

Decision No. 37793

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application  
of  
CALIFORNIA WATER & TELEPHONE COMPANY  
to issue and sell stocks and bonds.

Application  
No. 26626

BACIGALUPI, ELKUS & SALINGER, by  
HERBERT H. SALINGER and  
CHARLES DeY. ELKUS, JR., for applicant.

BY THE COMMISSION:

O P I N I O N

In this application California Water & Telephone Company asks permission to issue and sell 9,672 shares of common stock, and to issue and sell and/or exchange 107,000 shares of its cumulative preferred stock, \$1.20 dividend series, at the prices and for the purposes hereafter mentioned.

Applicant is engaged in the business of a public utility rendering water service for irrigation, domestic, industrial, and public purposes in the Cities of Chula Vista, National City, and Coronado and adjoining territory in the County of San Diego; in the Cities of San Marino, San Gabriel, and unincorporated territory in Los Angeles County; and in the Cities of Monterey, Pacific Grove and Carmel, and certain unincorporated areas in the County of Monterey. Applicant is also engaged in the business of a public

utility rendering telephone and telegraph service in the Cities of Redlands, Banning, Beaumont, Elsinore, Hemet, Murrietta, Palm Springs, Perris, San Jacinto, Temecula, Loma Linda, Moreno, and Yucaipa, and in certain unincorporated areas in the Counties of Riverside and San Bernardino, and in the Cities of San Fernando, Sierra Madre, and Monrovia, and in certain unincorporated areas in the County of Los Angeles. Applicant is also serving water under contract for domestic, irrigation, and commercial purposes to The Del Monte Properties Company in Monterey County.

As of December 31, 1944, applicant's assets and liabilities are reported as follows:

<u>ASSETS</u>		
FIXED CAPITAL		\$11,352,831.64
General Office	\$ 6,730.04	
Water Department	8,530,826.93	
Telephone Department	<u>2,815,274.67</u>	
CASH AND SPECIAL DEPOSITS		196,396.23
Cash	185,246.23	
Special	<u>11,150.00</u>	
ACCOUNTS RECEIVABLE		274,214.00
INTEREST AND DIVIDENDS RECEIVABLE		2,035.00
MISCELLANEOUS INVESTMENTS		1,067,740.00
U. S. Treasury Bonds	456,000.00	
Balance due on sale of		
Non-operating land	3,182.37	
Monterey Peninsula Division-		
Non-Utility Property	575,929.18	
Non-operating property-		
San Diego Bay Division	<u>32,633.79</u>	
POST WAR <del>REFUND</del> -EXCESS PROFITS TAX		
MATERIAL AND SUPPLIES		
PREPAID EXPENSES		
UNAMORTIZED DISCOUNT ON		
SECURITIES AND EXPENSE		
Stocks	150,000.00	
Bonds	423,450.18	
OTHER SUSPENSE		
CONSTRUCTION WORK IN PROGRESS		

*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

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CASH AND SPECIAL DEPOSITS		196,396.23
Cash	185,246.23	
Special	<u>11,150.00</u>	
ACCOUNTS RECEIVABLE		274,214.50
INTEREST AND DIVIDENDS RECEIVABLE		2,035.68
MISCELLANEOUS INVESTMENTS		1,067,745.34
U. S. Treasury Bonds	456,000.00	
Balance due on sale of Non-operating land	3,182.37	
Monterey Peninsula Division- Non-Utility Property	575,929.18	
Non-operating property- San Diego Bay Division	<u>32,633.79</u>	
POST WAR REFUND-EXCESS PROFITS TAX		28,472.72
MATERIAL AND SUPPLIES		136,430.70
PREPAID EXPENSES		80,893.02
UNAMORTIZED DISCOUNT ON SECURITIES AND EXPENSE		573,450.18
Stocks	150,000.00	
Bonds	423,450.18	
OTHER SUSPENSE		803,264.09
CONSTRUCTION WORK IN PROGRESS		<u>1,278,590.23</u>
		<u>\$15,794,324.33</u>

LIABILITIES

CAPITAL STOCK		\$4,608,200.00
Common	\$2,108,200.00	
Preferred - 6% Cumulative	2,500,000.00	
BONDS		6,950,000.00
First Mortgage 3.60% Series due 1971	6,750,000.00	
2½% Serial Note (\$50,000 payable annually on November 22nd)	<u>200,000.00</u>	
ACCOUNTS PAYABLE		288,733.41
Audited Vouchers and Unpaid Wages	260,780.71	
Consumer's deposits	16,167.49	
Miscellaneous Accounts Payable	<u>11,785.21</u>	
ACCRUED INTEREST		20,084.72
TAXES ACCRUED		464,180.46
DIVIDENDS DECLARED		37,500.00
SERVICE BILLED IN ADVANCE		24,253.95
CONSUMERS' ADVANCES FOR CONSTRUCTION		60,516.52
DONATIONS IN AID OF CONSTRUCTION		169,993.22
RESERVE FOR DEPRECIATION		2,204,876.24
Water Properties	1,580,537.32	
Telephone Properties	546,926.21	
Investment Properties	<u>77,412.71</u>	
RESERVE FOR AMORTIZATION OF EMERGENCY FACILITIES		46,436.79
RESERVE FOR UNCOLLECTIBLE ACCOUNTS		15,258.68
CAPITAL SURPLUS (Excess of historical cost of properties acquired over cost to Company Net)		19,302.15
CORPORATE SURPLUS		<u>884,988.19</u>
		<u>\$15,794,324.33</u>

For 1944, applicant reports operating revenues of \$2,575,349.92 and net income, which is the amount available for dividends and surplus, of \$406,672.45. During the year, applicant paid 6% dividend on its preferred stock and 8% on its common stock.

Applicant has outstanding 100,000 shares (par value \$2,500,000) of 6% cumulative preferred stock. Of this stock 72,000 shares were sold at \$23.50 per share under the authority granted by Decision No. 28306, dated October 28, 1935, and 28,000 shares at \$23.50 per share under the authority granted by Decision No. 32161, dated July 11, 1939. Said 6% preferred stock is redeemable at the option of the company at \$27.50 per share plus unpaid dividends accrued thereon. As said, applicant asks permission to issue 107,000 shares of cumulative preferred stock, \$1.20 dividend series, having a par value of \$25 per share.

It proposes to offer 100,000 shares of the new preferred stock to present preferred stockholders for exchange on a share for share basis. All of said 100,000 shares not so exchanged and the 7,000 additional shares will be sold so as to net applicant not less than \$26.50 per share. Applicant proposes to pay commissions as compensation for securing exchanges of stock on the following basis:

50¢ per share on all exchanges up to 50,000 shares  
55¢ per share on all exchanges if 50,000 shares or more, but less than 60,000 shares are exchanged  
60¢ per share on all exchanges if 60,000 shares or more, but less than 70,000 shares are exchanged  
65¢ per share on all exchanges if 70,000 shares or more, but less than 80,000 shares are exchanged  
70¢ per share on all exchanges if 80,000 shares or more, but less than 90,000 shares are exchanged  
75¢ per share on all exchanges if 90,000 shares or more, are exchanged

For stock exchanged applicant will receive \$27.50 per share less the commissions. For stock not exchanged it will receive \$26.50 per share. Until the exchange offer is closed one will not know how many shares of the new preferred stock will be sold for cash.

Applicant further asks permission to issue and sell 9,672 shares (par value \$25) of common stock at not less than \$33.50 per share. This stock will be offered to the public at \$35 per share. The sale of the common stock and the sale of the new preferred stock not exchanged will be sold to the following:

Names	Percentages of Remaining Preferred Shares to be Purchased	Number of Common shares to be Purchased
Blyth & Co., Inc. . . .	30%	2,902
Central Republic Co . .	30%	2,902
H. M. Byllesby & Co . .	30%	2,902
Dean Witter & Co. . . .	<u>10%</u>	<u>966</u>
	100%	9,672

Cash received from the sale of the preferred and common stock will be applied first, to the redemption of the 6% preferred stock not exchanged; second, to the payment of commissions and expenses incurred in connection with the issue and sale of the stock; and third, to the reimbursement of applicant's treasury because of income expended for the acquisition and construction of properties. Applicant is in need of additional funds to complete its Sweetwater Falls Dam and construct additions and betterments to its properties. It estimates its routine construction expenditures for 1945 at \$161,557 and the cost of completing its Sweetwater Falls Dam at \$857,000.

Applicant's proposed amended Articles of Incorporation provide that it may, at the option of its Board of Directors, redeem the whole or from time to time any part of the \$1.20 dividend preferred shares by paying in cash therefor \$25 per share, plus an amount in cash equal to all dividends on said preferred stock accumulated and unpaid, together with a premium in cash equal to \$4 per share if the redemption is made on or prior to May 1, 1948; \$3 per share if the redemption is made thereafter and on or prior to

May 1, 1951; and \$2.50 per share if the redemption is made thereafter, provided that if the redemption is made from funds derived by applicant as the proceeds of property taken by condemnation the premium is \$2.50 per share.

Applicant's Articles of Incorporation and its proposed amended Articles of Incorporation provide that, except as provided by law, the holders of preferred shares have no right to vote such stock until such time as applicant fails to pay or set apart any quarterly dividend upon said preferred stock. In that event the holders of the preferred shares shall have the same voting rights as the holders of the shares of common stock. These voting rights terminate at such time as all accrued dividends on the shares of preferred stock are paid or set apart. We believe that applicant, in amending its Articles of Incorporation, should give to the holders of preferred shares of stock voting rights equal to those of the holders of common stock. The conferring of voting rights upon the holders of shares of preferred stock is not unusual so far as California utilities are concerned.

#### ORDER

A public hearing having been held in the above-entitled application by Examiner Fankhauser and the Commission having considered the evidence submitted at such hearing, and it being of the opinion that California Water & Telephone Company should be authorized to issue 9,672 shares of its common stock and 107,000 shares of its cumulative preferred stock, \$1.20 dividend series, that the money, property and labor procured by applicant through the issue of said stock is reasonably required by it for the purposes herein stated, and that the expenditures for said purposes are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted subject to the provisions of this Order, therefore



IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company may on or before August 1, 1945, issue and sell at not less than \$33.50 per share 9,672 shares of its common capital stock and issue, sell and/or exchange 107,000 shares of its cumulative preferred stock, \$1.20 dividend series, 100,000 shares of said preferred stock to be offered to present preferred stockholders in exchange on a share for share basis; all such preferred shares not so exchanged and said 7,000 additional shares to be sold so as to net applicant not less than \$26.50 per share, provided applicant's Articles of Incorporation are amended so as to confer upon the holders of said shares of preferred stock the same voting rights as are enjoyed by the holders of applicant's shares of common stock.

2. California Water & Telephone Company may use the cash proceeds realized from the issue and sale of said stocks to redeem its outstanding cumulative 6% preferred stock not exchanged for its cumulative preferred stock, \$1.20 dividend series, to pay commissions and expenses incidental to the issue and sale of said stocks in the amount of not exceeding approximately \$76,000 and to reimburse its treasury on account of income expended for the acquisition and construction of properties.

3. California Water & Telephone Company shall file with the Railroad Commission reports required by the Commission's General Order No. 24-A, which Order insofar as applicable, is made a part of this Order.

4. California Water & Telephone Company shall file with the Railroad Commission a certified copy of its amended Articles of Incorporation, together with a complete copy of the registration statement filed with the Securities and Exchange Commission, said Articles of Incorporation and said registration statement to be filed within thirty (30) days after the issue of the stock or any part thereof herein authorized.

5. The authorization herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of April, 1945.

Harold Anderson  
Justin F. Craven  
Richard K. Ketchum  
Francis W. Owen  
Don H. Lawrence

Commissioners