.

SoCal Water request this authority pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of June 12, 1980.

SoCal Water, a California corporation, is a public utility engaged principally in the sale and distribution of water in portions of eleven counties in California. The company also renders electric service in the vicinity of Big Bear Lake in San Bernardino County.

For the twelve months ended April 30, 1980, the utility reports it generated total operating revenues of \$33,757,064 and net income of \$3,290,415 as shown in Exhibit A attached to the application. Also in Exhibit A is a Balance Sheet as of April 30, 1980, summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$109,758,241
Investments	590,069
Current Assets	7,494,515
Deferred Charges	853,904
Total	\$118,696,729
<u>Liabilities and Capital</u>	
Common Equity	\$ 23,803,096
Preferred Stock	11,880,000
Long-Term Debt	36,588,223
Short-Term Debt	6,900,000
Current Liabilities	7,421,548
Other Credits	32,103,862
Total	\$118,696,729

The net proceeds from the proposed sale of stock would be used for the retirement and discharge of a portion of SoCal Water's outstanding short-term debt (estimated to be \$6,900,000), issued for temporary financing of additions to its utility plant, with the balance, if any, for the reimbursement of the utility for capital expenditures.

As of April 30, 1980, SoCal Water had outstanding \$6,900,000 of short-term debt. The company's construction budget for the year 1980 amounts to \$5,675,000. A detailed classification of the budgeted construction for 1980 is as follows:

<u>Description</u>	<u>Amount</u>
<u>Water</u>	
Land and Water Supply	\$1,461,200
Distribution Improvements	2,201,900
Meters, Service and Equipment	1,338,900
Electric	242,300
Contingencies and Miscellaneous	181,600
New Business	<u>2,848,400</u>
Total	8,274,300
Less Advances in Aid of Construction	<u>2,599,300</u>
Total	<u>\$5,675,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed SoCal's 1980 construction program, and concludes the estimated construction expenditures are reasonable. No objection has been taken to the proposed security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of the construction expenditures in future rate proceedings.

SoCal Water's capitalization ratios, recorded as of April 30, 1980, and as adjusted on a pro forma basis to give effect to the proposed stock issue^{1/} assuming proceeds of \$6,600,000 are as follows:

<u>Item</u>	<u>April 30, 1980</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
First Mortgage Bonds	46.7%	46.3%
Short-Term Bank Loans	8.6	1.1
Preferred Stock	14.9	14.8
Common Stock Equity	<u>29.8</u>	<u>37.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

During calendar year 1979, SoCal Water secured \$7,000,000 in financing consisting of \$4,000,000 from sale of First Mortgage Bonds, 10% Series,^{2/} and \$3,000,000 of \$100 Preferred Stock, 9.25% Series.^{3/}

SoCal Water plans to issue and sell the stock on a negotiated basis through a group of underwriters represented by Dean Witter Reynolds Inc. and Kirkpatrick, Pettis, Smith, Polian Inc. A preliminary copy of the Underwriting Agreement is attached to the application as Exhibit C. The final terms of the agreement and other terms of the proposed offering, including the price of the stock, the aggregate number of shares to be offered, and the underwriting spread with respect thereto, will be determined by negotiation between SoCal Water and the underwriters shortly before the proposed public offering; provided, that the price of the stock to be paid to SoCal Water by the underwriters shall not be less than 90% of the last reported sale price of the stock on the Over-the-Counter Market prior to the time the price is fixed.

^{1/} On June 23, 1980, SoCal's Common Stock was quoted in the over-the-counter securities market at a "bid price" of 13 and on "ask price" of 14-1/2.

^{2/} Authorized by Decision No. 91034, dated November 20, 1979, in Application No. 59216.

^{3/} Authorized by Decision No. 90926, dated October 23, 1979, in Application No. 59105.

The staff of the Commission's Revenue Requirements Division has reviewed the application and the supplemental data submitted by the company regarding its cash requirements forecast. The staff concludes that the proposed issuance of SoCal's new stock will be necessary to help the company meet its forecasted cash requirements.

Findings of Fact

1. SoCal Water is a California corporation operating under the jurisdiction of this Commission.
2. SoCal Water has need for external funds for the purposes set forth in the application.
3. The issuance of the proposed Common Stock, \$5 par value, would be for proper purposes.
4. The money, property, or labor to be procured or paid for by the stock 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 opposition and 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.

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 stated value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant. This authorization is not to be construed as a finding of the value of the company's stock or property nor 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. Southern California Water Company, on or after the effective date hereof, may issue and sell not exceeding 550,000 shares of its Common Stock, \$5 par value, on terms and conditions to be negotiated with underwriters.

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

3. Promptly after Southern California Water Company ascertains the underwriting commission and the price to be paid for the common stock, herein authorized, the company shall notify the Commission thereof in writing.

4. As soon as available, Southern California Water Company shall file with the Commission three copies of its final prospectus pertaining to the new stock.

5. Southern California 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.

6. This order shall become effective when Southern California Water Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$7,600.

Dated JUL 29 1980, at San Francisco, California.

John E. Byrne

 President

Thomas L. Stegeman

William H. Hooley

Samuel J. ...

Clare J. ...

 Commissioner

