

LEAD

Decision No. 22310.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
AMERICAN STATES WATER SERVICE COMPANY  
OF CALIFORNIA for an order authorizing  
the issuance and sale of 7,719 shares  
of its common capital stock in the  
amount of \$771,900.00 par value.

**ORIGINAL**

Application No. 16374.

Paul Overton and W. C. Kennedy, for applicant.

BY THE COMMISSION:

O P I N I O N

American States Water Service Company of California asks permission in this proceeding to issue \$771,900.00 par value of its common capital stock to finance the cost of additions and betterments and to pay indebtedness.

The company was incorporated December 31, 1929 pursuant to the authority granted by this Commission in Decision No. 21939 dated December 23, 1929, as amended, by the consolidation of the following public utility California Corporations:-

Los Angeles and Suburban Water Company,  
Orange County Water Company,  
Gardena Valley Water Company,  
Peoples Water Company of Palms,  
Highland Domestic Water Company,  
Ojai Domestic Water Company,  
Placentia Water Company,  
Harbor City Water Company,  
Huntington Beach Water Company,  
Oak Park Water Company,  
Ocean Park Heights Water Company,  
Venice Consumers Water Company,  
Southern California Utilities, Inc.,  
Imperial Utilities Corporation,  
Los Angeles Water Service Company,  
Claremont Domestic Water Company,  
Hollydale Water Company,

Bell Water Company,  
Haines Canyon Water Company,  
La Habra Domestic Water Company.

These companies are hereinafter sometimes referred to as predecessor companies.

American States Water Service Company of California is controlled through stock ownership by the American States Public Service Company. Applicant at this time asks permission to issue stock to finance the cost of additions and betterments installed by its predecessor companies, from the time that the American States Public Service Company acquired control of such predecessor companies to December 31, 1929. It appears from the record that American States Public Service Company acquired control of the several companies on the following dates, and that since that date to December 31, 1929 such predecessor companies expended the following amounts for additions and betterments and improvements:-

Names of Predecessor Companies	Date of acquisition of control by American States Public Service Company	Cost of Additions, betterments and improvements from such date to Dec. 31, 1929.
Los Angeles and Suburban Water Company	May 7, 1928	\$105,834.68
Orange County Water Company	May 7, 1928	45,892.17
Gardena Valley Water Company	July 31, 1928	22,238.91
Peoples Water Company of Palms	Aug. 31, 1928	43,128.68
Highland Domestic Water Company	Aug. 31, 1928	12,434.73
Ojai Domestic Water Company	Oct. 31, 1928	24,740.43
Placentia Water Company	Aug. 31, 1928	10,567.41
Harbor City Water Company	Oct. 31, 1928	1,980.24
Huntington Beach Water Company	Aug. 31, 1928	2,956.50
Oak Park Water Company	July 31, 1928	51,493.67
Ocean Park Heights Water Company	Nov. 30, 1928	121,671.69
Venice Consumers Water Company	Nov. 30, 1928	11,832.07
Southern California Utilities, Inc.	Nov. 30, 1928	28,129.68
Imperial Utilities Corporation	Oct. 31, 1928	44,648.97
Los Angeles Water Service Company	July 31, 1928	115,062.02
Claremont Domestic Water Company	June 30, 1928	8,751.50
Hollydale Water Company	July 31, 1928	3,199.36
Bell Water Company	May 31, 1928	35,253.53
Haines Canyon Water Company	June 30, 1928	63,944.86
La Habra Domestic Water Company	July 31, 1928	11,155.47
Total.....		\$764,916.57

The fixed capital accounts, to which the foregoing expenditures have been charged, appear in Exhibit No. 1. A summary of the same appears in Exhibit "B". From the \$764,916.57 applicant deducts \$1,840.00 for accrued depreciation on account of the W. H. Cull property, referred to in Decision No. 21453, dated August 13, 1929. To the remainder, namely, \$763,076.57, applicant adds \$8,800.00 which the Commission in Decision No. 21453 found to represent miscellaneous investment. Adding the \$8,800.00 to the \$763,076.57 makes a total of \$771,876.57, against which applicant asks permission to issue \$771,900.00 par value of stock at par. The \$13,500.00 of stock which the Commission authorized Highland Domestic Water Company to issue by Decision No. 21453 has not and will not be issued.

Applicant in its Exhibit No. 2 reports the income of its predecessor companies for the year ending December 31, 1929, as follows:-

<u>Operating Revenues:</u>		
Water . . . . .	\$1,123,267.67	
Ice . . . . .	29,281.19	
Merchandise and Jobbing-Net . . . . .	565.60	\$1,153,114.46
Interest, dividends and other nonoperating revenue		6,366.76
Total revenues . . . . .		<u>\$1,159,481.22</u>
Operating expenses (exclusive of depreciation and taxes (other than Federal Income Tax):		
Operation . . . . .	\$ 434,942.13	
Maintenance . . . . .	70,177.23	
Taxes (other than Federal income tax)	51,519.04	
Total operating expenses . . . . .		<u>556,638.40</u>
Net income before Interest, Depreciation and Federal Income Tax . . . . .		602,842.82
LESS amount applicable to property acquired in 1929 for the period from January 1st to date of acquisition in 1929 . . . . .		<u>720.30</u>
Net income before Interest, Depreciation and Federal Income Tax . . . . .		<u>\$602,122.52</u>
<u>DEDUCTIONS:</u>		
Interest . . . . .	\$ 59,489.65	
Depreciation . . . . .	44,994.19	
Miscellaneous . . . . .	94.00	104,577.84
Net Income before Federal Income Tax . . . . .		<u>\$497,544.68</u>

To the net income before federal income tax there is added the adjusted surplus of the predecessor companies on December 31, 1928 in the amount of \$209,582.55, making a total of \$707,127.23. From this amount there is deducted profit and loss charges of \$13,304.17, leaving accumulated surplus on December 31, 1929 of \$693,823.06.

The American States Water Service Company of California on January 31, 1930, reports its assets and liabilities as follows:-

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<u>A S S E T S</u>	
Fixed capital . . . . .	\$6,669,357.94
Cash . . . . .	19,208.44
Special deposits . . . . .	7,454.42
Notes receivable . . . . .	645.54
Accounts with system corporations	201,319.87
Due from consumers and agents . . .	79,447.47
Miscellaneous accounts receivable	5,275.91
Miscellaneous investments . . . . .	25,108.87
Materials and supplies . . . . .	36,718.79
Prepaid insurance . . . . .	3,853.19
Other suspense . . . . .	11,883.62
Construction work in progress . . .	<u>95,492.27</u>
Total assets.....	<u>\$7,155,766.33</u>

<u>L I A B I L I T I E S</u>	
Capital stock . . . . .	\$3,001,400.00
Notes payable . . . . .	44,850.05
Accounts with system corporations	1,010,500.00
Audited vouchers and wages unpaid	103,013.70
Consumers deposits . . . . .	37,952.72
Miscellaneous accounts payable	11,262.62
Taxes accrued . . . . .	1,293.07
Service billed in advance . . . . .	3,927.04
Consumers advances for construction	184,031.20
Donations in aid of construction	269,685.56
Reserve for accrued depreciation	1,234,636.36
Casualty and insurance reserves .	4,282.34
Other reserves from income or surplus	13,276.89
Corporate surplus unappropriated	498,751.60
Capital surplus . . . . .	<u>736,903.18</u>
Total liabilities.....	<u>\$7,155,766.33</u>

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We are referring to applicant's balance sheet primarily for the purpose of showing its outstanding stock and indebtedness. The \$1,010,500.00 of indebtedness due system corporations is said to represent the amount which American States Public Service Company

has advanced to applicant's predecessors to enable them to pay their bonded indebtedness. The proceeds which applicant will realize from the issue of the \$771,900.00 will be used to pay in part said indebtedness.

O R D E R

American States Water Service Company of California having asked permission to issue \$771,900.00 par value of its common capital stock, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant for the purposes herein stated and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED that American States Water Service Company of California be, and it is hereby, authorized to issue and sell, at not less than par, on or before September 1, 1930, \$771,900.00 par value of its common capital stock for the purpose of financing the cost of additions, betterments and improvements of its predecessor companies set forth in this application, and shall use the proceeds realized from the sale of such stock to pay indebtedness.

IT IS HEREBY FURTHER ORDERED that American States Water Service Company of California shall keep such record of the issue, sale and delivery of the aforesaid stock as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which

order, insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 9<sup>th</sup> day of April, 1930.

Ch. Levey

Leon Carlisle  
Thomas L. Latta

Commissioners.