

ORIGINAL

Decision No. 34974

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CALIFORNIA WATER SERVICE
COMPANY, a corporation,

for an order authorizing it to issue
an additional amount of its First
Mortgage Bonds.

Application No. 24713

BY THE COMMISSION:

O P I N I O N

This is an application by California Water Service Company for an order authorizing it to issue and sell \$350,000 of First Mortgage 4% Bonds, Series B, due May 1, 1961, and to use the proceeds to reimburse its treasury and to finance the cost of additions and betterments to its plants and properties.

In general, it has been the company's practice to provide the cost of its plants and properties primarily through the issue of common stock, six per cent cumulative preferred stock and four per cent bonds, and through the investment of moneys represented by its reserve for depreciation. As of November 30, 1941, its reported investment and other debit balances and its outstanding liabilities and other credit accounts are summarized as follows:

Assets and other Debits

Plants and properties, including construction in progress	\$20,841,205.74
Investments in other companies	5,001.00
Miscellaneous special deposits	7,585.60
Cash and other current assets	879,891.02
Unamortized debt discount and expense	583,690.18
Other deferred debits	<u>114,253.02</u>
Total	<u>\$22,431,626.56</u>

Liabilities and Other Credits

Common stock	\$ 2,914,200.00
Preferred stock	3,475,000.00
Bonds	11,532,000.00
Long term notes	110,000.00
Current and accrued liabilities	317,346.21
Depreciation reserve	3,123,961.52
Other deferred credits	631,497.81
Capital surplus	65,836.91
Earned surplus	<u>261,784.11</u>
Total	<u>\$22,431,626.56</u>

The company reported its operating revenues at \$2,699,940.59 in 1939; at \$2,770,048.98 in 1940, and at \$2,870,891.02 during the twelve months ended November 30, 1941. After paying operating and maintenance expenses and making provision for taxes, its reports show net income available for interest and other deductions, but before deducting depreciation allowances, of \$1,256,117.25 in 1939; of \$1,286,097.56 in 1940, and of \$1,424,409.43 during the twelve months ending November 30, 1941. Its net profits after all charges, representing the amounts available for dividends, aggregated \$484,531.20 in 1939; \$477,285.53 in 1940, and \$522,151.20 during the twelve months ending November 30, 1941.

Applicant finds it necessary to issue bonds to obtain capital funds. In this connection, it reports, in its Exhibit

"A," capital expenditures prior to November 30, 1941 which have not been paid or provided through security issues and estimated expenditures as follows:

Expenditures between June 1, 1941 and November 30, 1941, not financed by proceeds from the sale of common stock in August, 1941	\$ 292,704.89
Estimated expenditures necessary to complete work in progress at November 30, 1941	88,388.50
Estimated cost of work authorized during December, 1941	29,302.31
Proposed construction expenditures for the year 1942	<u>1,173,804.00</u>
Estimated gross expenditures to December 31, 1942	1,584,199.70
<u>Less:</u> Property retirements, per books, Sept. 1, 1941 to Nov. 30, 1941	\$ 24,217.53
Estimated meter and service retirements Sept. 1, 1941 to Nov. 30, 1941	4,791.24
Estimated value of retirements in progress and retirements authorized at November 30, 1941	54,083.71
Estimated value of retirements authorized during December, 1941	9,132.12
Estimated retirements-year 1942	<u>200,000.00</u> <u>292,224.60</u>
Estimated net expenditures to December 31, 1942	<u>\$1,291,975.10</u>

The presently proposed \$350,000 bond issue is designed to supply applicant with funds to pay in part the cost of these expenditures. In our opinion, the company will have need for the additional funds and, therefore, said \$350,000 bond issue should be authorized.

The order herein will provide that said \$350,000 of bonds may be sold at not less than 105% of their face value and

accrued interest. Said order will permit applicant to pay, if necessary, a bond selling commission of not more than one-half (1/2) of one (1%) per cent of the face value of the bonds sold.

O R D E R

California Water Service Company having applied to the Railroad Commission for permission to issue \$350,000 face amount of bonds and use the proceeds for the purposes indicated in the foregoing opinion; the Commission having considered applicant's request and it being of the opinion that a public hearing is not necessary on this application; that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required by applicant for the purposes specified herein; that the expenditures for said purposes, other than the payment of bond selling commissions and accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

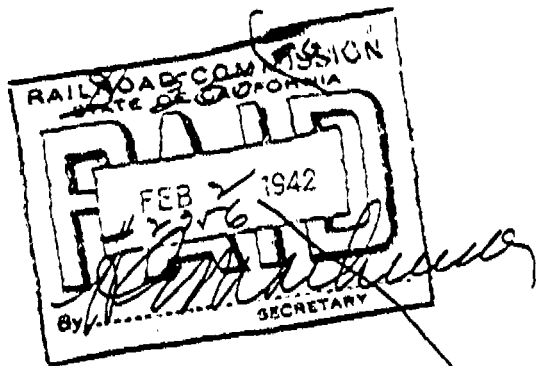
1. California Water Service Company may, after the effective date hereof and on or before April 15, 1942, issue and sell at not less than 105% of their face value and accrued interest, \$350,000 face amount of its First Mortgage 4% Bonds, Series B, due April 1, 1961. Of the proceeds realized from the sale of said \$350,000 of bonds, or any part thereof, said California Water Service Company may, if necessary, use a sum equal to not more than one-half (1/2) of one (1%) per cent of the face value of bonds sold to pay bond selling commissions.

2. California Water Service Company shall use the net proceeds (other than the accrued interest) received from the sale of said \$350,000 of bonds to reimburse its treasury because of income expended for additions and betterments to its properties, and to finance in part the cost of the additions and betterments to its properties referred to in the foregoing opinion. The accrued interest may be used for general corporate purposes.

3. California Water Service Company shall keep such record of the issue and sale 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.

4. 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 Three Hundred and fifty (\$350.00) Dollars.

Dated at San Francisco, California, this 3rd day of February, 1942.



Justus J. Casner
Ralph Peery
[Signature]
Francis R. Haveman
Richard Clarke
Commissioners