

ORIGINAL

Decision No. 34391

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CALIFORNIA WATER SERVICE COMPANY,  
a corporation,

Application No. 24312

For an Order Authorizing it to Issue  
an Additional Amount of its Common  
Stock.

BY THE COMMISSION:

O P I N I O N

California Water Service Company has applied to the Railroad Commission for an order authorizing it to issue and sell at par for cash 20,000 shares of its common capital stock of the par value of \$25 each, and of the aggregate par value of \$500,000, and to use the proceeds to pay indebtedness, reimburse its treasury and finance the cost of additions and betterments to its plants and properties.

Since its organization, California Water Service Company has financed its net capital expenditures primarily through the issue of preferred and common stocks and bonds, which, as of May 31, 1941, were reported outstanding as follows:

Stock -		
Preferred 6% Cumulative		\$ 3,475,000
Common		<u>2,414,000</u>
Total stock		5,889,200

Bonds -		
First Mortgage 4% bonds, due 1961		<u>11,532,000</u>
Total		<u>\$17,421,200</u>

In summary form, the balance sheet of the company, as of May 31, 1941, is as follows:

ASSETS

Plant and property, including work in progress		\$20,598,467.14
Investments in other companies		5,001.00
Special deposits		8,203.65
Current and accrued assets -		
Cash and working funds	\$475,635.44	
Accounts receivable	140,421.16	
Materials and supplies	216,444.75	
Prepaid expenses	<u>25,047.02</u>	857,548.37
Unamortized debt discount and expense		601,480.36
Miscellaneous deferred charges		<u>39,489.93</u>
Total Assets		<u>\$22,110,190.45</u>

LIABILITIES

Common stock		\$ 2,414,200.00
Preferred stock		3,475,000.00
First mortgage bonds		11,532,000.00
Serial notes, 2%, due 1943 and 1944		110,000.00
Current and accrued liabilities -		
Notes payable	\$305,000.00	
Accounts payable	89,023.09	
Accrued liabilities	160,912.24	
Miscellaneous	1,115.23	
Unearned revenue	14,715.44	
Consumers' deposits	<u>244,923.99</u>	815,691.59
Depreciation reserve		3,083,933.20
Contributions for extensions		352,329.06
Miscellaneous reserves		8,122.00
Capital and appropriated surplus		246,807.27
Earned surplus		<u>72,107.33</u>
Total Liabilities		<u>\$22,110,190.45</u>

The outstanding notes payable amounting to \$305,000, included among the current liabilities, consist of the following:

<u>Payee</u>	<u>Date due</u>	<u>Interest</u>	<u>Amount</u>
American Trust Company	May 1, 1942	2%	\$ 55,000
American Trust Company	Jan. 25, 1942	1 1/2%	<u>250,000</u>
	Total		<u>\$305,000</u>

The \$55,000 note was issued under authority granted by Decision No. 33525, dated September 24, 1940, for the purpose of paying, in part, outstanding indebtedness. The \$250,000 note was issued on April 25, 1941 for the purpose of financing, in part, construction costs made during the period from March 1, 1941 to May 31, 1941.

In Exhibit "A," the company shows its estimated net construction expenditures from March 1, 1941 to December 31, 1941 at \$851,132, determined as follows:

Expenditures from March 1, 1941 to May 31, 1941	\$ 283,648.75
Estimated expenditures necessary to complete work in progress at May 31, 1941	298,540.56
Estimated expenditures of certain larger projects to be commenced after June 1, 1941	75,640.00
Estimated expenditures between June 1, 1941 and December 31, 1941, including main extensions to serve new consumers	<u>366,325.69</u>
Total actual and estimated gross expenditures, March 1 to Dec. 31, 1941 (Carried forward)	<u>\$1,024,155.00</u>

(Brought forward) \$1,024,155.00

Less actual or estimated retirements:

Property retirements from  
Mar. 1, 1941 to May 31, 1941 \$ 16,032.43

Estimated meter and service  
retirements, Mar. 1, 1941  
to May 31, 1941 4,791.24

Estimated retirements in  
progress and retirements  
authorized at May 31, 1941 53,408.45

Estimated additional retire-  
ments between June 1 and  
Dec. 31, 1941 98,790.88

Total. 173,023.00

Actual and estimated net  
expenditures March 1, 1941  
to Dec. 31, 1941 \$ 851,132.00

To carry forward this construction program, applicant, as said, has borrowed from the American Trust Company \$250,000 represented by a \$250,000 1½% note, dated April 25, 1941. Applicant desires permission to use the proceeds which it will realize through the issue of the \$500,000 of common stock to pay the \$250,000 note, to reimburse its treasury in the amount of \$12,825.08 because of income expended for additions and betterments and to use the remainder of the proceeds to finance, in part, its construction expenditures referred to in said Exhibit "A" filed in this proceeding.

A review of the company's application and of its financial statements on file with the Commission indicates that it has issued no stock or bonds against these reported net expenditures and that it is in need of additional capital funds to meet its requirements and to improve its financial position.

The company proposes to sell the entire issue of 20,000 shares of stock at par for cash to General Water Gas & Electric Company, the holder of all its presently outstanding common stock. After the issue of the \$500,000 of common stock, applicant's outstanding bonds will represent 64.09%; its outstanding preferred stock 19.31%; its common stock 16.19%, and its earned surplus 0.4% of its total capitalization. It is desirable that applicant give consideration to the issue of additional common stock to finance construction expenditures.

O R D E R

California Water Service Company having applied to the Railroad Commission for an order authorizing the issue of \$500,000 par value of its common capital stock, and the Commission being of the opinion that a public hearing is not necessary in this matter, that the money, property or labor to be procured or paid for through the issue of such stock 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,

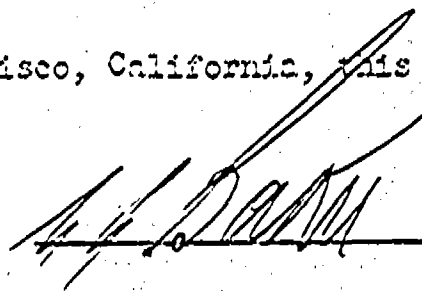
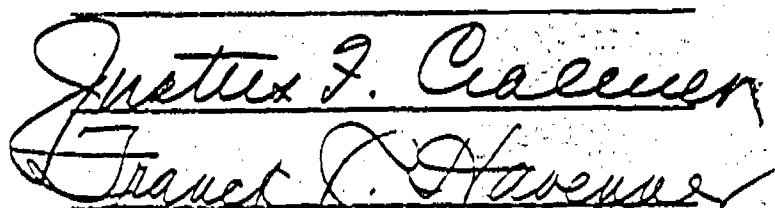

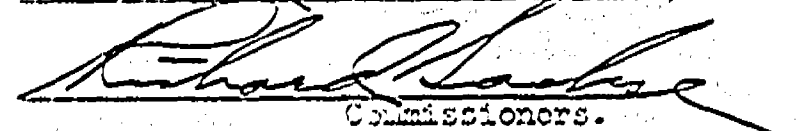
IT IS HEREBY ORDERED that California Water Service Company be, and it hereby is, authorized to issue and sell, on or before November 30, 1941, for cash at not less than par, 20,000 shares of its common capital stock of the aggregate par value of \$500,000 and to use the proceeds to pay a bank loan of \$250,000, to reimburse its treasury in the amount of \$12,825.08 because of income expended for additions and betterments to its properties, and to finance, in part, its construc-

tion program for the period from June 1, 1941 to December 31, 1941, to which reference is made in the foregoing opinion, provided, that only such expenditures as are properly chargeable to fixed capital accounts under the system of accounts prescribed by the Railroad Commission may be financed through the use of said stock proceeds.

IT IS HEREBY FURTHER ORDERED that California Water Service Company shall file with the Commission reports as required by General Order No. 24-A of the issue of the stock herein authorized and of the disposition of the proceeds.

The authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 8<sup>th</sup> day of July, 1941.

  
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Commissioners.