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ORIGINAL

Decision No. 92513

DEC 16 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of AZUSA VALLEY WATER COMPANY,  
a California corporation, for  
authorization to sell and issue  
its First Mortgage Series A,  
13-1/2% Bonds in the aggregate  
principal amount of \$2,000,000,  
to execute a Bond Purchase  
Agreement and a Trust Indenture.

Application No. 60008  
(Filed October 20, 1980)

O P I N I O N

Azusa Valley Water Company (Azusa) requests authority (a) to issue, sell and deliver not to exceed \$2,000,000 aggregate principal amount of its First Mortgage Series A, 13-1/2% Bonds, (b) to execute and deliver a Trust Indenture, and (c) to execute and enter into a Bond Purchase Agreement.

Azusa requests this authority pursuant to Sections 816 through 830 and 851 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Daily Calendar of October 27, 1980. No protests have been received.

Azusa is a California corporation engaged in the retail water business serving approximately 14,000 metered service connections in and around the City of Azusa in the County of Los Angeles. For the twelve months ended August 31, 1980, the utility reported operating revenues of \$1,595,541 and net income of \$288,048.

Exhibit A, attached to the application, contains a Balance Sheet dated August 31, 1980, which is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$4,742,876
Investments and Special Deposits	181,987
Other Current Assets	277,139
Deferred Charges	<u>306,430</u>
Total	<u>\$5,508,432</u>
 <u>Liabilities and Capital</u>	
Long-Term Debt	\$ 813,750
Preferred Stock	646,400
Common Stock Equity	2,329,633
Advances for Construction	458,284
Contributions in Aid of Construction	662,410
Current Liabilities	<u>597,955</u>
Total	<u>\$5,508,432</u>

Azusa proposes to use the proceeds from the sale of its Series A, First Mortgage Bonds to apply to the retirement and discharge of its indebtedness to The Lincoln National Life Insurance Company. The indebtedness arose under the terms and provisions of a certain promissory note dated March 1, 1956, the proceeds from which were obtained to pay for the construction, completion, extension or improvement of Azusa's facilities and to improve its services. After the retirement and discharge of indebtedness under that note, Azusa proposes to apply the remainder of the proceeds from the sale of the Series A Bonds for the construction, completion, extension or improvement of its facilities, and for the improvement or maintenance of its services.

Azusa proposes to issue, sell and deliver \$2,000,000 principal amount of First Mortgage Series A, 13-1/2% Bonds, dated October 1, 1980, to mature October 1, 2000. The bonds would be secured by a Trust Indenture to be executed substantially in the form which is attached to the application as Exhibit B. The proposed bonds

would be subject to a ten-year restricted redemption provision; will bear interest at the rate of 13-1/2% per annum, payable semiannually. The proposed Trust Indenture provides for a sinking fund in an amount sufficient to redeem annually 3-1/2% of the principal amount of all Series A Bonds issued.

Azusa also proposes to execute and enter into a Bond Purchase Agreement with The Lincoln National Life Insurance Company, substantially in the form attached to the application as Exhibit C.

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.

Azusa's recorded capital ratios as of August 31, 1980, and as adjusted on a pro forma basis to give effect to the proposed bond issue, are summarized as follows:

<u>Component</u>	<u>August 31, 1980</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
Long-Term Debt	21.47%	48.60%
Preferred Stock	17.06	11.16
Common Equity	<u>61.47</u>	<u>40.24</u>
Total	<u>100.00%</u>	<u>100.00%</u>

In support of the application, Azusa states that the proposed interest rate is reasonable for a private placement in light of market conditions. Azusa believes that without a refunding restriction for a period of at least 10 years, the marketability of its Series A Bonds would be substantially reduced, and that the cost of funds to Azusa would be higher.

The staff of the Revenue Requirements Division has reviewed the application and concludes that the proposed financing is required to retire and discharge the indebtedness for capital expenditures

incurred by Azusa under its promissory note to The Lincoln National Life Insurance Company. 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. Azusa has need for external funds for the purposes specified in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Trust Indenture is reasonable and would not be adverse to the public interest.
5. The proposed Bond Purchase Agreement would not be adverse to the public interest.
6. 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 is not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. 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, 1981, Azusa Valley Water Company may issue, sell and deliver its First Mortgage Series A, 13-1/2% Bonds due October 1, 2000, in an aggregate principal amount not to exceed \$2,000,000.
2. Azusa Valley Water Company may execute and deliver a Trust Indenture in substantially the same form as Exhibit B, attached to the application.
3. Azusa Valley Water Company may execute and enter into a Bond Purchase Agreement in substantially the same form as Exhibit C, attached to the application.
4. Azusa Valley Water Company shall apply the proceeds from the sale of the bonds to the purpose specified in the application.
5. Azusa 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 the order.
6. This order shall become effective when Azusa Valley Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$3,000.

Dated DEC 16 1980, at San Francisco, California.

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

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

John E. Boyer  
President

Arthur W. Howard

Clare J. Smith

Commissioners

