

ORIGINAL

Decision No. 40826

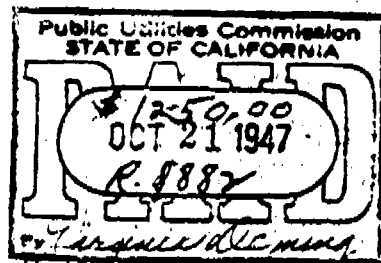
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CALIFORNIA WATER SERVICE
COMPANY, a corporation

for an order authorizing it to
issue an additional amount of
its bonds and common stock.

Application
No. 28773



O P I N I O N

In this application, as amended, California Water Service Company has applied to the Public Utilities Commission for authorization to issue and sell not to exceed \$1,500,000 of its 3½% First Mortgage Bonds, Series C, due November 1, 1975, at a price to be determined by competitive bidding, and to issue and sell not to exceed 15,652 shares of its common stock, of the aggregate par value of \$391,300, at a price to yield it not less than \$30 a share. The company proposes to use approximately \$35,500 of the proceeds to pay the expenses in connection with the issue and sale of said bonds and stock, to use \$1,900,000 to reimburse its treasury for moneys actually expended prior to August 31, 1947, from income for capital additions, and to use the remaining proceeds to refund consumers' advances for construction.

The application shows that applicant is engaged in the business of the supply and distribution of water for domestic and industrial purposes in the following localities in the State of California: Atherton, Bakersfield, Broadmoor Tract (San Mateo County), Chico, Concord, Crockett, Danville, Dixon, East Los Angeles (Belvedere), Hanford, Hermosa Beach, Livermore, Lomita

Park, Los Altos, Martinez (wholesale), Marysville, Menlo Park, Oroville, Petaluma, Port Chicago, Port Costa, Redondo Beach, San Carlos, San Mateo, South San Francisco, Stockton, Velona, Visalia, Walnut Creek (wholesale), Willows and Woodside. Its assets and liabilities, as of August 31, 1947, are reported as follows:

<u>ASSETS</u>		
Plant, property, rights		\$26,205,876.18
Construction work in progress		1,577,631.50
Miscellaneous investments		3,697.15
Line extension deposits not yet expended		383,023.86
Current assets-		
Cash	\$ 19,084.28	
Accounts receivable	338,708.05	
Materials and supplies	728,166.97	
Special deposits	48,159.80	
Prepaid expenses	<u>37,741.65</u>	
Total current assets		1,171,860.75
Deferred charges		<u>75,111.17</u>
Total		<u>\$29,417,200.61</u>

<u>LIABILITIES</u>		
First mortgage 3½% bonds, Series C		\$11,282,000.00
Serial notes		480,000.00
Current liabilities-		
Bank loans	\$600,000.00	
Serial note due		
November 1, 1947	60,000.00	
Accounts payable	258,958.48	
Accrued liabilities	555,936.76	
Unearned revenue	30,003.12	
Preferred dividends		
accrued	6,370.83	
Meter deposits	30,064.96	
Dividends declared	<u>97,174.00</u>	
Total current liabilities		1,638,508.15
Contributions for extensions		360,395.42
Consumers' line extension deposits		1,276,443.80
Reserves for depreciation and amortization		4,461,819.65
Other reserves		40,263.65
Unamortized premium on debt		184,254.67
Preferred stock		3,475,000.00
Common stock		4,858,700.00
Capital surplus		70,870.44
Paid-in surplus		576,311.70
Earned surplus		<u>712,633.13</u>
Total		<u>\$29,417,200.61</u>

The company reports that prior to August 31, 1947, it had expended from income or from other moneys in its treasury not secured by or obtained from the issue of securities, the sum of \$4,733,879.90 for the acquisition of property or for the construction, completion, extension or improvement of its facilities. The following tabulation shows how this amount was determined:

Historical cost (estimated where necessary) recorded upon acquisitions of presently owned properties		\$12,328,399.16
Gross additions to August 31, 1947		18,332,322.70
Less		
Retirements charged to reserves	\$2,605,002.48	
Reserves recorded at dates of acquisition	1,625,143.70	
Capital surplus	70,870.44	
Contributions for ex- tensions	360,395.42	
Extension deposits	893,419.94	
Sales of property, etc.	<u>272,211.70</u>	<u>5,827,043.68</u>
Net cost to August 31, 1947		24,833,678.18
Net proceeds from sales of securities		<u>20,099,798.28</u>
Balance		<u>\$ 4,733,879.90</u>

The balance was financed generally through the accumulation of surplus earnings, the use of income credited to the reserve for depreciation or applied toward the amortization of bond premiums, discounts and expenses, and excess of bank loans over net current assets.

In now seeking permission to use \$1,900,000 of bond and stock proceeds to reimburse its treasury, in part, for those reported capital expenditures made prior to August 31, 1947, the company reports that it has borrowed \$600,000 from banks on short-term loans to meet in part, capital requirements during 1947, that its current liabilities exceed its current assets (excluding \$383,023.86 of cash which it is obligated, under extension agreements to invest in water works facilities) by the sum of

\$466,647.40, and that it estimates capital expenditures in excess of \$600,000, excluding costs of projects covered by extension agreements, to be made between September 1, 1947, and December 31 1947, and additional capital expenditures of approximately \$2,500,000 during 1948. In addition, the company reports that it expects that within six months from August 31, 1947, it will be called upon to make refunds of consumers' advances in the amount of \$198,635.00.

A review of the application clearly indicates that the company has need for additional funds from outside sources to reimburse its treasury and thereby make funds available to improve its cash position, to pay short-term loans and to meet in part future construction costs, and to pay the other items as requested. It appears that applicant intends to supplement such funds with moneys available from income or from additional bank loans in order to meet its total capital requirements, such sums to be repaid or reimbursed through the issue of additional securities in 1948.

In making the order herein the Commission is not making a finding that all the expenditures comprising the reported unreimbursed balance of \$4,733,879.90 are proper charges to fixed capital accounts. There appears to be sufficient margin of capital expenditures to warrant the issue of bonds and stock in the amounts herein requested. The company intends to offer its bonds for sale at competitive bidding. The issue and sale of the 15,652 shares of common stock is exempt from the provisions of the Commission's competitive bidding decision.⁽¹⁾ Applicant is presently negotiating for the sale of the shares of stock and

(1) Decision No. 38614 dated January 15, 1946.

will file with the Commission as soon as available a copy of the underwriting contract.

The order following will authorize the issue of the bonds and the shares of stock subject to the provision that such authority will not become effective until the Commission by supplemental order, or orders, has fixed the prices at which said bonds and shares of stock may be sold.

O R D E R

California Water Service Company having applied to the Public Utilities Commission for authority to issue \$1,500,000 of bonds and 15,652 shares of common 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 such issue is reasonably required for the purposes specified herein, and that, except as otherwise permitted in the case of said bonds, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. California Water Service Company, after the effective date hereof and on or before June 30, 1948, may issue and sell not to exceed \$1,500,000 of its 3½% First Mortgage Bonds, Series C, due November 1, 1975, and not exceeding 15,652 shares of common stock at prices hereafter to be specified in a supplemental order or orders, in this proceeding.

2. California Water Service Company shall use the net proceeds from the sale of its bonds, after deducting expenses of sale estimated at \$27,000, and the net proceeds from the sale of its stock, after deducting expenses of sale estimated at \$8,500, to reimburse its treasury because of moneys actually expended from income, or from other moneys in its treasury not secured by or obtained from the issue of securities, for the acquisition of properties and the construction, completion, extension or improvement of facilities, and to repay consumers' advances for construction. The company may use said \$27,000 of bond proceeds and \$8,500 of stock proceeds to pay necessary expenses in connection with the proposed issue and sale of said bonds and stock.

3. The authority herein granted to issue bonds will become effective when California Water Service Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$1,250, and when the Commission by supplemental order has fixed the price at which said bonds may be sold. The authority herein granted to issue 15,652 shares of common stock will become effective when the Commission by supplemental order has fixed the price at which said shares of stock may be sold. All other authority herein granted is effective as of the date hereof.

4. California Water Service Company shall file with the Commission a report or reports, of the issue and sale of said bonds and stock as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order, and shall also file with the Commission, within six months after the issue of said bonds and stock,

statements showing in detail the expenses incurred in connection with such issues.

Dated at San Francisco, California, this 21st day of October 1947.

Harold P. Hule
Justice J. Quacken
B. J. Duntz
Connelly Potter
Commissioners