

Decision No. 27286

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
AMERICAN STATES WATER SERVICE COMPANY)
OF CALIFORNIA) Application No. 19560
for an Order Authorizing the Issuance)
of Notes.)

W. C. Kennedy, for applicant

BY THE COMMISSION:

O P I N I O N

American States Water Service Company of California asks permission to issue at par \$3,003,728.00 face value of 6% 25-year unsecured notes dated May 1, 1934, for the purposes hereinafter stated.

The Commission by Decision No. 21939 dated December 23, 1929, as amended (Application No. 16054) authorized applicant to issue \$3,001,400.00 par value of common stock. By Decision No. 22310 dated April 9, 1930, (Application No. 16374) the Commission authorized the company to issue \$771,900.00 of common stock. As of June 30, 1934 the company had outstanding \$3,773,300.00 of common stock.

Applicant as of June 30, 1934 reports assets and liabilities as follows:-

	<u>A S S E T S</u>
Fixed capital installed	\$ 7,565,181.35
Cash and deposits:	
Cash	45,326.17
Special deposits	1,060.00
Notes receivable	1,708.61
Accounts receivable:	
Accounts with system corporations	38,674.10
Due from consumers and agents	91,356.27
Miscellaneous accounts receivable	7,831.35
Investments:	
Miscellaneous investments	64,944.71
Materials and supplies	19,390.84
Prepaid expenses:	
Insurance	836.75
Other suspense	9,775.94
Construction work in progress	45,070.48
1- Total.....	<u>\$ 7,891,156.57</u>

LIABILITIES

Capital stock	\$3,773,300.00
Notes payable	4,153.29
Accounts payable:	
Audited vouchers and wages unpaid	47,358.12
Consumers' deposits	41,398.25
Miscellaneous accounts payable	20,258.93
Consumers' advances for construction	125,362.11
Donations in aid of construction	329,237.04
Reserve for accrued depreciation	1,392,557.98
Other reserves from income or surplus	2,742.92
Capital surplus	736,903.18
Corporate surplus unappropriated	<u>1,417,884.75</u>
Total.....	<u>\$7,891,156.57</u>

All of applicant's outstanding stock is owned by American States Public Service Company.

Applicant proposes to exchange \$2,400,000.00 of its outstanding common stock for a \$2,400,000.00 unsecured 6% 25-year note dated May 1, 1934. In addition it proposes to reimburse its treasury through the issue of a \$603,728.00 unsecured 6% 25-year note dated May 1, 1934 because of income expended for additions and betterments. Both notes will be made payable to the American States Public Service Company.

Upon examining applicant's balance sheet it will be observed that its properties have been financed largely through the issue of stock and the investment of earnings represented by its depreciation reserve and surplus. While there is some doubt as to whether applicant's depreciation reserve is adequate, we are satisfied that its surplus is in excess of \$603,728.00.

For 1932, 1933 and the first six months of 1934 applicant reports its earnings and expenses as follows:-

ITEM	1932	1933	6 Mos. 1934
Operating revenues . . .	:\$1,082,233.27	:\$ 1,018,939.92	:\$481,345.74
Operating expenses . . .	: 482,706.41	: 486,694.59	: 235,678.27
Net operating revenues	: 599,526.86	: 532,245.33	: 245,667.47
Nonoperating revenues . .	: 24,391.62	: 24,717.30	: 11,265.38
Gross corporate income	: 623,918.48	: 556,962.63	: 256,932.85
Uncollectible bills . . .	: 8,263.76	: 9,456.46	: 3,323.33
Nonoperating deductions	: 17,149.51	: 15,006.31	: 6,510.10
Balance for interest	: 598,505.21	: 532,499.86	: 247,099.42
Interest	: 1,852.64	: 3,390.56	: 2,314.84
Balance	: 596,652.57	: 529,109.30	: 244,784.58
Depreciation	: 44,930.76	: 148,705.65	: -
Balance.....	:\$ 551,721.81	:\$ 380,403.65	:\$244,784.58

Applicant's proposed note issue is in amount equal to about 52% of the net book cost of its assets. The amount available for interest is substantially in excess of the interest requirement after the notes are issued. The issue of the notes should not handicap applicant in its operations. We believe, however, that the terms of the notes should be changed so that the company may pay its interest semi-annually and not be required to pay it monthly.

ORDER

The Commission having been asked to authorize American States Water Service Company of California to issue \$3,003,728.00 face value of notes, and the Commission having considered applicant's request and being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the issue of said notes is reasonably required for the purpose herein stated and that the expenditures for such purpose are not in whole or in part chargeable to operating expenses or to income, and that applicant's request should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. American States Water Service Company of California may issue after the effective date hereof, and prior to December 31, 1934, at not less than its face value, an unsecured note for the sum of \$2,400,000.00 payable twenty-five years after date, with interest thereon at the rate of six percent per annum from date until paid, said interest to be payable semi-annually; said note may be made payable to the order of American States Public Service Company and delivered to said American States Public Service Company in exchange for \$2,400,000.00 of common stock of American States Water Service Company of California, which stock is to be cancelled.
2. American States Water Service Company of California may issue after the effective date hereof, and prior to December 31, 1934, at not less than its face value, an unsecured note for the sum of \$603,728.00, payable twenty-five years after date with interest thereon at the rate of six percent per annum from date until paid, said interest to be payable semi-annually; said note may be issued to reimburse applicant's treasury because of income expended for additions and betterments and may be made payable to the order of American States Public Service Company and delivered to said American States Public Service Company as a dividend payment.
3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Thousand and Two (\$2,002.) Dollars.

4. Within thirty(30) days after the issue of the aforesaid notes, American States Water Service Company of California shall file with the Railroad Commission a copy of each of the notes issued under the authority herein granted, and a copy of every journal or other book entry entered on its books to record the issue of said notes.

DATED at San Francisco, California, this 20th day of August, 1934.

Leon Aubrey

M. A. Linn

M. B. Linn

W. H. Linn

Commissioners.

