

ORIGINAL

Decision No. 42990

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 )  
sell an additional amount of its )  
First Mortgage Bonds. )  
----- )

Application  
No. 30334

O P I N I O N

California Water Service Company has applied to the Public Utilities Commission for permission to issue and sell \$970,000 principal amount of its First Mortgage 3-1/4% Bonds, Series C, due November 1, 1975, at not less than 102.66% of the principal amount thereof plus accrued interest, and to use the proceeds to pay outstanding indebtedness and reimburse its treasury for a portion of the moneys actually expended prior to April 30, 1949, from income or other moneys not obtained from the issue of securities for the acquisition of property or for the construction, completion, extension or improvement of facilities.

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, Valona, Visalia, Walnut Creek (wholesale), Willows and  
Woodside.

In Exhibit "A" attached to the application, applicant reports its assets and liabilities as of April 30, 1949, as follows:

Assets

Plants and properties, including construction work in progress of		
\$1,429,431.99		\$33,970,770.44
Line extension deposits not yet expended		276,698.95
Current Assets -		
Cash	\$ 49,957.91	
Accounts receivable	283,791.06	
Materials and supplies	756,933.74	
Prepaid expenses	<u>119,187.43</u>	
Total current assets		1,209,870.14
Deferred charges and miscellaneous items		<u>109,919.06</u>
	Total assets	<u>\$35,567,258.59</u>

Liabilities

Bonds		\$14,282,000.00
Serial notes		360,000.00
Current Liabilities -		
Bank loans	\$1,300,000.00	
Notes and accounts payable	343,258.67	
Accrued liabilities	281,018.33	
Unearned revenue	39,097.20	
Dividends accrued on preferred stock	53,937.50	
Consumers' meter deposits	32,282.13	
Total current liabilities		2,049,593.83
Consumers' line extension deposits		1,329,987.64
Reserve for depreciation		4,705,499.56
Other reserves		48,318.43
Contributions in aid of construction		361,502.87
Unamortized premium on bonds		170,007.63
Preferred stock		5,475,000.00
Common stock		5,250,000.00
Capital surplus		73,527.50
Paid in surplus		672,914.61
Earned surplus		<u>788,906.52</u>
	Total liabilities	<u>\$35,567,258.59</u>

Applicant's outstanding bonds consisting of \$14,282,000 of first mortgage bonds are similar in their terms to those now proposed to be issued. The serial notes are dated November 5, 1945, mature in annual installments of \$60,000, and carry interest ranging from 1.6% to 2.2% per annum. The outstanding preferred stock includes \$3,475,000 of 4.4% cumulative preferred and \$2,000,000 of 5.3% convertible cumulative.

Applicant reports that its capital expenditures from August 1, 1948, to October 31, 1948, exceeded by \$199,396.51 the proceeds obtained through the issue of securities pursuant to the authority granted by Decisions Nos. 42125, 42221 and 42222, and that in addition, between November 1, 1948, and April 30, 1949, its net additions to fixed capital and construction work in progress cost \$2,156,312.84. To finance in part its construction expenditures, applicant to date borrowed \$1,100,000 from the American Trust Company and \$700,000 from the Crocker First National Bank. Applicant estimates that its 1949 construction expenditures will exceed \$3,000,000.

Applicant finds it necessary to finance on a long-term basis part of its construction expenditures. By Decision No. 42871, the Commission authorized applicant to issue and sell, at not less than 102.66% of their principal amount plus accrued interest, \$970,000 of first mortgage 3-1/4% bonds, Series C, due November 1, 1975, and use the proceeds other than accrued interest to pay bank loans. It proposes to obtain additional funds by the issue and private sale of \$970,000 face amount of first mortgage bonds, due November 1, 1975. The bonds bear interest at the rate of 3-1/4% per annum, payable semi-annually. Applicant asks permission to sell the bonds at not less than 102.66% of their face

value plus accrued interest, or on about a 3.10% basis.

Applicant should use approximately \$804,198 of the bond proceeds to pay outstanding bank loans. It may use the remainder of the proceeds to reimburse its treasury for a portion of the moneys actually expended from income or other moneys not obtained from the issue of securities and expended for the acquisition of property or for the construction, completion, extension or improvement of facilities.

A review of the application clearly indicates that the company is in need of additional funds from outside sources to meet its obligations and to improve its cash position.

#### ORDER

California Water Service Company having applied to the Public Utilities Commission for permission to issue and sell \$970,000 of bonds, and the Commission having considered this application and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required by California Water Service Company for the purposes specified herein, that the expenditures herein authorized, exclusive of the accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore;

IT IS HEREBY ORDERED as follows:

1. California Water Service Company, after the effective date hereof and on or before August 31, 1949, may issue and

sell, at not less than 102.66% of their principal amount plus accrued interest, not exceeding \$970,000 principal amount of its First Mortgage 3-1/4% Bonds, Series C, due November 1, 1975.

2. California Water Service Company shall use approximately \$804,198 of the bond proceeds to pay outstanding bank loans, and use the remainder of the proceeds, other than accrued interest, to reimburse its treasury for a portion of the moneys actually expended from income or other moneys in said treasury, not secured by or obtained from the issue of securities, for the acquisition of property or for the construction, completion, extension or improvement of facilities. The accrued interest may be used for general corporate purposes.

3. Within thirty (30) days after the issue and sale of the bonds herein authorized, California Water Service Company shall file with the Commission a report showing the date such bonds were sold, the price at which they were sold, the name or names of those to whom they were sold and the purposes for which the proceeds were used. It shall also file, as soon as available, a copy of the contract for the sale of the bonds and a statement showing in some detail the expenses incurred in connection with the issue and sale of the bonds and the account, or accounts, to which said expenditures were charged.

4. The authority herein granted will become effective when California Water Service Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is nine hundred seventy (\$970.00) dollars.

Dated at San Francisco, California, this 14<sup>th</sup> day  
of June, 1949.

R. F. Johnson  
Justin J. Craven  
Walter Russell  
Harold P. Kule  
Benjamin Pottier  
Commissioners

