

LEM

Decision No. 24031.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA WATER SERVICE COMPANY,
 a corporation, for (1) order author-
 izing the acquisition of stocks and
 bonds of certain public utilities.
 (2) Jointly with Pacific Water Com-
 pany, a corporation, San Carlos Water
 Company, a corporation, and Los Altos
 Water Co., a corporation, for order
 authorizing purchase and sale of cer-
 tain public utility properties. (3)
 Order authorizing mortgage of public
 utility properties. (4) Order auth-
 orizing the issue and sale of bonds
 and stock.

Application No. 17509

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

The Commission by Decision No. 23875 dated July 7, 1931, in the above entitled matter, authorized California Water Service Company to acquire the outstanding stocks of Pacific Water Company, San Carlos Water Company and Los Altos Water Co. It also authorized Pacific Water Company, San Carlos Water Company and Los Altos Water Co. to sell and transfer on or before October 31, 1931 all of their businesses, franchises and properties to California Water Service Company.

The transfer of the properties was authorized subject, among others, to the following condition:

"The Commission reserves the right to make such further order in this proceeding as it may deem necessary with reference (a) to the issuing of securities by California Water Service Company for the purpose of paying in part for the stocks and bonds and/or businesses, franchises and properties of Pacific Water Company, San Carlos Water Company and Los Altos Water Co., (b) to the recording of the transactions referred to herein on the books of account of California Water Service Company, and (c) to other matters."

The properties of the Pacific Water Company, San Carlos Water Company and Los Altos Water Co. were transferred to California Water Service Company on July 17, 1931. The California Water Service Company paid \$1,685,000.00 in cash on the purchase price of the properties. This cash the company obtained from the sale of its public utility properties in and about the City of Fresno.

In this application the California Water Service Company asks permission to issue \$141,000.00 of its first mortgage five per cent bonds due April 1, 1958, and sell the same for not less than 90 percent of their face value and accrued interest, \$47,000.00 par value (470 shares) of six percent cumulative preferred stock and sell the same for not less than \$90.00 per share plus accrued dividends and \$47,000.00 par value (470 shares) of common stock which it intends to sell at par. If the securities are sold at the prices suggested by the California Water Service Company it will realize from the sale thereof \$216,200.00. Adding this to the \$1,685,000.00 results in a total of \$1,901,200.00 which is the company's estimate of the cost of acquiring the aforesaid properties.

Applicants have submitted a statement showing the historical cost of the properties other than current and deferred assets, as of July 17, 1931. The statement shows the following:-

| | |
|-------------------------------|-----------------------|
| Pacific Water Company | \$1,990,657.27 |
| San Carlos Water Company..... | 80,795.67 |
| Los Altos Water Co. | 129,451.82 |
| TOTAL..... | <u>\$2,200,904.76</u> |

The reserve for accrued depreciation of the several companies as of the same date is reported as follows:-

| | |
|-------------------------------|----------------------|
| Pacific Water Company..... | \$ 148,533.73 |
| San Carlos Water Company..... | 7,879.13 |
| Los Altos Water Co. | 19,297.57 |
| TOTAL..... | <u>\$ 175,710.43</u> |

Deducting the reported reserve for accrued depreciation from the reported historical cost of the properties leaves a net historical cost of \$2,025,194.33.

The current and deferred liabilities and the current and deferred assets of the three companies as of July 17, 1931, for which the California Water Service Company may be liable or become liable, are reported as follows:

CURRENT AND DEFERRED LIABILITIES:

| | |
|---|---------------------|
| Consumers meter deposits | \$ 5,993.45 |
| Consumers extension deposits..... | 42,131.27 |
| Liability for appropriated pipe line, etc..... | 39,770.00 |
| Contractual liability-Harbor Addition Tract..... | 3,200.00 |
| Notes payable | 26,715.65 |
| Accounts and wages payable..... | 12,664.77 |
| Accrued taxes | 449.13 |
| Estimated liability for cost to clear real estate titles..... | 25,000.00 |
| Miscellaneous current liabilities..... | 2,927.46 |
| Sundry reserves..... | 2,954.90 |
| TOTAL..... | <u>\$161,806.63</u> |

CURRENT AND DEFERRED ASSETS:

| | |
|--|---------------------|
| Prepaid accounts and deferred charges..... | \$ 1,582.86 |
| Cash in banks and on hand | 6,358.76 |
| Working funds..... | 350.00 |
| Accounts receivable, consumers..... | 41,279.41 |
| Due from Municipal Properties Corporation..... | 209.07 |
| Miscellaneous accounts receivable..... | 4,968.54 |
| Reserve for uncollectible accounts-Credit..... | 2,478.82 |
| Materials and supplies..... | 13,101.92 |
| TOTAL..... | <u>\$ 65,371.74</u> |

Deducting the current and deferred assets from the current and deferred liabilities leaves net liabilities of \$ 96,434.89

Deducting the net liabilities from the net historical cost of the properties as reported by applicants, leaves a total net figure of.....\$1,928,759.44

The Commission's engineers have examined the previous decisions of the Commission affecting properties formerly owned by Pacific Water Company, San Carlos Water Company and Los Altos Water Co. and the net cost of additions and betterments to such properties

since the date of the Commission's decisions. They report a historical cost of the properties which is approximately the same as that reported by applicants. The Commission's engineers feel, however, that the reserve for accrued depreciation should be increased by \$55,000.00. This increase in the reserve for accrued depreciation is all applicable to the properties of Pacific Water Company. Making this adjustment we find the net historical cost of the properties would be \$1,873,759.44. This figure will be increased by the amount of consumers extension deposits and the amount of the liability for appropriated pipe lines which need not be returned, by California Water Service Company. Taking this matter into consideration we find that the amount of securities which applicant California Water Service Company desires to issue is not unreasonable. We believe, however, that the bonds should be sold for not less than 92 percent of their face value and accrued interest.

FIRST SUPPLEMENTAL ORDER

California Water Service Company having asked permission to issue \$141,000.00 of bonds, \$47,000.00 of preferred stock and \$47,000.00 of common stock, the Commission having considered the request of applicant and being of the opinion that this is not a matter on which a public hearing is necessary, that the money, property or labor to be procured through the issue of said bonds and stock is reasonably required by applicant California Water Service Company for the purposes herein stated, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED, that California Water Service Company be, and it is hereby authorized, to issue and sell on or before November 15, 1931, at not less than 92 percent of their face value and accrued interest, \$141,000.00 of first mortgage five percent bonds; at not less than \$90.00 per share and accrued dividends, \$47,000.00 par value (470 shares) of six percent cumulative preferred stock; and at not less than par \$47,000.00 of common stock. The proceeds realized from the sale of the securities, or so much thereof as may be necessary shall be used to pay in part the cost of acquiring the properties of Pacific Water Company, San Carlos Water Company and Los Altos Water Co. Any proceeds not needed for the aforesaid purposes shall be used only for such purposes as the Commission may hereafter authorize.

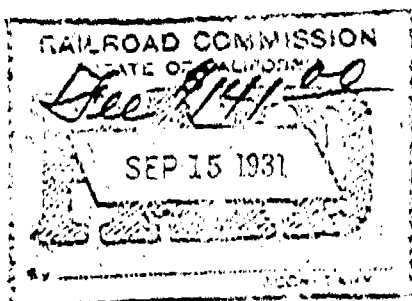
IT IS HEREBY FURTHER ORDERED, that California Water Service Company may charge to fixed capital accounts, on account of the purchase of the properties of Pacific Water Company, San Carlos Water Company and Los Altos Water Co. the amounts shown in the statements filed in this proceeding on September 11, 1931, and shall offset such charges by a credit to the reserve for depreciation in the amount of \$230,710.43 or such other amount as may hereafter be determined, ^{by the Commission,} provided that the amounts so charged to fixed capital accounts shall not be urged before this Commission as representing the value of said properties for the purpose of fixing rates.

IT IS HEREBY FURTHER ORDERED, that California Water Service Company shall keep such record of the issue, sale and delivery of the stock and bonds herein authorized and of the disposition of the proceeds 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 when California Water Service Company shall have paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Forty-one(\$141.00) Dollars.

DATED at San Francisco, California, this 14th day of September, 1931.

C. Seamy
Leon Whittell
M. J. Lewis
W. B. Harris
Fred G. Stewart
Commissioners.



Fee # 23208