

**ORIGINAL**

Decision No. 41872

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )

of )

Application  
No. 29493

CALIFORNIA WATER & TELEPHONE COMPANY )

to issue and sell stocks and bonds. )

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O P I N I O N

This is an application by California Water & Telephone Company for an order of the Public Utilities Commission authorizing it to execute a supplemental indenture and to issue and sell \$1,000,000 principal amount of its first mortgage bonds, 3-1/4% series, due 1971, and 12,800 shares of its common stock for the purpose of financing the cost of additions and betterments to its plants and properties and of paying expenses.

California Water & Telephone Company is engaged in the business of giving water service in portions of the Counties of San Diego, Los Angeles and Monterey and telephone and telegraph service in portions of the Counties of Los Angeles, Riverside and San Bernardino. For the twelve months ending April 30, 1948, it reports its operating revenues in its water division at \$1,698,069.72 and in its telephone division at \$1,820,106.58, a total of \$3,518,176.30 and its net operating income at \$880,946.41 as compared with total operating revenues of \$3,057,679.65 for the twelve months ending April 30, 1947, and net operating income for that period of \$894,891.47.

The company's assets and liabilities as of April 30, 1948, are reported as follows:

ASSETS

|                               |                  |                         |
|-------------------------------|------------------|-------------------------|
| Fixed capital                 |                  |                         |
| Water                         | \$13,169,542.87  |                         |
| Telephone                     | 4,618,380.60     |                         |
| General office                | <u>537.98</u>    |                         |
| Total fixed capital           |                  | \$ 17,788,461.45        |
| Construction work in progress |                  | 591,758.22              |
| Miscellaneous investments     |                  | 778,106.26              |
| Current assets                |                  |                         |
| Cash and deposits             | 724,595.16       |                         |
| Accounts receivable           | 377,206.21       |                         |
| Materials & supplies          | 635,739.23       |                         |
| Prepaid expenses              | <u>78,396.87</u> |                         |
| Total current assets          |                  | 1,815,937.52            |
| Unamortized discount          |                  | 49,738.80               |
| Other suspense                |                  | <u>127,550.06</u>       |
|                               | Total            | \$ <u>21,151,552.31</u> |

LIABILITIES

|                                      |                   |                         |
|--------------------------------------|-------------------|-------------------------|
| Capital stock                        |                   | \$ 6,425,000.00         |
| Premium on common stock              |                   | 198,284.00              |
| Long-term debt                       |                   | 9,750,000.00            |
| Current liabilities                  |                   |                         |
| Notes payable                        | \$ 50,000.00      |                         |
| Accounts payable                     | 430,695.03        |                         |
| Dividends payable                    | 101,600.00        |                         |
| Accrued liabilities                  | <u>370,379.84</u> |                         |
| Total current liabilities            |                   | 953,174.87              |
| Past service pension premium payable |                   | 76,468.63               |
| Service billed in advance            |                   | 25,376.29               |
| Consumers advances for construction  |                   | 356,028.05              |
| Donations in aid of construction     |                   | 193,256.59              |
| Reserves for depreciation            |                   | 2,724,064.61            |
| Other reserves                       |                   | 69,836.29               |
| Capital surplus                      |                   | 40,764.53               |
| Corporate surplus                    |                   | <u>339,298.45</u>       |
|                                      | Total             | \$ <u>21,151,552.31</u> |

The outstanding stock includes \$3,200,000 par value (128,000 shares) of common stock and \$3,225,000 par value of preferred stock consisting of 107,000 shares of \$1.20 dividend series and 22,000 shares of \$1.00 dividend series, all shares being of the par value of \$25.00 each. The long-term debt consists of the following:

|                             |             |                         |
|-----------------------------|-------------|-------------------------|
| 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               |
| 3% series, due 1971         |             | 1,000,000               |
|                             | Total bonds | <u>8,750,000</u>        |
| Debentures, 3-3/4% due 1968 |             | <u>1,000,000</u>        |
|                             | Total       | <u><u>9,750,000</u></u> |

The company now desires to issue additional bonds and stock to obtain funds to carry on its 1948 construction program. It is negotiating for the sale of \$1,000,000 in principal amount of its first mortgage bonds, 3-1/4% series, due 1971, to The Northwestern Mutual Life Insurance Company so as to net it not less than 100% of face value plus accrued interest to date of delivery, and it proposes to offer the 12,800 additional shares of common stock to its present common stockholders, so as to net it not less than \$23 a share, through the issuance of rights in the proportion of one of said new shares for each ten shares now outstanding.

In an earlier application (No. 29177, filed on March 15, 1948) the company submitted to the Commission a description of its 1948 construction projects showing total estimated expenditures for the year as follows:

| <u>Department</u>                         | <u>Gross Additions</u> | <u>Retire-ments</u> | <u>Net Additions</u> |
|---|------------------------|---------------------|----------------------|
| <u>Water:</u>                             |                        |                     |                      |
| Monterey Peninsula Division               | \$1,030,250            | \$ 42,800           | \$ 987,450           |
| San Gabriel Valley Division               | 99,493                 | 8,257               | 91,236               |
| San Diego Bay Division                    | <u>202,950</u>         | <u>19,925</u>       | <u>183,025</u>       |
| Total Water Department                    | <u>\$1,332,693</u>     | <u>\$ 70,982</u>    | <u>\$1,261,711</u>   |
| <u>Telephone:</u>                         |                        |                     |                      |
| Routine estimates                         | \$ 424,610             | \$216,720           | \$ 207,890           |
| Misc. specific outside plant construction | 90,000                 | 12,500              | 77,500               |
| San Fernando District                     | 727,420                | 159,900             | 567,520              |
| Monrovia District                         | 178,390                | 11,180              | 167,210              |
| Redlands District                         | 54,750                 | 2,855               | 51,895               |
| Palm Springs District                     | 134,050                | 2,850               | 131,200              |
| Southern District                         | <u>17,435</u>          | <u>4,355</u>        | <u>13,080</u>        |
| Total Telephone Dept.                     | <u>\$1,626,655</u>     | <u>\$410,360</u>    | <u>\$1,216,295</u>   |
| Total Water and Telephone Departments     | <u>\$2,959,348</u>     | <u>\$481,342</u>    | <u>\$2,478,006</u>   |

Under authority granted by Decision No. 41386, dated March 30, 1948, the company has issued and sold \$1,000,000 of debentures to meet in part these estimated capital requirements. It clearly appears that the company will be in need of additional funds from outside sources to complete its program of capital additions and betterments. The order herein will authorize it at this time to issue and sell the \$1,000,000 of bonds for which application now is made. The matter of the issue of the additional shares of common stock will be considered by the Commission at a later date in a further opinion and order in this proceeding.

O R D E R

The Public Utilities Commission having considered the above entitled matter and being of the opinion that the money, property or labor to be procured or paid for through the issue and sale of \$1,000,000 of bonds is reasonably required by California Water & Telephone Company for the purposes specified herein and that such purposes, other than the payment of accrued interest and expenses incident to the issue and sale of said bonds, are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

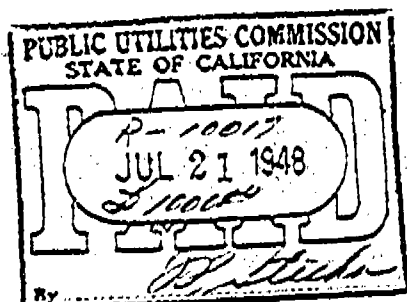
IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company, after the effective date hereof and on or before September 30, 1948, may execute a Seventh Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit "6", and may issue and sell, at not less than the face value thereof, plus accrued interest, not exceeding \$1,000,000 of its first mortgage bonds, 3-1/4% series, due 1971.
2. California Water & Telephone Company shall use the proceeds to be received from the issue and sale of said bonds, other than accrued interest, to pay expenses incident to the issue and sale thereof and to finance in part the cost of additions and betterments to its plants and properties or for the repayment of short-term loans incurred in connection therewith. The accrued interest may be used for general corporate purposes.

3. California Water & Telephone Company shall file with the Commission, within thirty (30) days after the issue and sale of said bonds, a report showing the price it received for them and thereafter shall file monthly reports showing the purposes for which it used the proceeds until all of said proceeds have been expended. In addition it shall file with the Commission, within six (6) months after the issue and sale of said bonds, a report showing in some detail the expenses incurred incident to said issue and sale.

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 20<sup>th</sup> day of July, 1948.



*[Signature]*  
*[Signature]*  
*[Signature]*  
Commissioners