

WATER/RHG

Decision 01-08-055 August 23, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA-)
AMERICAN WATER COMPANY U-210-W, for)
Authority (1) to enter into a Financial Services)
Agreement with an affiliated financing corporation,)
(2) to issue, sell and deliver to one or more affiliated)
entities not exceeding in the aggregate \$773,000,000)
of any combination of (a) shares of its common)
stock and (b) debt securities consisting of long-term)
notes and (3) exempting the issuance, sale and)
delivery of such stock and debt securities from the)
Commission's competitive bidding rule.)
_____)

Application 00-07-018
(Petition for Modification
filed June 29, 2001)

**OPINION MODIFYING AUTHORIZATION TO ISSUE STOCK AND DEBT
SECURITIES**

Summary of Decision; Procedural History

This decision grants California-American Water Company (Cal-Am) the authority requested in its petition for modification of Decision (D.) 00-10-067 (Petition).

Pursuant to Rule 47 of the Commission's Rules of Practice and Procedure, Cal-Am seeks to reduce the amount of the financing authority granted in D.00-10-067 from \$773,000,000 to \$283,000,000. Notice of the filing appeared on the Commission's Daily Calendar of July 2, 2001. No protests have been received.

Background

Cal-Am, a California corporation, operates as a public utility subject to the jurisdiction of this Commission. Cal-Am provides water service to customers in portions of the counties of Los Angeles, Ventura, San Diego and Monterey. Cal-Am is owned by American Water Works Company, Inc.

On March 16, 2000, Cal-Am and Citizens Utilities Company California (Citizens CA) filed their Joint Application No. 00-05-015 seeking, inter alia, authority for Cal-Am to acquire all of the California water utility assets of Citizens CA.

On May 16, 2000, Cal-Am and SJW Corp., San Jose Water Company (SJ Water), and SJW Acquisition Corp. filed their Joint Application No. 00-05-016 seeking, inter alia, authority for Cal-Am to merge with SJ Water.

D.00-10-067 dated October 19, 2000, in Application (A.) 00-07-018, granted Cal-Am's request to among other things, issue, sell and deliver for cash any combination of its long-term notes (Notes) and shares of its common stock to one or more affiliated entities in aggregate amount not to exceed \$773,000,000. Approximately \$575 million of the proceeds is intended to be used to finance acquisitions of other utility systems; approximately \$19 million to discharge some or all of Cal-Am's long-term debts; and the rest of the proceeds to discharge or refinance short-term debt and reimburse its treasury for capital expenditures.

Pursuant to Public Utilities (PU) Code § 1904(b), the fee associated with the authority granted in D.00-10-067 is \$383,122.

Modification Sought

On March 8, 2001, a Notice of Dismissal of A.00-05-016 (the Cal-Am/SJ Water Joint Application seeking authority to merge) was filed with the Commission. Proceedings in A.00-05-016 ceased and the motion to dismiss the proceeding is now pending before the Commission.

In view of the withdrawal of A.00-05-016 and the termination of the proposed Cal-Am/SJ Water merger, Cal-Am deferred paying the \$383,122 fee associated with D.00-10-067. Accordingly, Cal-Am did not issue any debt under this order.

Pursuant to the Petition, the dismissal of A.00-05-016 will result in the elimination of the projected merger costs and construction budget for the SJ Water service area (approximately 63% of the financing approved in D.00-10-067). Cal-Am states in the Petition that the utility now requires approximately \$18,000,000 to refinance long-term debt and approximately \$265,000,000 to discharge or refinance short-term indebtedness, to reimburse its treasury for capital expenditures, to provide funds for construction programs, and to finance acquisitions of other utility systems.

Cal-Am's Petition seeks a reduced financing authority under D.00-10-067 from \$773,000,000 to \$283,000,000 and a reduction of the amount of the fee required by PU Code § 1904(b).

The Petition demonstrates that since the issuance of D.00-10-067, there has been a material change of circumstances that merits our modification of that decision. That changed circumstance is the March 8, 2001 Notice of Dismissal of A.00-05-016 relating to the proposed merger of Cal-Am and SJ Water. The Petition states that in all other material respects, the financing authority granted in D.00-10-067 remains unchanged.

Cal-Am's request raises no questions that should dissuade us from giving favorable consideration to the authority requested.

Pursuant to PU Code Section 1904(b), the fee associated with the requested amount of \$283,000,000 is \$147,500¹.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

We approve Cal-Am's Petition in this order.

Findings of Fact

1. Cal-Am operates as a public water utility under the jurisdiction of this Commission.
2. The withdrawal of A.00-05-016 and the termination of the proposed merger between Cal-Am and SJ Water significantly changed Cal-Am's financing requirements.
3. Cal-Am deferred paying the \$383,122 fee associated with D.00-10-067 because of the termination of the proposed merger with SJ Water.
4. Notice of the filing of the Petition appeared on the Commission's Daily Calendar of July 2, 2001. There is no opposition to the Petition and there is no reason to delay granting the modification described therein.

¹ The fee is determined as follows: $(\$2 \times (1,000,000/1,000)) + (\$1 \times (9,000,000/1,000)) + (\$0.50 \times (273,000,000/1000)) = \$147,500$.

Conclusions of Law

1. A public hearing is not necessary.
2. The Petition should be granted to the extent set forth in the order that follows.
3. Cal-Am will pay the fee in accordance with PU Code 1904(b).
4. The following order should be effective on the date of signature.

SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. The amount of financing authority granted to California-American Water Company (Cal-Am) by Decision (D.) 00-10-067 in Application (A.) 00-07-018 is hereby modified from \$773,000,000 to \$283,000,000.

2. Pursuant to Public Utilities Code 1904(b), Cal-Am shall remit the statutorily mandated fee of \$147,500 to the Commission's Fiscal Office within a reasonable time, not to exceed two months from the effective date of this decision. Failure by Cal-Am to remit the fee shall render void the authority granted herein.

3. Cal-Am's petition to modify D.00-10-067 is granted to the extent set forth in the prior Ordering Paragraphs.

4. In all other respects, D.00-10-067 remains in full force and effect.
5. The 30-day period for public review and comment is waived.
6. A.00-07-018 is closed.

This supplemental order is effective today.

Dated August 23, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

