

ORIGINAL

Decision No. ~~39975~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
	:	
of)	Application
	:	No. 28173
CALIFORNIA WATER & TELEPHONE COMPANY)	
to issue and sell bonds and to issue	:	
stock.)	
-----	:	

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

O P I N I O N

This is an application by California Water & Telephone Company for an order authorizing it to execute a supplemental indenture, to issue and sell \$1,000,000 of first mortgage bonds, 2-7/8% series, due 1971, at not less than 98.72% of face value plus accrued interest, and to issue at par 18,800 shares (\$470,000 par value) of common stock for the purpose of reimbursing its treasury, of paying outstanding indebtedness, of financing the cost of additions and betterments, and of providing working capital.

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.

The company has outstanding capital stock and long-term debt reported as follows:

Capital Stock		
Cumulative preferred, \$1.20 dividend series, \$25 par value		\$2,675,000
Cumulative preferred, \$1.00 dividend series, \$25 par value		550,000
Common, \$25 par value		2,350,000
Long-term debt		
First mortgage bonds, 3.60% series, due 1971		5,850,000
First mortgage bonds, 3½% series, due 1971		900,000
2½% serial notes		100,000

During the last five years the company has paid dividends on its common stock at the rate of 8.8% in 1942, and at the rate of 8% during each of the years 1943 to 1946, inclusive.

As of November 30, 1946, the company's assets and liabilities are reported as follows:

Assets

Fixed capital		\$15,129,343.07
Miscellaneous investments		717,417.57
Current assets		
Cash and deposits	\$255,966.40	
Accounts receivable	327,217.34	
Estimated income tax, refunds	2,165.41	
Materials and supplies	<u>219,832.07</u>	
Total current assets		905,181.22
Prepaid expenses		51,606.06
Other suspense		109,468.60
Construction work in progress		<u>261,795.15</u>
Total assets		<u>\$17,174,811.67</u>

Liabilities

Long-term debt		\$ 6,850,000.00
Current liabilities		
Notes	\$250,000.00	
Accounts payable	475,957.54	
Accrued liabilities	<u>395,244.72</u>	
Total current liabilities		1,121,202.26
Past service pension premium payable		130,623.23
Service billed in advance		30,136.31
Consumers' advances for construction		146,750.45
Donations in aid of construction		178,719.21
Reserve for depreciation		2,572,038.50
Reserve for amortization of emergency facilities		127,281.91
Reserve for uncollectible accounts		11,372.30
Preferred stock		2,675,000.00
Common stock		2,350,000.00
Premium on sale of common stock		91,884.00
Capital surplus		20,394.95
Corporate surplus		<u>869,408.55</u>
Total liabilities		<u>\$17,174,811.67</u>

Since November 30, 1946, the company has issued and sold 22,000 shares (\$550,000 par value) of cumulative preferred stock, \$1.00 dividend series, par value \$25, at \$23 a share and used the proceeds to finance construction costs.

The bonds applicant now proposes to issue will be dated as of December 1, 1946, will bear interest at the rate of 2-7/8% per annum, will mature June 1, 1971, and will be callable at the option of the company at any time, upon the notice and under the

conditions specified in the trust indenture, upon the payment of the principal amount and accrued interest to the date of redemption and a premium of 3% of the principal amount, which premium shall be reduced by .15% of said principal amount on June 2, 1951, and by an additional .15% on each June 2 of each year thereafter to and including June 2, 1970, and on and after June 2, 1970, without premium. Applicant reports that it has made arrangements to sell the \$1,000,000 of bonds to The Northwestern Mutual Life Insurance Company at 98.72% of their principal amount, plus accrued interest, under the terms of an agreement whereby it will deliver \$500,000 of said bonds not later than March 1, 1947, and the remaining \$500,000 at any time, at its option, but not later than September 1, 1947.

The company estimates that it will be called upon to spend approximately \$8,500 to pay expenses in connection with the issue and sale of the bonds. It proposes, subject to receiving permission from the Commission, to use \$300,000 of the remaining proceeds to pay short-term loans incurred during 1947 for construction purposes, and use the balance of the proceeds to meet in part construction costs during the remainder of the year and to provide working capital. In this connection, as shown in some detail in Exhibit "A", it estimates its net construction expenditures for 1947 and 1948 at \$2,669,588. It estimates that during 1947 it will be called upon to spend at least \$1,500,000 for construction purposes. It urges that it should increase its working cash to a position where its net current assets amount to at least \$200,000.

The testimony indicates that applicant should have available for its capital needs approximately \$350,000 from the

operation of its business, leaving a balance well in excess of \$1,000,000 which it proposes to obtain from the issue and sale of the bonds covered by this application and from additional stock issues later in the year. Under the circumstances outlined in this application and at the hearing held in the matter, the issue and sale of the additional bonds, as here proposed, seems warranted and the order herein will so provide.

In connection with the presently proposed issue of \$470,000 of common stock, the evidence submitted in this proceeding shows that applicant has had surplus earnings substantially in excess of the proposed common stock issue and that such earnings have been invested in the company's properties. It appears proper to authorize the company to issue \$470,000 par value of common stock to reimburse its treasury. It is the company's intention thereafter to distribute the stock as a stock dividend to the holders of its presently outstanding common stock at the ratio of one share of new stock for each five shares presently outstanding.

ORDER

California Water & Telephone Company having applied for permission to issue bonds and stock and to execute a supplemental indenture, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that this application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of such bonds and stock is reasonably required for the purposes specified herein, which purposes, other than the payment of bond

sale expenses and accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company, after the effective date hereof and on or before September 1, 1947, may execute a supplemental indenture in substantially the same form as that filed in this proceeding as Exhibit "C", and may issue and sell, at not less than 98.72% of face value plus accrued interest, not exceeding \$1,000,000 of its first mortgage bonds, 2-7/8% series, due 1971, and may use the proceeds, other than accrued interest, to pay bond sale expenses of approximately \$8,500, to pay short-term loans of \$300,000, to finance in part construction expenditures incurred or to be incurred during 1947, as set forth in Exhibit "A", and to provide itself with working capital. The accrued interest may be used for general corporate purposes.
2. California Water & Telephone Company, after the effective date hereof and on or before June 30, 1947, may issue at not less than par, 18,800 shares (\$470,000 par value) of its common capital stock for the purpose of reimbursing its treasury for moneys expended from income for the purpose of providing the cost of additions to its plants and properties.
3. California Water & Telephone Company shall file with the Commission reports of the issue of the bonds and stock herein authorized, and of the disposition of the proceeds, as required by the 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 California Water & Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act; which fee is One Thousand (\$1,000.00) Dollars.

Dated at San Francisco; California, this 15th day of February, 1947.

Harold Heile
Julius F. Grauer
Earl Powell
A. E. ...
Commissioners

