

Decision No. 39012

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 shares of its stock.)
-----)

ORIGINAL
Application
No. 27457

O P I N I O N

In this application, Southern California Water Company asks permission to issue and sell, at \$26.66 per share, 32,000 shares of its preferred stock, 4% series, and use the proceeds to pay stock selling commissions of \$9,600, to pay indebtedness of \$300,000, and to pay the cost of additions and betterments to its properties in the amount of \$543,520. At the price stated the stock will be sold on about a 3.75% basis.

Southern California Water Company is a public utility and as such engages principally in the business of distributing and supplying water to twenty-nine communities, both incorporated and unincorporated, within the counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento, State of California. As of December 31, 1945, the company served a total of 60,945 water customers, of which 53,453 were in Los Angeles County, 2,885 in Orange County, 2,444 in San Bernardino County, 397 in Imperial County, 587 in Ventura County, and 1,089 in Sacramento County. It also engages to a limited extent in the public utility business of distributing and supplying electricity at Bear Valley in San Bernardino County, State of California. Applicant also operates an ice plant at Barstow,

San Bernardino County, California.

For the year ending March 1, 1946, applicant reports total operating revenues of \$1,824,357.81, segregated as follows:

Water revenues	\$ 1,666,837.72
Electric revenues	109,042.72
Ice revenues	48,477.37

For the year the company had available for the payment of interest, dividends and surplus \$421,675.71.

As of March 31, 1946, applicant reports assets and liabilities as follows:

Assets

Fixed capital	\$9,973,914.12
Construction work in progress	98,376.30
Cash and special deposits	324,775.63
U. S. Treasury tax notes	42,000.00
Accounts receivable	124,277.09
Interest receivable	320.80
Merchandise, materials and supplies	184,245.45
Prepayments	45,781.55
Nonoperating property	99,992.33
Miscellaneous investments	52.00
Unamortized debt discount and expense	96,265.39
Preferred stock expense	17,507.12
Other deferred items	16,797.58
Total assets	<u>\$11,024,305.36</u>

Liabilities

Capital stock		\$ 2,348,300.00
Common (61,932 shares)	\$1,548,300.00	
Preferred (32,000 shares 4 1/2%)	800,000.00	
First mortgage bonds, due March 1, 1970		3,800,000.00
Series A, 3-3/4%	3,500,000.00	
Series B, 3-1/2%	300,000.00	
L	Liabilities carried forward	<u>6,148,300.00</u>

Liabilities brought forward		\$ 6,148,300.00
Current liabilities		567,792.43
Notes payable	\$ 40,000.00	
Accounts payable	96,978.43	
Dividends declared	8,500.00	
Consumers' deposits	82,248.03	
Accrued interest on funded debt	11,885.94	
Accrued taxes	320,204.12	
Accrued interest	3,470.80	
Other current liabilities	4,505.11	
Consumers' advances for construction		157,751.84
Miscellaneous deferred credits		303.86
Reserve for depreciation		2,859,836.14
Reserve for uncollectible accounts		2,000.00
Donations in aid of construction		607,910.18
Premium on 4½ % preferred stock		48,000.00
Capital surplus		140,847.09
Earned surplus		<u>491,563.82</u>
Total liabilities		<u>\$11,024,305.36</u>

Applicant reports that from January 1, 1940, to December 31, 1945, its net capital expenditures amounted to \$1,683,759.57. During the period it realized \$303,000 from the sale of first mortgage bonds and \$288,000 from the sale of 12,000 shares of 5% preferred stock (subsequently refunded), making a total of \$591,000. Deducting the \$591,000 from \$1,683,759.57 leaves \$1,092,759.57 which applicant terms unreimbursed capital expenditures. These expenditures were in general financed temporarily through the investment of depreciation reserve moneys and surplus earnings.

Applicant's proposed capital budget for the year 1946 calls for an expenditure of \$800,000, segregated as follows:

Wells and Water supply	\$ 205,000
Distribution system	241,000
New business	76,000
Miscellaneous	86,000
Contingencies	<u>16,900</u>
Sub-total	625,000
Extensions in new sub-divisions net	<u>175,000</u>
Total	<u>\$ 800,000</u>

To carry forward its construction program, applicant, on April 8, 1946, obtained from Harris Trust and Savings Bank, Chicago, Illinois a 90-day loan in the principal sum of \$300,000. The loan bears interest at the rate of $1\frac{1}{2}\%$ per annum, and is payable on July 8, 1946.

Applicant asks permission to issue and sell, as stated, at \$26.66 per share, 32,000 shares (par value \$25.00 per share) of its preferred stock, 4% series. It proposes to sell such stock to the following:

Massachusetts Mutual Life Insurance Company,	12,000	shares
Aid Association for Lutherans,	8,000	"
Continental Casualty Company,	4,000	"
Lincoln National Life Insurance Company,	4,000	"
Berkshire Life Insurance Company,	2,000	"
Franklin Life Insurance Company,	2,000	"

Applicant reserves the right to redeem its 4% preferred stock by paying therefor its par value, the unpaid accrued dividends and a premium of \$3.00 per share if redeemed on or before June 1, 1951, or a premium of \$2.50 per share if redeemed after June 1, 1951, but on or prior to June 1, 1956, or a premium of \$2.00 per share if redeemed after June 1, 1956.

Through the sale of the stock at the price stated, applicant will realize \$853,120. It proposes to use \$9,600 of the proceeds to pay stock-selling commissions to Kidder, Peabody & Co., and Harris, Hall and Company (Incorporated) for negotiating the sale of the stock. \$300,000 of the proceeds will be used to pay the loan from Harris Trust and Savings Bank, while \$543,520 will be applied to the reimbursement of applicant's treasury. Applicant agrees to use the \$543,520 to pay the cost of acquiring and constructing properties listed in its con-

struction program for the calendar year 1946, filed in this application as Exhibit "B".

O R D E R

The Commission having considered applicant's request, and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by the issue of 32,000 shares preferred stock, 4% series, by Southern California Water Company is reasonably required by said company for the purposes herein stated, 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 as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company may, after the effective date hereof, and on or before August 1, 1946, issue and sell, at not less than \$26.66 per share, 32,000 shares of its preferred stock, 4% series, and use the proceeds for the following purposes:

(a) To pay stock-selling commissions	\$ 9,600
(b) To pay loan from Harris Trust and Savings Bank	300,000
(c) To reimburse its treasury and fi- nance in part capital expenditures set forth in Exhibit "B"	<u>543,520</u>
Total	\$ 853,120

2. Southern California Water Company shall file with the Railroad Commission, a report, or reports, as required by

the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 28th day of May, 1946.

David L. Anderson
Justice F. Cravener
Francis J. ...
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Harold J. ...
Commissioners