

Decision No. 29933

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA WATER & TELEPHONE COMPANY,) Application No. 21142
to issue and sell bonds.)

Bacigalupi, Elkus & Salinger, for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

California Water & Telephone company has applied to the Railroad Commission for permission to issue and sell \$250,000. in principal amount of its First Mortgage 5% Bonds, Series of 1935, due September 1, 1965, at not less than 96% of the face value thereof plus accrued interest, to secure funds to reimburse its treasury and to finance the cost of additions, betterments and replacements to its properties.

The company further asks permission, in lieu of selling said bonds, to hypothecate all or a portion thereof with the Bank of America, National Trust and Savings Association for a loan of not to exceed \$200,000.

By Decision No. 28276, dated October 14, 1935, as amended, the Commission authorized California Water & Telephone Company, among other things, to execute a trust indenture and to issue and sell, at not less than 97% of their face value plus accrued interest, \$5,000,000. of first mortgage 30-year 5% bonds, to issue and sell at not less than \$23.50 a share, 72,000 shares (\$1,800,000. par value) of 6% preferred stock and to issue at not less than par 54,308 shares(\$1,357,700. par value) of its common stock for the purposes of financing the cost of

acquiring plants and properties, of paying indebtedness and of providing the estimated cost of additions, betterments and improvements to be made.

In the opinion in said Decision No. 26276 there is set forth the original cost and the original cost less accrued depreciation of applicant's plants and properties and of those to be acquired, as estimated by applicant as of July 31, 1935, as follows:-

	Estimated Original Cost	Less accrued Depreciation
Plants and properties	\$9,841,981.	\$8,578,173.
Estimated additional organiza- tion expenses	40,000.	40,000.
Proposed improvements	330,000.	330,000.
Total.....	<u>\$10,211,981.</u>	<u>\$8,948,173.</u>

In making this application for permission to issue additional bonds the company reports, in Exhibit No. 4, as modified in its letter of May 12, 1937, that from August 1, 1935 to December 31, 1936 it expended for additions to fixed capital the net sum of \$455,495.46, and it estimates future capital requirements at \$454,396. as follows:-

1. Summary of additions, August, 1935, to Dec.31,1936:

Net additions:	
Water department	\$363,307.37
Telephone department	156,297.82
Nonoperating	1,462.47
Interest during construction	8,521.03
Sub-total	<u>\$529,588.69</u>
Add:	
Cost of Palm Springs lot purchased prior to August 1, 1935 but not included in additions	7,500.00
Construction work in progress	75,276.19
Total	<u>\$612,364.88</u>
Deduct:	
Water rights, land and wells transferred from nonoperating to operating capital	156,869.42
Balance	<u>\$455,495.46</u>

2. ESTIMATED EXPENDITURES FOR CONSTRUCTION:

San Gabriel Valley Division	\$ 43,794.00
Monterey Peninsula Division	71,209.00
San Diego Bay Division	120,020.00
Southern Telephone Division	151,325.00
Provision for 1938 construction-material pur- chased in 1937 on account of advance in price	68,048.00
Total	<u>\$454,396.00</u>

The two items aggregate \$909,891.46. The company reports that its capital expenditures prior to December 31, 1936 were financed in part with proceeds amounting to \$430,000. obtained through the sale of the bonds heretofore authorized and in part with surplus earnings and moneys borrowed from Western Utilities Corporation. Deducting the \$430,000. from the total expenditures of \$909,981.46 would leave a balance of \$479,981.46 which apparently represents applicant's construction expenditures made prior to December 31, 1936 and estimated at this time for 1937 and 1938 which have not been paid or provided through the issue and sale of stock and bonds.

The company has filed in this proceeding statements showing in some detail its past and proposed construction expenditures. A review of such statements and of applicant's financial reports indicates that the issue and sale of the bonds now requested is reasonably required by applicant.

O R D E R

California Water & Telephone Company having applied to the Railroad Commission for an order authorizing it to issue \$250,000. of bonds, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted subject to the provisions of this order, that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that California Water & Telephone Company be, and it hereby is, authorized to issue and sell on or before October 31, 1937 at not less than 96% of their face value plus accrued interest, not exceeding \$250,000. of its first mortgage 5% bonds, Series of 1935, due September 1, 1965, and to use the proceeds to

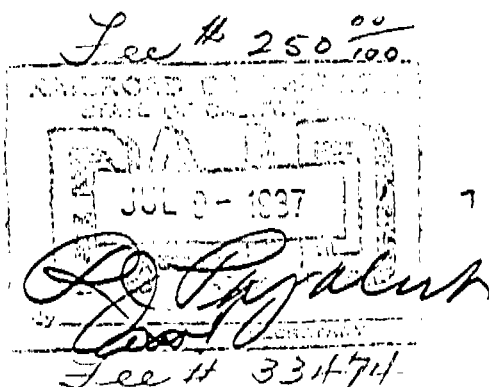
reimburse its treasury because of surplus earnings used for additions, betterments and replacements subsequent to August 1, 1935, to pay indebtedness incurred for such additions, betterments and replacements and to finance in part the cost of the estimated construction expenditures of \$454,396.00 referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that California Water & Telephone Company be, and it hereby is, authorized, in lieu of selling said bonds, to hypothecate all or a portion thereof on or before December 31, 1937, with the Bank of America, National Trust and Savings Association as collateral for short term notes, provided applicant realizes at least \$800. for each \$1,000. face value of bonds deposited as collateral; and provided further that applicant will use the proceeds from the issue of said notes to reimburse its treasury because of surplus earnings used for additions, betterments and replacements subsequent to August 1, 1935, to pay indebtedness incurred for such additions, betterments and replacements and to finance in part the cost of the estimated construction expenditures of \$454,396.00 referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that applicant shall keep such record of the issue, sale or hypothecation of the 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-A, 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 applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Hundred and Fifty(\$250.) Dollars.

DATED at San Francisco, California, this 9th day of July, 1937.



Frank R. Nelson
Ray & Wiley
Commissioners.