

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of California Water Service Company (U60W), a California Corporation, for an Order to Issue and Sell Additional Debt and Equity Securities not Exceeding the Aggregate Amount of \$350,000,000 and other Related Requests.

Application 15-04-021  
(Filed April 24, 2015)

**DECISION GRANTING THE APPLICATION OF CALIFORNIA WATER SERVICE COMPANY (U60W) TO ISSUE UP TO \$350,000,000 OF NEW LONG-TERM DEBT AND EQUITY SECURITIES AND OTHER RELATED REQUESTS**

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**DECISION GRANTING THE APPLICATION OF CALIFORNIA WATER SERVICE COMPANY (U60W) TO ISSUE UP TO \$350,000,000 OF NEW LONG-TERM DEBT AND EQUITY SECURITIES AND OTHER RELATED REQUESTS****Summary**

This decision grants the Application of California Water Service Company (Cal Water) to issue up to \$350,000,000 in new debt securities, directly or through its affiliate California Water Service Group (CWS Group). It also grants Cal Water the authority to use the net proceeds received from these new securities for the purposes permitted in Public Utilities Code (Pub. Util. Code) § 817,<sup>1</sup> including the discharge or refinancing of all or some of its existing indebtedness, capital expenditures including construction, completion and improvement of the applicant's facilities and infrastructure, the acquisition of utility properties and reimbursement for capital expenditures. Cal Water is further granted the authority to execute and deliver indentures or board resolutions and/or loan, credit or note purchase agreements pursuant to § 851, and may amortize any of the discount, expense, or premium associated with the issuance or redemption of its long-term obligations. In accordance with the Commission's decision adopting a New Finance Rule<sup>2</sup> and General Order 24-C, the applicant may use the requested enhancements and interest rate management for its new debt securities and recover associated costs. Cal Water is granted a waiver from the

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise indicated.

<sup>2</sup> Decision (D.)12-06-015 to Rulemaking (R).11-03-007, Order Instituting Rulemaking on the Commission's Own Motion to Consider Effectiveness and Adequacy of the Competitive Bidding Rule for Issuance of Securities and Associated Impacts of General Order 156, Debt Enhancement Features, and General Order 24-B, as modified by D.12-07-003, Order Correcting Errors in D.12-06-015.

provisions of § 818 applicable to short-term borrowings, specifically it is authorized to borrow under revolving credit arrangements payable at periods up to 24 months rather than the 12-month period currently permitted for short-term borrowing under § 818. Cal Water's existing financing instruments listed in Attachment 2 to the Application, and any subsequent refinancing of those instruments, shall not be counted against its authorized amount of new securities in these instruments and would not affect the amount of the underlying securities issued. The authority granted in this decision is in addition to the authority granted in prior financing decisions, of which \$146 million remains available to Cal Water. The authority granted pursuant to this decision shall become effective immediately, proof of payment of fees prescribed in §§ 1904(b) and 1904.1 having been provided by the applicant.

### **1. Background**

Cal Water is a Class A water utility providing water service in 23 districts throughout the state, and is subject to the jurisdiction of this Commission. On April 24, 2015, Cal Water filed Application (A.) 15-04-021 requesting authorization to issue additional debt and equity securities consisting of long-term notes for up to \$350 million. Along with the Application, Cal Water paid fees of \$181,000 to the Commission pursuant to Pub. Util. Code § 1904(b). On May 21, 2015, Resolution ALJ 176-3357 was issued, preliminarily categorizing this proceeding as ratesetting and preliminarily determining that hearings were needed.

On June 1, 2015, the Office of Ratepayer Advocates (ORA) filed a timely protest, citing concern about the long-term effects on rate of return stemming from the issuance of these securities, the impact the issuance of new securities might have on Cal Water's ability to pay debt, compliance with applicable Pub.

Util. Code requirements and how the proceeds from the sale of securities would be used. On September 18, 2015, ORA filed a motion to withdraw its protest, reporting that all of ORA's concerns have been resolved by Cal Water's response to various data requests, and ORA no longer opposes the Application. On September 24, 2015, the assigned Administrative Law Judge (ALJ) issued a ruling granting the motion.

On September 22, 2015, the assigned Commissioner issued a Scoping Memo and Ruling setting forth the scope and schedule for the proceeding, designating the assigned ALJ as the presiding officer, and indicating that hearings were no longer necessary. On November 30, 2015, the ALJ issued a ruling seeking clarification whether Cal Water is seeking authority to encumber its assets under § 851. On December 10, 2015, Cal Water confirmed it is requesting this authority.

## **2. Request**

Cal Water seeks authorization to issue, sell and deliver additional debt and equity securities of up to \$350 million<sup>3</sup> in long-term notes for the period 2016-2020, directly and/or through its affiliate CWS Group. These securities would consist of, but not be limited to: (i) common shares and preferred shares (New Equity Securities); and/or (ii) bonds, debentures, notes, and other evidences of indebtedness (New Debt Securities) on terms and conditions as stated in the Application (collectively, "New Securities"). Cal Water plans to use the proceeds for water utility plant construction including completion, replacement, extension or improvements to its existing facilities; acquisition of property and/or water

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<sup>3</sup> Cal Water's request is \$27 million less than the \$377 million Cal Water estimates it will need for total projected Use of Funds of \$1,548 million for the period 2016-2020 (*see* Table 1, below).

systems; working capital for operations; retirement of maturing long-term debt; satisfying First Mortgage Bond sinking fund requirements; and reimbursement of moneys previously expended from income for which Cal Water's treasury has not been reimbursed.

Cal Water requests specific authority, on its own and/or through its affiliate company CWS Group, to:

1. Execute and deliver one or more indentures, supplemental indentures or board resolutions, and/or loan, credit or note purchase agreements or other agreements pursuant to § 851;
2. Amortize any of the discount, expense, or premium associated with the issuance or redemption or its long-term obligations before the date of maturity of the first issue ratably over the remaining life of the replacement obligation;
3. Use specified enhancements and interest rate management techniques for its New Debt Securities, and to recover associated costs in accordance with D.12-06-015, the Commission's decision "Adopting a New Finance Rule and General Order 24-C"; and
4. Deviate from the requirements of § 818 which apply to short-term borrowings to allow Cal Water to borrow under revolving credit arrangements payable at periods up to 24 months rather than 12 months as currently permitted.

Cal Water also requests the Commission's Order specify:

1. That the existing instruments (listed in Attachment 2 of the Application), and any subsequent refinancing of those instruments, shall not be counted against Cal Water's authorized amount of New Securities as those instruments would not affect the amount of the underlying securities issued;

2. The authority granted is in addition to that which Cal Water received under prior financing decisions, of which \$146 million remains; and
3. The authority granted shall become effective immediately, payment of fees prescribed in §§ 1904(b) and 1904.1 having been provided by the applicant.

Cal Water proposes that it may have the opportunity to finance certain capital projects through special low-cost or tax advantaged government programs, and seeks Commission authority to engage in these types of borrowings and debt financings. Cal Water will seek the least-cost financing available.

### **2.1. Requested New Debt Securities Enhancement and Interest Rate Management Features**

In order to improve the terms and conditions of new debt securities issuances, lower the overall cost of new debt securities, and manage potential interest rate increases, Cal Water requests authority to utilize put options, call options, sinking funds, treasury locks, treasury options, interest rate swaps, swaptions, and caps and collars.<sup>4</sup> Cal Water also requests that such debt securities enhancement and interest rate management features not be counted against its authorized amount of new debt securities and equity securities.

### **2.2. Request for Waiver from § 818**

Cal Water requests a waiver from § 818, to allow the use of short-term debt for terms up to 24 months. Cal Water states this could provide financing cost savings by allowing Cal Water to avoid issuing long-term debt during periods of

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<sup>4</sup> These securities enhancement and interest rate management features are defined in Attachment C to D.12-06-015 to Rulemaking (R.) 11-03-007.

high market volatility, and by allowing Cal Water to bring larger offerings to market, potentially lower transaction costs. Cal Water would record this debt as short-term debt.

Pursuant to § 818, the issuance of short-term debt securities in connection with its revolving credit arrangements is restricted to a 12-month period. This rule requires a utility to receive prior approval from the Commission for any indebtedness payable at periods of more than 12 months after the date of issuance.

Cal Water requests that the Commission waive the requirements of § 818 only as it applies to Cal Water's short-term borrowings in connection with its revolving credit arrangements, and that it be allowed to increase the period of time that its short-term borrowings are outstanding from the present maximum period of 12 months to a maximum period of 24 consecutive months. Cal Water proposes to use such short-term financing for day-to-day operations when short-term cash outflow exceeds inflow, and to cover regulatory account balances.

### **3. Discussion**

#### **3.1. Public Utilities Code Requirements for Issuance of Securities**

Cal Water's request is subject to §§ 816, 817 and 818. The Commission has broad discretion under § 816 *et seq.* to determine if a utility should be authorized to issue debt. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and stock to protect and promote the public interest.

Pursuant to § 817, a public utility may only issue and use financing for selected purposes.<sup>5</sup> Those purposes not listed in § 817 may only be paid with funds from normal utility operations. Cal Water has substantiated that the issuance of new Debt Securities is necessary for the acquisition of property, construction, completion, extension, or improvement of Cal Water facilities, retirement or refinancing of previously issued debt, and/or reimbursement of Cal Water for money expended from income or its treasury funds. These purposes are authorized in § 817 and, as required by § 818, are not reasonably

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<sup>5</sup> § 817. A public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for any one or more of the following purposes and no others:

- (a) For the acquisition of property.
- (b) For the construction, completion, extension, or improvement of its facilities.
- (c) For the improvement or maintenance of its service.
- (d) For the discharge or lawful refunding of its obligations.
- (e) For the financing of the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility.
- (f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization.
- (g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash.
- (h) For the reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

chargeable to operating expenses or income. Cal Water's request to extend the term of its short-term debt securities is addressed separately in § 4.5, below.

We grant Cal Water the authority under § 816 *et seq.* to issue new Debt Securities for the aforementioned purposes and for the amounts determined in this decision. Consistent with § 824, Cal Water shall maintain records to identify the specific long-term debt issued pursuant to this decision, and demonstrate that proceeds from such debt have been used only for public utility purposes. Approval of this financing allows Cal Water to meet its obligations pursuant to § 451, to take all actions "... necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

### **3.2. Forecast of Sources and Uses**

Utility applications seeking authority to issue debt or other securities are based, in part, on forecasted sources and uses of funds that illustrate the requested need for funding. Cal Am used a long-term forecast covering the period 2015-2020 to determine its future financing needs. Cal Water's forecast includes uses of funds such as capital expenditures, payment of maturing debt obligations and reimbursement of its treasury. Cal Water's forecast also includes sources of funds, such as cash flow from operations, cash flow from investments and cash flow from financing activities. Cal Water states that it has \$146 million remaining and available from prior financing decisions. The financing approved here is in addition to that financing previously authorized.

**Table 1**  
**Sources and Uses**

<b>USES OF FUNDS</b>	<b>(Millions)</b>					
	2016	2017	2018	2019	2020	Total
Capital Expenditures	\$182	\$205	\$220	\$160	\$160	\$927
Maturing Long-term Debt	6	26	16	106	22	176

Short-term Debt Repayment	67	-	90	-	130	287
Dividends Paid	31	31	32	32	32	158
<i>Total Uses of Funds</i>	\$286	\$262	\$358	\$298	\$344	\$1,548.00
<b>SOURCES OF FUNDS</b>						
Cash from Operations	140	155	160	164	176	\$795
Issue Debt & Equity Securities	-	90	-	130	-	220
Other	2	2	2	2	2	10
<i>Total Sources of Funds</i>	142	247	162	296	178	\$1,025
<b>Difference betw Uses &amp; Sources</b>	(144)	(15)	(196)	(2)	(166)	(\$523)
<b>Existing Financing Authority</b>						146
<b>Running Surplus (Deficit) in Financial Sources<sup>6</sup></b>						377
<i>(Financial Requirement less Source of Funds)</i>						
<b>Requested Financing Authority</b>						\$350

The Commission authorizes Cal Water to issue \$350 million of new debt and equity securities, Cal Water's full request.<sup>7</sup> This new financing will allow Cal Water to fund its capital expenditure plans for the period 2016-2020, retire and/or refinance existing securities, and reimburse Cal Water for money expended from income or treasury funds.

A granting of financing authority to a utility does not obligate the Commission to approve any capital projects. This financing authority provides Cal Water with sufficiently liquid resources to timely finance its upcoming public utility projects, to refund maturing debt, and to reimburse its treasury.

<sup>6</sup> See footnote 3, supra.

<sup>7</sup> Approval of the financing authority in this decision, in addition to the remaining authority to issue \$146 million from prior decisions, will enable Cal Water to make an aggregate offering not to exceed \$496 million through 2020.

Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Therefore, approval of this financing request does not prejudice any of Cal Water's forecasted projects for the period 2016-2020.

### **3.3. Tax-Exempt Financing**

Cal Water seeks authority to finance capital projects, if available and cost effective, through tax-exempt government securities. When Cal Water qualifies for tax-exempt financing under federal or state law, and these tax-exempt securities result in a lower overall cost when compared with similar taxed securities, we find it reasonable for Cal Water to utilize tax-exempt long-term financing.

### **3.4. Debt Securities Enhancement and Interest Rate Management Features**

Cal Water has sought authority to include certain debt securities enhancement and interest rate management features detailed in § 3.1 of this decision, to improve the terms of new debt securities issuances, lower the overall cost of new debt securities, and manage potential interest rate increases. In its Application, Cal Water provided a brief description and rationale for the potential use of the requested features, as required by the New Financing Rule. Cal Water also requests that such debt securities enhancement and interest rate management features not be counted as additional financing against its authorized amount of new debt securities and equity securities in compliance with the New Financing Rule. As Cal Water's requests are in compliance with the New Financing Rule, we authorize Cal Water to use its requested debt securities enhancement and interest rate management features, and to exclude

the amount of such features from Cal Water's amount of new debt securities authorized herein.

### **3.5. Waiver from § 818**

As discussed above, § 818 requires that long-term debt securities (term of greater than 12 months) be used for proper purposes, such as purchase of regulatory assets, unless expressly permitted in an order authorizing debt securities. We have authorized such exceptions in the past for other utilities, when good cause is shown and the purposes of the debt are specifically identified.<sup>8</sup>

Cal Water believes it is more cost-effective to issue short-term debt. This may result in financing cost savings by allowing Cal Water to avoid issuing long-term debt during periods of high market volatility and by allowing Cal Water to bring larger offerings to market, potentially lowering transaction costs. Larger offerings that avoid short periods of excessive market volatility will tend to lower effective yield requirements, making Cal Water's financing more efficient and help lower the cost of providing utility service. With this § 818 exemption in place, Cal Water may be able to aggregate its need for long-term debt into an "index eligible" offering, further lowering issuance costs.

We find that issuance of more short-term debt is reasonable and authorize Cal Water to issue additional short-term debt over terms of up to 24 months. Since Cal Water plans to use this 24-month short-term debt for proper short-term purposes, plans to record such as short-term debt, and given our recent authorization of similar requests, we grant Cal Water a waiver from the

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<sup>8</sup> See D.14-07-015 at 11-12, D.01-06-016 at 7-8, D.10-09-026 and D.11-01-034.

requirements of § 818 as they apply to short-term debt it issues over the period 2016 through the beginning of 2020. By doing so, we authorize Cal Water to issue short-term debt under its revolving credit arrangements for short-term purposes for a term of up to 24 months.

#### **4. Fees**

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee pursuant to §§ 1904(b) and 1904.1. As the Commission is approving Cal Water's full request, and Cal Water has remitted the required \$181,000<sup>9</sup> fee to the Commission's Fiscal Office, the authority granted by this decision shall be effective as of the date this decision is issued.

#### **5. Financial Information**

We place Cal Water on notice that the reasonableness of any resulting interest rate and cost of money arising from debt capital, as well as capital structures, are normally subject to review in the appropriate cost of capital or general rate case proceeding. Therefore, we will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes. Nor will we make a finding in this decision on the reasonableness of Cal Water's proposed construction program. The authority to issue securities is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

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<sup>9</sup> The fee is assessed on \$350 million as follows:  $\$2 \times (\$1,000,000/\$1,000) + \$1 \times (\$9,000,000,000/\$1,000) + \$0.50 \times \$340,000,000/\$1,000 = \$181,000$

**6. California Environmental Quality Act**

Under the California Environmental Quality Act (CEQA)<sup>10</sup> and Rule 2.4 of the Commission's Rules of Practice and Procedure (Rules), we must consider the environmental consequences of projects that are subject to our discretionary approval.<sup>11</sup> Thus, we must consider whether approval of this Application will alter an approved project, result in new projects or change operations in ways that have an environmental impact.

According to Cal Water, it is unknown at this time what the specific project activities and new construction associated with the authority to issue debt will be. The Application specifies that its purpose is to secure approval for Debt Securities, to be used partly for acquisition of property, construction, completion, extension, or improvement of Cal Water facilities. Cal Water has general plans for the use of the debt proceeds, but it does not have the basic details regarding those contemplated projects that might be financed through the contemplated Debt Securities. However, securing the financing authority now will put Cal Water in a better position to undertake plant improvements without delay when construction plans are finalized.

Cal Water must comply with all environmental permitting requirements applicable to the construction and improvements that it will undertake in conjunction with the proposed debt issue. Since the details of the proposed improvements are unknown at this time, we put Cal Water on notice that our

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<sup>10</sup> Public Resources Code § 21000 et seq.

<sup>11</sup> Public Resources Code, § 21080. Sec. 21080(b)(8) provides "The establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies ...." is exempt from CEQA.

approval to issue debt does not constitute an implied or expressed waiver of applicable environmental regulations.

This decision does not authorize any capital expenditures or construction projects. New construction projects which Cal Water intends to finance must undergo a CEQA review as early as feasible in the planning process, as required by CEQA Guidelines,<sup>12</sup> specifically § 15004(b). Ongoing projects have already been subject to any necessary CEQA review undertaken prior to Cal Water receiving a certificate of public convenience and necessity or permit to construct. To the extent capital expenditures are financed with the proceeds of the long-term debt issued pursuant to this decision, CEQA review should occur as needed through the regulatory process applicable to each capital project.

#### **7. Safety Considerations**

Approval of this Application will enable Cal Water to provide a safe, reliable source of water at a reasonable cost to its customers and at a reasonable rate of return for its investors.

#### **8. Categorization and Need for Hearing**

In Resolution ALJ 176-3357, dated May 21, 2015, the Commission preliminarily determined that this proceeding should be categorized as ratesetting and that a hearing would be necessary. As all of the issues raised in ORA's protest have been resolved and the Application is now uncontested, a hearing is no longer necessary. The preliminary categorization of this proceeding as ratesetting is affirmed.

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<sup>12</sup> 14 CCR 15000.

**9. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

**10. Assignment of Proceeding**

Liane M. Randolph is the assigned Commissioner and Dan H. Burcham is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. Based on Cal Water's forecast of sources and uses, the forecast of funds needed by Cal Water over the period 2016-2020 is \$1,548 million, which includes \$927 million for construction, \$176 million for maturing long-term debt, \$287 million for refinancing of short-term debt, and \$158 million for dividend payments.

2. Based on Cal Water's forecast of sources and uses, the forecast of funds available to Cal Water over the period 2016-2020 is \$1,025 million, which includes, \$795 million from cash from operations, \$220 million from short-term debt, and \$10 million collectively from California Water Services Group, advances from developers (later refunded over time), and contributions in aid of construction (CIAC).

3. The difference between Cal Water's need for \$523 million and funds available of \$146 million results in a need for new Debt Securities of \$377 million. Cal Water is requesting authority to issue \$350 million in new Debt Securities, \$27 million less than the total amount the applicant projects it will need.

4. Cal Water paid to the Commission fees in the amount of \$181,000 pursuant to § 1904.1 concurrent with the filing of this Application.

5. Cal Water plans to use its new Debt Securities to meet its future financing needs, including: discharge of existing debt; reimbursement of its treasury for capital expenditures; funding of construction, completion, and improvement of facilities; and acquisition of utility property.

6. The Commission does not, by this decision, determine that Cal Water's construction budget, cash requirements forecast, and capital structure are necessary or reasonable for ratemaking purposes. These issues are normally reviewed and authorized in general rate case or cost of capital proceedings.

7. The Commission has broad discretion under § 816, *et seq.*, to determine if a utility should be authorized to issue debt securities. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and equity securities to protect and promote the public interest.

8. In part, pursuant to § 816, the Commission, as vested by the state, may prescribe regulations and restrictions on the issuance of debt and equity securities issued by public utilities, and supervise and control their issuance.

9. The proper term for securities issued pursuant to § 817 is greater than 12 months. Pursuant to § 817, a public utility may only issue and use financing for selected purposes. Those purposes not listed in § 817 may only be paid for with funds from normal utility operations.

10. Pub. Util. Code § 818 requires that long-term debt securities (term of greater than 12 months) be used for proper purposes, such as purchase of regulatory assets, unless expressly permitted in an order authorizing debt securities. We have authorized such exceptions in the past for Cal Water (*see* D.10-09-026) and for other utilities (*see* D.14-07-015 at 11-12, D.01-06-016 and D.11-01-034), when good cause is shown and the purposes of the debt securities are specifically identified.

11. Pub. Util. Code § 818 allows for waivers to the requirements of Pub § 817.

12. Pursuant to § 824, the Commission may require, in part, that public utilities account for the disposition of the proceeds of all sales of stock and debt.

Pursuant to this code section, the Commission may also establish rules to insure the disposition of such proceeds are for the purposes required by the authorizing order.

13. As stated in Pub. Res. Code § 21080(b)(8), the “establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.

14. In part, the New Financing Rule governs the use and recording of debt securities enhancement and interest rate management features.

15. Cal Water’s request is in compliance with §§ 816, 817, 818 and 824.

### **Conclusions of Law**

1. Cal Water should be authorized to issue new Debt Securities of \$350 million:
  - a. Directly or through its affiliate, California Water Service Group;
  - b. In the form of shares of common stock sold solely to Cal Water’s parent company California Water Service Group, not to exceed \$496 million in aggregate offering amount;
  - c. With interest rates determined by market conditions;
  - d. With no taxes assumed by issuer on Debt Securities;
  - e. For terms up to 60 months; and
  - f. Unsecured or secured by assets of Cal Water, depending on the lowest possible cost and most favorable terms (consistent with its capital requirements) that are available near the time of sale.
2. Cal Water should be authorized to issue new Equity Securities:

- a. Directly or through its affiliate, California Water Service Group;
  - b. Of up to \$350 million in the form of shares of common stock sold solely to Cal Water's parent company California Water Service Group, not to exceed \$496 million in aggregate offering amount;
  - c. To fund the retirement of all or a portion of its then outstanding short-term bank loans, and the balance, if any, of any or all purposes as allowed under § 817.
3. Cal Water should be authorized to utilize the following debt securities enhancement and interest rate management features in compliance with the New Financing Rule: put options; call options; sinking funds; treasury locks; treasury options; interest rate swaps; swaptions; and caps and collars.
4. Pursuant to the New Financing Rule, Cal Water should be authorized to exclude the amount of such debt securities enhancement and interest rate management features from the amount of new debt securities authorized herein.
5. Cal Water should be granted a waiver from the requirements of § 818 as it applies to its new short-term debt issued under its revolving credit arrangement.
6. The order herein is not a finding of the reasonableness of Cal Water's proposed construction plan or expenditures, the result plant balances in rate base, the capital structure, or the cost of money, nor should it indicate approval of matters subject to review in a general rate case or other proceedings.
7. Cal Water should remit a check or money order for \$181,000, as required by §§ 1904(b) and 1904.1.
8. The fees required to be paid by Cal Water pursuant to § 1904.1 have been paid, therefore, the authority granted by this order should become effective immediately.

9. Cal Water should not use the proceeds from the new securities authorized by this order to fund its capital projects until it has obtained all required approvals for the projects, including any required environmental review under CEQA.

10. The order herein does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus, it is not a project subject to CEQA.

11. Approval of this financing will allow Cal Water to meet its obligations pursuant to § 451, to take all actions “... necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.”

## **ORDER**

**IT IS ORDERED** that:

1. California Water Service Company is authorized to issue new Debt Securities of \$350 million:
  - a. Directly or through its affiliate, California Water Service Group;
  - b. In the form of shares of common stock sold solely to California Water Service Company’s parent company, California Water Service Group, not to exceed \$496 million in aggregate offering amount;
  - c. With interest rates determined by market conditions;
  - d. With no taxes assumed by issuer on Debt Securities;
  - e. For terms up to 60 months; and
  - f. Unsecured or secured by assets of California Water Service Company, depending on the lowest possible cost and most favorable terms (consistent with its capital requirements) that are available near the time of sale.

2. California Water Service Company is authorized to issue new Equity Securities:

- a. Directly or through its affiliate, California Water Service Group;
- b. Of up to \$350 million in the form of shares of common stock sold solely to California Water Service Company's parent company, California Water Service Group, not to exceed \$496 million in aggregate offering amount; and
- c. To fund the retirement of all or a portion of its then outstanding short-term bank loans, and the balance, if any, of any or all purposes as allowed under Public Utilities Code § 817.

3. California Water Service Company is authorized to utilize the following debt securities enhancement and interest rate management features in compliance with the New Financing Rule: put options; call options; sinking funds; treasury locks; treasury options; interest rate swaps; swaptions; and caps and collars.

4. California Water Service Company is granted a waiver from the requirements of Public Utilities Code § 818 as it applies to its new short-term debt issued under its revolving credit arrangement.

5. The authority granted by this order shall become effective immediately as California Water Service Company has remitted the \$181,000 fee required pursuant to Public Utilities Code §§ 1904(b) and 1904.1.

7. California Water Service Company shall not use the proceeds from the new securities authorized by this order to fund its capital projects until it has obtained all required approvals for the projects, including any environmental review under the California Environmental Quality Act.

8. Application 15-04-021 is closed.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California.