

Decision No. 40353

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)

of)

CALIFORNIA WATER & TELEPHONE COMPANY)

to issue and sell stock.)

-----)

ORIGINAL

Application
No. 28446

O P I N I O N

California Water & Telephone Company asks permission to issue and sell, at not less than \$33 per share, 15,200 shares of its common stock having a par value of \$25 per share, and use the proceeds for the purposes hereinafter stated.

Applicant is a corporation organized and existing under the laws of the State 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.

For the three years ending December 31, 1946, applicant reports revenues and expenses as follows:

	<u>1944</u>	<u>1945</u>	<u>1946</u>
Operating Revenues:			
Water	\$1,429,053	\$1,527,414	\$1,567,089
Telephone	<u>1,146,296</u>	<u>1,261,309</u>	<u>1,417,040</u>
	<u>\$2,575,349</u>	<u>\$2,788,723</u>	<u>\$2,984,129</u>
Operating Expenses:			
Water	\$ 729,628	\$ 798,146	\$ 855,117
Telephone	<u>881,731</u>	<u>991,974</u>	<u>1,180,377</u>
	<u>\$1,611,359</u>	<u>\$1,790,120</u>	<u>\$2,035,494</u>
Net Income from Operations:			
Water	\$ 699,425	\$ 729,268	\$ 711,972
Telephone	<u>264,565</u>	<u>269,335</u>	<u>236,663</u>
	<u>\$ 963,990</u>	<u>\$ 998,603</u>	<u>\$ 948,635</u>
Other Income-Net	<u>15,058</u>	<u>15,227</u>	<u>23,332</u>
	<u>\$ 979,048</u>	<u>\$1,013,830</u>	<u>\$ 971,967</u>
Other Deductions	<u>30,983</u>	--	<u>1,492</u>
	<u>\$ 948,065</u>	<u>\$1,013,830</u>	<u>\$ 970,475</u>
Deduct:			
Interest	\$ 239,850	\$ 239,850	\$ 239,850
Amortization of Debt Dis-			
count and Expense	21,516	21,212	--
Trustees' Fees and Sundry			
Interest	<u>9,007</u>	<u>8,814</u>	<u>6,774</u>
	<u>\$ 270,373</u>	<u>\$ 269,876</u>	<u>\$ 246,624</u>
Less: Charges to Con-			
struction Accounts	<u>33,847</u>	<u>21,381</u>	<u>--</u>
	<u>\$ 236,526</u>	<u>\$ 248,495</u>	<u>\$ 246,624</u>
	<u>\$ 711,539</u>	<u>\$ 765,335</u>	<u>\$ 723,851</u>
Federal Income and Excess			
Profits Taxes, less			
Post-war Refund	<u>342,438</u>	<u>9,771</u>	<u>221,834</u>
Net Income	<u>\$ 369,101</u>	<u>\$ 755,564</u>	<u>\$ 502,017</u>

The following statement shows the amount of net income which the company during the past three years distributed as dividends on its outstanding stocks:

<u>Year</u>	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Total</u>
1944	\$150,000.00	\$168,656	\$318,656.00
1945	127,117.26	178,328	305,445.26
1946	128,400.00	188,000	316,400.00

The decrease in the preferred stock dividend was due to the refunding of applicant's outstanding 6% preferred stock by the issue of \$1.20 Dividend Series preferred stock, while the increase in the common stock dividend was caused by the issue of additional stock and not by increasing the rate of dividend on common stock.

The following statement shows applicant's capitalization as of May 22, 1947:

A. Capital Stock		
Common stock, 112,800 shares, par value		\$2,820,000
Cumulative preferred stock, \$1.20 Dividend Series, 107,000 shares, par value		2,675,000
Cumulative preferred stock, \$1.00 Dividend Series, 22,000 shares, par value		<u>550,000</u>
	Total stock	<u>\$6,045,000</u>
B. Funded Debt		
First Mortgage Bonds:		
3.60% Series due 1971		\$5,850,000
3-1/4% Series due 1971		900,000
2-7/8% Series due 1971		1,000,000
Serial Note, 2 1/2%, due 1947 to 1948		<u>100,000</u>
	Total funded debt	<u>\$7,850,000</u>

In Application No. 28173, filed January 27, 1947, to which applicant refers in this application, applicant estimates its net construction expenditures for 1947 and 1948 at \$2,669,588, segregated as follows:

	<u>Gross</u> <u>Additions</u>	<u>Retirements</u>	<u>Net</u> <u>Additions</u>
A. Telephone Department	\$	\$	\$
San Fernando District	1,008,160	181,580	826,580
Monrovia "	448,700	48,205	400,495
Palm Springs "	291,475	22,730	268,745
Redlands "	172,595	25,825	146,770
Southern "	118,045	25,345	92,700
Routine construction-- all districts	<u>411,110</u>	<u>147,895</u>	<u>263,215</u>
Sub-total	2,450,085	451,580	1,998,505
B. Water Department			
Monterey Peninsula Division	391,750	25,000	366,750
San Gabriel Valley "	189,883	22,300	167,583
San Diego Bay "	<u>195,890</u>	<u>59,140</u>	<u>136,750</u>
Sub-total	<u>777,523</u>	<u>106,440</u>	<u>671,083</u>
Grand Total	<u>\$3,227,608</u>	<u>\$ 558,020</u>	<u>\$2,669,588</u>

Applicant estimates that during 1947 it will be called upon to spend at least \$1,500,000 for construction purposes.

Applicant, as said, is asking permission to issue and sell 15,200 shares of its common stock, at not less than \$33 per share. If authorized to do so, it will use the proceeds for the following purposes:

- | | |
|--|-----------|
| (a) To pay expenses in connection with the issue and sale of said shares of stock | \$ 13,000 |
| (b) To pay in part the cost of acquiring and constructing the properties described in Exhibit "A", filed in Application No. 28173, about | 488,600 |

Applicant's financial statement shows that it needs the stock proceeds to carry forward its 1947 construction program.

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 through the issue of said 15,200 shares of common stock by California Water & Telephone Company is reasonably required by it for the purposes herein stated, 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, on or before October 1, 1947, at not less than \$33 per share, 15,200 shares of its common stock, and use the proceeds for the following purposes:

- (1) Not exceeding \$13,000 may be used to pay expenses incident to the issue and sale of the stock.
- (2) The remainder of the stock proceeds, estimated at \$488,600, shall be used to pay in part the cost of acquiring and constructing the properties described in Exhibit "A", filed in Application No. 28173.

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

3. California Water & Telephone Company shall file with the Public Utilities 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. It shall also file with the Commission, within thirty (30) days after the issue and sale of said shares of stock, a complete copy of the registration statement filed with the Securities and Exchange Commission covering the issue and sale of said shares of stock.

Dated at San Francisco, California, this 3rd day
of June, 1947.

Harold P. Kula
James F. Casner
W. H. Russell
R. F. [unclear]
Herbert [unclear]
Commissioners