

Decision No. 40910

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 bonds.)
-----)

Application
No. 28822

ORIGINAL

O P I N I O N

In this application, California Water & Telephone Company has applied to the Public Utilities Commission for an order authorizing it to execute a supplemental indenture and to issue and sell \$1,000,000 principal amount of its First Mortgage Bonds, 3% Series, due 1971, for the purpose of financing the cost of additions and betterments to its plants and properties.

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 reports that it is also serving water under private contract for domestic, irrigation and commercial purposes to Del Monte Properties Company in Monterey County.

For the twelve months ending August 31, 1947, it reports its operating revenues in its water division at \$1,640,825.74 and in its telephone division at \$1,527,106.75, a total of \$3,167,932.49, and its net operating income at \$831,145.14, as compared with total operating revenues of \$2,946,913.96 for the twelve months ending August 31, 1946, and net operating income for that period of \$1,044,979.43.

The company's assets and liabilities as of August 31, 1947, are reported as follows:

Assets

Fixed capital	\$16,298,315.49
Construction work in progress	588,073.80
Miscellaneous investments	750,520.47
Cash and special deposits	130,702.03
Accounts receivable	391,005.62
Materials and supplies	596,944.23
Prepaid expense	48,835.01
Discount on stock	44,000.00
Other suspense	127,796.87
Total	<u>\$18,976,193.52</u>

Liabilities

Common stock	\$ 3,200,000.00
Preferred stock	3,225,000.00
Premium on common stock	198,284.00
Bonds	7,750,000.00
Serial notes	100,000.00
Accounts payable	392,452.63
Accrued liabilities	410,603.68
Past service pension premiums	94,152.77
Service billed in advance	20,897.99
Consumers' advances for construction	224,573.17
Donations in aid of construction	181,182.16
Reserve for depreciation	2,659,103.19
Other reserves	98,589.02
Capital surplus	40,764.53
Corporate surplus	<u>380,590.38</u>
Total	<u>\$18,976,193.52</u>

The outstanding bonds include \$5,850,000 of 3.60% bonds, due 1971, which were issued in 1941; \$900,000 of 3-1/4% bonds, due 1971, which were issued in 1943, and \$1,000,000 of 2-7/8% bonds, due 1971, which were issued in the early part of 1947. These bonds, according to information filed with the Commission, were sold by the company to various insurance companies.

The company now proposes to execute a supplemental indenture and to create a new series of bonds to be designated as First Mortgage Bonds, 3% Series, due 1971. These bonds, as stated, will bear interest at the rate of 3% per annum, will mature on June 1, 1971, and, at the option of the company, will be redeemable at any time upon payment of the principal amount thereof 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. The company has made arrangements to sell \$1,000,000 of said bonds to The Northwestern Mutual Life Insurance Company at 98-1/2% of their principal amount plus accrued interest to the date of closing.

In support of its request to issue additional bonds, the company states that the net proceeds, after payment of approximately \$7,000 of expenses in connection with the issue and sale, are required by it to provide funds for carrying on its 1947 and 1948 construction program and for paying short-term bank loans incurred in connection therewith. It has reported in former applications filed with the Commission that its construction budget for 1947 and 1948 will aggregate \$3,227,608, and that its retirements will amount to \$558,020, leaving net additions for the two-year period of \$2,669,588. Heretofore, under authority granted by the Commission in Decision No. 39976, dated February 15, 1947, and by Decision No. 40353, dated June 3, 1947, as amended, it has issued and sold \$1,000,000 of 2-7/8% bonds and 15,200 shares of common stock to finance in part these reported expenditures. It was authorized to sell such bonds at 98.72% of their face value, a price yielding \$987,200, and such shares of common stock at \$32 per share, a price yielding \$486,400.

It now appears that applicant finds it necessary to obtain additional money from outside sources to carry on its construction program, and that it has for this purpose made arrangements at this time to issue and sell the \$1,000,000 of bonds covered by this application. The order herein accordingly will authorize the issue.

ORDER

The Public Utilities Commission having considered the above entitled application of California Water & Telephone Company to issue and sell bonds and it 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 said bonds is reasonably required by California Water & Telephone Company for the purposes specified herein, and that except as otherwise permitted herein, 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 & Telephone Company, after the effective date hereof and on or before December 31, 1947, may execute a supplemental indenture in substantially the same form as that filed in this proceeding as Exhibit "5", and may issue and sell to The Northwestern Mutual Life Insurance Company, at not less than 98-1/2% of their face value plus accrued interest to the date of closing, not exceeding \$1,000,000 of its First Mortgage Bonds, 3% Series, due 1971, and may use the net proceeds other than accrued interest, after deducting expenses of the issue and sale estimated at approximately \$7,000, to finance in part the cost of additions and betterments to its plants and properties during 1947 and 1948, and to pay short-term bank loans incurred in connection therewith. The accrued interest may be used for general corporate purposes.

2. California Water & Telephone Company shall file with the Commission, on or before the 25th day of each month after the sale of said bonds, a report showing the price it received for said bonds and the purposes for which it expended the proceeds.

3. 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.

4. On or before March 31, 1948, applicant shall file with the Commission a statement showing in some detail the expenses incurred incident to the issue and sale of said bonds.

Dated at San Francisco, California, this 12th day of November, 1947.

Harold A. Hule
Justus F. Coe
W. A. McCall
A. J. [unclear]

Commissioners

