

ORIGINAL

Decision No. 39655

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
	:	
of)	
	:	Application
CALIFORNIA WATER & TELEPHONE COMPANY)	No. 27952
	:	
to issue and sell stock.)	
-----	:	

Charles de Y. Elkus, Jr., for applicant.

O P I N I O N

California Water & Telephone Company asks permission to issue and sell at \$23 per share, 22,000 shares of its cumulative preferred stock, \$1.00 dividend series, having a par value of \$25 per share, and use the proceeds for the purposes hereinafter stated.

Applicant is a corporation organized under the laws of California. It 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; in the Cities of Monterey, Pacific Grove and Carmel, and certain unincorporated areas in the County of Monterey. It 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; 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 private contract for domestic, irrigation and commercial purposes to Del Monte Properties Company, in Monterey County.

Applicant proposes to amend its Articles of Incorporation so as to provide for an authorized stock issue of 525,000 shares of the par value of \$25 each, and of the aggregate par value of \$13,125,000. The shares will be divided into 325,000 of preferred and 200,000 of common. The preferred shares may be issued in different series:

Applicant has outstanding 94,000 shares (\$2,350,000 par value) of common stock and 107,000 shares (\$2,675,000 par value) of cumulative preferred stock, \$1.20 dividend series. Its aggregate outstanding stock amounts to \$5,025,000. Applicant's funded debt outstanding amounts to \$6,900,000; segregated as follows:

First mortgage bonds, 3.6% series, due 1971	\$5,850,000
First mortgage bonds, 3½% series, due 1971	900,000
2½% serial notes (\$50,000.00 payable annually on November 22)	150,000

Applicant in Exhibit "D" reports 1946 estimated construction expenditures; actual construction expenditures from January 1, 1946, to September 30, 1946, and additional expenditures for 1946 and 1947 as follows:

	<u>Budget 1946</u>	<u>Expenditures to 9/30/46</u>	<u>Additional expenditures estimated for 1946 or carry over to 1947</u>
<u>Water Department</u>			
San Diego Bay Division	\$ 164,071	\$ 104,572.34	\$ 111,154
San Gabriel Valley Division	124,687	58,895.97	84,093
Monterey Peninsula Division	<u>253,915</u>	<u>167,356.08</u>	<u>121,885</u>
Total Water Department	542,673	330,824.39	317,132
<u>Telephone Department</u>			
Routine estimates	152,585	249,536.28	86,900
Specific estimates- San Fernando	219,960	50,298.14	184,596
Specific estimates- Monrovia	63,315	36,275.66	31,025
Specific estimates- Redlands	63,881	20,352.52	48,015
Specific estimates- Southwestern	<u>118,010</u>	<u>46,815.89</u>	<u>31,470</u>
Total Telephone Department	<u>617,751</u>	<u>403,278.49</u>	<u>382,006</u>
Grand Total	<u>\$1,160,424</u>	<u>\$ 734,102.88</u>	<u>\$699,138</u>

To carry forward its construction work applicant has borrowed \$150,000 from the Bank of America National Trust & Savings Association on 2½% 90-day notes.

Applicant has entered into an agreement (Exhibit "A") subject to the approval of the Railroad Commission, to sell to Northwestern Mutual Life Insurance Company 22,000 shares of preferred stock at \$23 per share plus accrued dividends from November 1, 1946. The shares of stock are designated in applicant's Articles of Incorporation as cumulative preferred stock, \$1.00 dividend series. The shares of stock may be redeemed at the option of the company on forty days' notice to the holders of the stock, at \$25 per share plus accrued and unpaid dividends thereon to the date of redemption. At \$23 per share the stock is being

sold on about a 4.3% basis. This price is in line with the market value of applicant's outstanding cumulative preferred stock, \$1.20 dividend series.

Applicant asks permission to use the preferred stock proceeds for the following purposes:

To pay expenses incident to the sale of the stock	\$ 7,000
To pay note due Bank of America National Trust & Savings Association	150,000
To pay in part applicant's 1946 construction expenditures incurred subsequent to Sept. 30, 1946, or to reimburse its treasury because of income expended for that purpose	<u>349,000</u>
Total	<u>\$506,000</u>

O R D E R

A public hearing having been held on this application before Examiner Fankhauser, 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 through the issue of said 22,000 shares of preferred stock is reasonably required by California Water & Telephone Company for the purposes herein stated and that such 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. California Water & Telephone Company may issue and sell, after the effective date hereof and on or before December

31,1946, at \$23 per share, 22,000 shares of its cumulative preferred stock, \$1.00 dividend series, and use the proceeds for the following purposes:

- (1) To pay expenses incident to the issue and sale of the stock \$ 7,000
- (2) To pay note due Bank of America National Trust & Savings Association 150,000
- (3) To pay in part construction expenditures incurred after Sept. 30, 1946, or reimburse its treasury because of income expended for such purpose 349,000

2. The authority herein granted will become effective when applicant has filed with the Commission a certified copy of its amended Articles of Incorporation.

3. California Water & Telephone 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.

Dated at San Francisco, California, this 26th day of November, 1946.

Harold P. Huls
Justus F. Cullen
Francis J. Clark
Leah A. Powell
R. J. [unclear]
 Commissioners