

ORIGINAL

Decision No. 42149

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of California Water & Telephone	:	Application
Company to issue and sell stock.)	No. 29736
-----	:	

Bacigalupi, Elkus and Salinger, by Charles de Y. Elkus, Jr., for Applicant.

HULS, Commissioner

O P I N I O N

In this application, California Water & Telephone Company asks permission to issue and sell, for the purposes hereafter stated, 40,000 shares of its Cumulative Preferred Stock, \$1.40 Dividend Convertible Series of the par value of \$25 per share, and from time to time to issue not to exceed a total of 40,000 shares of its common stock to the holders of said shares of preferred stock, in compliance with the conversion provisions of the shares of preferred stock. Applicant further asks the Commission to exempt the issue and sale of said shares of preferred stock from the provisions of Decision No. 38614, dated January 15, 1946, in Case No. 4761.

California Water & Telephone Company 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, Coronado and adjoining territory in the County of San Diego; in the Cities of San

Marino, San Gabriel and unincorporated territory in the County of Los Angeles; in the Cities of Monterey, Pacific Grove and Carmel and certain unincorporated areas in the County of Monterey. Applicant reports that it is serving water for domestic, irrigation and commercial purposes to Del Monte Properties Company in Monterey County under private contract. It is also engaged in the business of a public utility rendering telephone and telegraph service in the cities and towns of Redlands, Banning, Beaumont, Elsinore, Hemet, Murrietta, Palm Springs, Perris, San Jacinto, Temecula, Loma Linda, Moreno, Yucaipa, Twentynine Palms, Joshua Tree, Idyllwild and in certain unincorporated areas in the Counties of Riverside and San Bernardino; and in San Fernando, Sierra Madre and Monrovia and certain unincorporated areas in the County of Los Angeles.

As of December 31, 1947, Applicant had 32,553 water customers and 25,572 telephones in service. Its operating revenues for 1947 amounted to \$3,288,796.35, segregated as follows:

Water	\$1,674,402.12
Telephone	1,614,394.23

Its net income for 1947 amounted to \$439,796.18. The dividends paid on Applicant's outstanding preferred stock amounted to \$147,955.56 and on its common stock, exclusive of a stock dividend, to \$231,400.

As of August 31, 1948, Applicant in revised Exhibit "3" shows assets and liabilities as follows:

Assets

Fixed capital		\$18,761,270.49
Water	\$13,474,835.04	
Telephone	5,285,897.47	
General office	537.98	
Construction work in progress		869,929.22
Miscellaneous investments		790,364.24
Current assets		1,602,607.30
Cash and deposits	527,021.04	
Accounts receivable	403,125.59	
Material and supplies	644,951.10	
Prepaid expenses	27,509.57	
Unamortized discount		44,000.00
Other suspense		<u>134,546.02</u>
	Total assets	<u>\$22,202,717.27</u>

Liabilities

Capital stock		\$ 6,425,000.00
Premium on common stock		198,284.00
Long-term debt		10,750,000.00
Current liabilities		885,085.49
Notes payable	\$ 50,000.00	
Accounts payable	421,218.66	
Accrued liabilities	413,866.83	
Past service pension premium payable		76,468.63
Service billed in advance		37,551.65
Consumers' advances for construction		388,563.46
Donations in aid of construction		198,675.87
Reserve for depreciation and amortization of emergency war facilities		2,744,390.26
Other reserves		11,301.20
Capital surplus		40,764.53
Corporate surplus		<u>446,632.18</u>
	Total liabilities	<u>\$22,202,717.27</u>

Applicant's outstanding stock consists of the following:

<u>No. of Shares</u>	<u>Par Value Per Share</u>	<u>Class</u>	<u>Aggregate Par Value</u>
128,000	\$25	Common	\$3,200,000.00
22,000	25	Preferred \$1 Dividend Series	550,000.00
107,000	25	Preferred \$1.20 Dividend Series	<u>2,675,000.00</u>
			<u>\$6,425,000.00</u>

By Decision No. 41976, dated August 24, 1948, in Application No. 29493, Applicant is authorized to issue and sell 12,800 shares (par value \$320,000) of common stock. These shares have been offered to the holders of Applicant's common stock at \$23 per share. The right to subscribe for the shares had not yet expired at the time of the hearing on this application and Applicant therefore was not in a position to say definitely how many of the 12,800 shares would be issued.

Applicant has outstanding \$9,750,000 of first mortgage bonds due June 1, 1971, and \$1,000,000 of 3-3/4% debentures due March 1, 1968. The bonds consist of four classes, as follows:

3.60% Series	\$5,350,000
3-1/4% Series	1,900,000
2-7/8% Series	1,000,000
3% Series	1,000,000

Because of the increased demand for telephone and water service and increases in construction costs, Applicant has found it necessary to revise its 1948 construction budget as filed in Application No. 29177. In that proceeding it estimated its 1948 construction expenditures at \$2,966,458. In Exhibit "4" filed in this proceeding it estimates its 1948 construction expenditures at \$3,987,754.94. To August 31, 1948, it reports construction expenditures of \$2,279,221.23, leaving an unexpended balance of \$1,708,533.71. The Commission heretofore has authorized Applicant to issue \$1,000,000 of debentures, \$1,000,000 of bonds, and 12,800 shares of common stock to finance in part its 1948 construction expenses. It estimates that it will have available from depreciation accruals and other internal sources for construction purposes about \$400,000, leaving approximately \$1,000,000 to be

financed through the issue of securities. It is for the purpose of raising funds to carry forward its 1948 construction program that Applicant asks permission to issue and sell said 40,000 shares of its Cumulative Preferred Stock, \$1.40 Dividend Convertible Series. The expenses incident to the issue and sale of said shares are estimated at \$12,600.

Each share of said \$1.40 Dividend Convertible Series of stock shall be valued at \$28 for the purpose of the conversion thereof into common stock of Applicant. The respective prices at which shares of common stock shall be deliverable upon conversion shall be initially as follows: (a) in the case of shares of said \$1.40 Dividend Convertible Series converted on or prior to November 1, 1953, \$28 per share of common stock (or at the rate of one share of common stock for each share of said \$1.40 Dividend Convertible Series); (b) in the case of shares of said \$1.40 Dividend Convertible Series converted after November 1, 1953, and on or prior to November 1, 1955, \$31.11 per share of common stock (or at the rate of 0.9 shares of common stock for each share of said \$1.40 Dividend Convertible Series); and (c) in the case of shares of said \$1.40 Dividend Convertible Series converted after November 1, 1955, and on or prior to November 1, 1958, \$35 per share of common stock (or at the rate of 0.8 shares of common stock for each share of said \$1.40 Dividend Convertible Series). The conversion ratios will be adjusted in the event Applicant sells additional shares of common stock for a consideration per share less than the conversion price in effect immediately prior to the time of such issue or sale.

The rights and privileges which the holders of said shares of preferred stock will have and the conditions to which

said shares of preferred stock are subject are set forth in a resolution by Applicant's Board of Directors, filed in this application as Exhibit "5".

Applicant asks permission to issue and sell said 40,000 shares of stock at \$26.60 per share, or on about a 5.26% basis. The underwriters propose to offer the stock at \$28 per share, or on a 5% basis. Currently Applicant's \$1.20 dividend preferred stock is selling on about a 5.3% basis.

If said shares of stock are sold at \$26.60 per share, Applicant will realize \$1,064,000. It asks the Commission to exempt the issue and sale of said shares of stock from the provisions of the order in Decision No. 38614, dated January 15, 1946. That order exempts from competitive bidding any security issued and sold where the total consideration received is \$1,000,000 or less. The testimony submitted by Applicant warrants the Commission to grant the exemption.

No one appeared at the hearing to protest the granting of this application.

I recommend the following form of Order:

O R D E R

California Water & Telephone Company having asked permission to issue and sell 40,000 shares of its Cumulative Preferred Stock, \$1.40 Dividend Convertible Series, a public hearing having been held on this application, the Commission having considered the evidence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid

for by the issue and sale of said shares of stock is reasonably required by California Water & Telephone Company for the purposes herein stated, that said 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, on or before December 31, 1948, issue and sell at not less than \$26.60 per share, 40,000 shares of its Cumulative Preferred Stock, \$1.40 Dividend Convertible Series, and may from time to time issue not exceeding 40,000 shares of common stock, including scrip certificates for fractional shares, to persons who shall surrender in exchange therefor shares of Applicant's Cumulative Preferred Stock, \$1.40 Dividend Convertible Series, such exchange to be on the basis of conversion set forth in Exhibit "5".

2. The issue and sale of said 40,000 shares of Cumulative Preferred Stock, \$1.40 Dividend Convertible Series, is exempt from the provisions of the order in Decision No. 38614, dated January 15, 1946.

3. California Water & Telephone Company shall use the proceeds obtained from the issue and sale of said 40,000 shares of Cumulative Preferred Stock, \$1.40 Dividend Convertible Series, to pay the expenses incident to the issue and sale of said shares of stock and to pay in part the cost of acquiring and constructing the properties referred to in Exhibit "5".

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

5. California Water & Telephone Company shall file with the Commission, as soon as available, a complete copy of the registration statement filed with the Securities and Exchange Commission, together with all exhibits referred to therein except such exhibits as it has heretofore filed with the Commission. Applicant shall also file with the 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.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at Los Angeles, California, this 19th day of October, 1948.

R. J. [Signature]
Justice F. [Signature]
Harold [Signature]
[Signature]

Commissioners