

Decision No. 32542

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA WATER COMPANY,
for an order authorizing it to issue
and sell \$100,000 par value of its
first mortgage 4-1/2 per cent. bonds,
Series of 1960, and to use the proceeds
from the sale thereof to reimburse its
treasury for capital expenditures made
subsequent to December 31, 1937, and
for the construction and/or acquisition
of additions and betterments to its
plant and properties.

ORIGINAL

Application No. 23041

Paul Overton, for applicant.

CRAEMER, Commissioner:

O P I N I O N

In this proceeding, Southern California Water Company asks permission to issue and sell at not less than 95 per cent. of their face value and accrued interest, \$100,000 of its first mortgage 4-1/2 per cent. bonds, Series of 1960, due October 1, 1960, and use the proceeds to reimburse its treasury for capital expenditures made subsequent to December 31, 1937, and pay the cost of additions and betterments to its properties.

Southern California Water Company is engaged in operating some thirty public utility water systems located in the Counties of Los Angeles, San Bernardino, Orange, Imperial, Ventura and Sacramento, a public utility electric plant in Bear Valley, San Bernardino County, and an ice plant in Barstow. For 1938, the company reports operating revenues of \$1,121,278, of which about 94 per cent. was from the sale of water, 4 per cent. from the sale of electricity and 2 per cent. from the sale of ice. Its water revenues were obtained from sales in the various counties as follows:-

Los Angeles	\$920,232.96
San Bernardino	60,492.31
Orange	81,768.64
Imperial	18,139.55
Ventura	15,838.16
Sacramento	28,101.60

Total \$1,124,573.22

Its operating revenues and expenses for 1936, 1937 and 1938 have been reported to the Commission as follows:-

<u>Item</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>
Water operating revenues	\$1,061,022	\$1,108,739	\$1,121,278
Water operating expenses	<u>735,636</u>	<u>761,143</u>	<u>765,537</u>
Net-water operations	<u>345,386</u>	<u>347,596</u>	<u>355,741</u>
Electric operating revenues	33,436	35,865	41,322
Electric operating expenses	<u>12,928</u>	<u>23,673</u>	<u>29,308</u>
Net-electric operations	<u>20,508</u>	<u>12,192</u>	<u>11,514</u>
Nonoperating revenue-Net	<u>7,406</u>	<u>5,471</u>	<u>7,067</u>
Total net revenues	<u>363,300</u>	<u>365,259</u>	<u>374,322</u>
Interest on bonds	-	141,517	162,765
Other interest	204,377	20,018	1,368
Amortization of discount and expense	-	1,371	1,993
Net income for year	<u>\$158,923</u>	<u>\$202,353</u>	<u>\$208,196</u>

As of August 31, 1939, applicant reports assets and liabilities as follows:-

ASSETS:

Fixed capital installed	\$ 8,481,238.19
Cash and deposits:	
Cash	407,920.95
Special deposits	3,537.00
Accounts receivable:	
Due from consumers and agents	74,462.60
Miscellaneous accounts receivable	1,007.04
Investments:	
Miscellaneous investments	8,852.00
Materials and supplies	44,935.70
Prepaid expenses:	
Prepaid taxes	3,519.26
Prepaid insurance	1,393.73
Unamortized discount on securities and expenses	82,924.06
Other suspense	4,247.60
Construction work in progress	87,388.64
Total assets	<u>\$9,201,426.77</u>

LIABILITIES:

Capital stock:		\$ 2,048,300.00
Common stock	\$1,548,300.00	
Preferred stock	<u>500,000.00</u>	
Accounts payable:		
Audited vouchers and wages unpaid		48,919.51
Consumers' deposits		48,276.19
Miscellaneous accounts payable		5,734.57
Interest accrued		67,828.75
Taxes accrued		75,531.25
Dividends declared		7,500.33
Consumers' advances for construction		53,500.71
Donations in aid of construction		490,289.90
Reserve for accrued depreciation		1,836,261.38
Other reserve from income or surplus		2,000.00
Capital surplus		395,869.54
Appropriated earned surplus		166,433.89
Corporate surplus unappropriated		337,990.75
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	Total liabilities	<u>\$9,201,426.77</u>

It is of record that from January 1, 1938, to September 30, 1939, applicant's gross expenditures for additions and betterments totaled \$702,450.20. During this period property costing \$192,096.71 was retired, leaving a net capital expenditure of \$510,353.49. To pay in part for this expenditure, applicant has issued under the authority of the Commission, \$360,000 of preferred stock. Deducting the stock issue from the net expenditures, leaves \$150,353.49, of expenditures which have not been financed through the issue of bonds or stock. The record further shows that during 1940 applicant estimates its construction expenditures at approximately \$525,000. It is for the purpose of financing in part said capital expenditures incurred or to be incurred that applicant desires authority to issue the \$100,000 of bonds. While the bonds will be issued against expenditures incurred, the proceeds from the sale thereof, may be used to pay the cost of additions and betterments to applicant's properties.

The order herein will authorize the issue of such bonds at not less than 98 per cent. of their face value and accrued interest.

The following order is recommended:-

O R D E R

Southern California Water Company having asked permission to issue \$100,000 of bonds, a public hearing having been held and the Commission having considered the evidence submitted at such hearing, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. Southern California Water Company may, after the effective date hereof and prior to December 31, 1939, issue and sell at not less than 98 per cent. of their face value and accrued interest, \$100,000 of its first mortgage 4-1/2 per cent. bonds, Series of 1960, due October 1, 1960, and use the proceeds to reimburse in part its treasury because of income expended for additions and betterments to its properties and to construct and/or acquire additions and betterments to its properties.
2. Southern California Water Company shall keep such record of the issue, sale and delivery 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.
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 One Hundred (\$100) Dollars.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 22 day of November, 1939.

Robert W. Johnson
Frank B. Devere
Ray C. Riley
H. H. H. H.
Justice J. Casner
COMMISSIONERS.

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RAILROAD COMMISSION
STATE OF CALIFORNIA
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W. M. Johnson
SECRETARY