

Decision No. 42597

ORIGINAL

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. 30088

O P I N I O N

In this application, the Commission is asked to authorize California Water & Telephone Company to execute a supplemental indenture and to issue \$1,000,000 of First Mortgage Bonds, 3-1/4% Series due 1979, for the purpose of financing in part its 1949 construction program and of paying expenses incident to the issue of the bonds.

California Water & Telephone Company is a corporation engaged in rendering public utility water service in portions of the Counties of San Diego, Los Angeles and Monterey, and public utility telephone and telegraph service in portions of the Counties of Riverside, San Bernardino and Los Angeles. It has reported its operating revenues at \$2,951,810.42 in 1946, at \$3,246,778.85 in 1947 and at \$3,996,166.48 in 1948, with net income of \$500,231.90 in 1946, \$441,431.03 in 1947 and \$534,699.62 in 1948. It reports its assets and liabilities as of December 31, 1948, as follows:

<u>Assets</u>		
Fixed capital		
Water	\$13,769,718.76	
Telephone	<u>5,955,988.59</u>	\$19,725,707.35
Construction work in progress		1,385,470.70
Miscellaneous investments		731,599.76
Current assets		
Cash and deposits	308,698.63	
Accounts receivable	502,723.03	
Material and supplies	665,969.01	
Prepaid expenses	<u>169,008.51</u>	1,646,399.18
Unamortized discount on stock		68,934.00
Other suspense		<u>122,667.29</u>
Total assets		<u>\$23,680,778.28</u>

<u>Liabilities</u>		
Capital stock		\$ 7,736,675.00
Premium on common stock		262,284.00
Long-term debt		10,750,000.00
Current liabilities		
Accounts payable	\$ 500,165.19	
Accrued liabilities	<u>414,337.51</u>	914,502.70
Past service pension premium payable, due after one year		55,014.79
Service billed in advance		37,668.32
Consumers' advances for construction		421,362.14
Donations in aid of construction		201,245.23
Reserve for depreciation and amortization of emergency war facilities		2,722,978.46
Other reserves		15,209.11
Capital surplus		40,764.53
Corporate surplus		<u>523,074.00</u>
Total liabilities		<u>\$23,680,778.28</u>

The balance sheet shows that applicant has financed its capital expenditures in part through the issue of stock and long-term debt. The amounts outstanding on December 31, 1948, are as follows:

Common stock		\$ 3,571,025
Preferred stock		
\$1.20 dividend series	\$2,675,000	
\$1.00 dividend series	550,000	
\$1.40 dividend series	<u>940,650</u>	4,165,650
Long-term debt		
First mortgage bonds, due 1971		
3.60% series	5,850,000	
3-1/4% series	1,900,000	
2-7/8% series	1,000,000	
3% series	1,000,000	
Debentures, 3-3/4% due 1968	<u>1,000,000</u>	10,750,000

The first mortgage bonds have been issued under the terms of a trust indenture dated as of September 1, 1935, and seven indentures supplemental thereto. Applicant now proposes to execute its Eighth Supplemental Indenture, and to create a new series of bonds to be designated as First Mortgage Bonds, 3-1/4% Series due 1979. Said bonds will be dated as of March 1, 1949, and will bear interest at the rate of 3-1/4% per annum, will mature March 1, 1979, and will be redeemable at the option of the company at any time upon the payment of a premium of 4% to and including September 1, 1952; of 3-1/2% thereafter to and including March 1, 1956; of 3% thereafter to and including September 1, 1959; of 2-1/2% thereafter to and including March 1, 1963; of 2% thereafter to and including September 1, 1966; of 1-1/2% thereafter to and including March 1, 1970; of 1% thereafter to and including September 1, 1973; of 1/2% thereafter to and including March 1, 1977, and at no premium after March 1, 1977.

Applicant reports that it proposes at this time to issue and sell \$1,000,000 of such new series of bonds at their face value, plus accrued interest, to The Northwestern Life Insurance Company and Provident Mutual Life Insurance Company of Philadelphia. It proposes to use the proceeds from the sale of said bonds for the following purposes:

(a) To pay expenses in connection with the issuance and sale of said bonds (including fee of special counsel of the purchaser), estimated	\$ 7,000.00
(b) To provide funds for carrying on applicant's 1949 construction program and for paying short-term bank loans incurred in connection therewith	<u>993,000.00</u>
Total	<u>\$1,000,000.00</u>

Applicant estimates its gross and net additions to its properties during 1949 as follows:

<u>Divisions</u>	<u>Gross Additions</u>	<u>Net Additions</u>
Water		
San Gabriel Valley	\$ 172,527	\$ 158,523
Monterey Peninsula	653,900	622,700
San Diego Bay	291,880	225,730
Total Water	<u>1,118,307</u>	<u>1,006,953</u>
Telephone	<u>2,440,000</u>	<u>2,017,945</u>
Grand Total	<u>\$3,558,307</u>	<u>\$3,024,898</u>

A copy of applicant's 1949 budget is on file in this application. The net proceeds from the sale of the \$1,000,000 of bonds will be used to finance in part the cost of acquiring and constructing properties during 1949.

O R D E R

The Public Utilities Commission having considered this application and it being of the opinion that a hearing thereon is not necessary, 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 June 30, 1949, may execute an

Eighth Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit "5", and may issue and sell, at not less than their face value plus accrued interest, not exceeding \$1,000,000 of its First Mortgage Bonds, 3-1/4% Series due 1979.

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 during 1949, 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 15th day
of March, 1949.

R. T. [Signature]

Justice F. [Signature]

James P. [Signature]

Harold P. [Signature]

Commissioners

