

ORIGINAL

Decision No. 40792

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of the NEWHALL WATER COMPANY, a : Application  
Corporation, for Authorization ) No. 28752  
to Issue Additional Common Stock. :  
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O P I N I O N

In this application, the Public Utilities Commission is asked to make an order authorizing Newhall Water Company, a corporation, to issue and sell, at par, \$17,100 of its common capital stock and to use the proceeds to finance the cost of additions and extensions to its water properties and to pay outstanding indebtedness.

Newhall Water Company is engaged in the business of distributing water, primarily for domestic purposes, in and about Newhall, Los Angeles County. Its financial statements on file with the Commission among other things show the following:

| <u>Year</u>              | <u>Operating Revenues</u> | <u>Profit for Year</u> | <u>Number of Consumers</u> | <u>Investment in Plant</u> |
|--------------------------|---------------------------|------------------------|----------------------------|----------------------------|
| 1942                     | \$13,371                  | \$1,837                | 471                        | \$ 95,918                  |
| 1943                     | 14,243                    | 2,873                  | 519                        | 101,723                    |
| 1944                     | 15,823                    | 2,777                  | 537                        | 103,357                    |
| 1945                     | 18,613                    | 2,696                  | 604                        | 104,228                    |
| 1946                     | 20,044                    | 3,003                  | 638                        | 105,890                    |
| 1947 (8 mos. to Aug. 31) | 14,747                    | 2,837                  | 679                        | 117,742                    |

The Company has financed the cost of its properties primarily through the issue of common stock, first mortgage bonds and short term notes and through the investment of earnings. Its

financial condition as of August 31, 1947, is reflected by its balance sheet as follows:

| <u>Assets</u>                             |                     |
|---|---------------------|
| Fixed capital                             | \$117,742.89        |
| Construction work in progress             | 162.19              |
| Cash and deposits                         | 398.47              |
| Accounts receivable                       | 3,525.15            |
| Materials and supplies                    | 596.58              |
| Prepaid expenses                          | 250.25              |
| Unamortized discount and expense on bonds | <u>1,508.01</u>     |
| Total                                     | <u>\$124,183.54</u> |

| <u>Liabilities</u>                      |                     |
|---|---------------------|
| Common stock                            | \$ 32,900.00        |
| First mortgage 5% bonds, due 1951       | 43,000.00           |
| Notes payable                           | 6,600.00            |
| Accounts payable                        | 3,905.31            |
| Consumers' deposits                     | 587.80              |
| Accrued liabilities                     | 1,862.11            |
| Suspense                                | 75.24               |
| Advances and donations for construction | 6,099.27            |
| Reserves                                | 26,533.12           |
| Surplus                                 | <u>2,620.69</u>     |
| Total                                   | <u>\$124,183.54</u> |

The Company has paid dividends during the last five years on its outstanding stock at the rate of 4 $\frac{1}{2}$ % in 1942 and 1943, at 6% in 1944, at 3% in 1945, at 6% in 1946 and at 6% during the first eight months of 1947.

The notes payable consist of a 5% one-year note for \$4,100 in favor of A. C. Swall and a 6% one-year note for \$2,500 in favor of Bank of America. They were issued to provide in part the cost of construction work during 1946 and 1947.

The Company now reports that increasing demands for service make it necessary for it to obtain additional funds to augment its water supply and to extend its pipe system. Accordingly, it plans to drill and equip a new well which it hopes will

produce from twenty to thirty inches of water, and to install 3,000 feet of six-inch cast iron pipe, all at a total estimated cost of approximately \$11,100. It proposes to sell at par its remaining authorized but unissued common stock, amounting to \$17,100, to provide the funds to pay said capital expenditures and to pay in part its outstanding term notes. It appears that the Company may dispose of some of its stock under subscription agreements providing for monthly payments in amount equal to twenty percent of the purchase price. The Commission has no objection to this program provided no stock is issued until the subscriber has made his final payment.

O R D E R

Newhall Water Company having applied to the Public Utilities Commission for authority to issue and sell \$17,100 par value of its common capital stock and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:-

1. Newhall Water Company, after the effective date hereof and on or before June 30, 1948, may issue and sell, at par, not exceeding \$17,100 par value of its common stock and use

approximately \$5,100 of the proceeds to finance the cost of drilling and equipping the new well referred to in this proceeding, approximately \$6,000 to purchase and install additional pipe lines, \$2,500 to pay the short-term note in favor of Bank of America and the remaining proceeds and such portion of the proceeds not needed for the foregoing purposes, to pay in part the outstanding note in favor of A. C. Swall.

2. Applicant shall file a report, or reports, of the issue of the 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.

3. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of October, 1947.

Harold H. Kilduff  
Justice J. C. Quinn  
Justice H. K. H. H. H.  
R. E. H. H. H.

Commissioners