

ORIGINAL

Decision No. 43091

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
ofCALIFORNIA WATER & TELEPHONE COMPANY
for a permit to issue and sell bonds.Application
No. 30349

O P I N I O N

In this application, California Water & Telephone Company asks permission to execute a supplemental indenture and to issue and sell \$500,000 of its First Mortgage Bonds, 3-1/8% Series due 1979, at not less than 99.50% of their face value plus accrued interest, for the purpose of financing in part its 1949 construction program and of paying expenses incident to the issue and sale of the bonds.

The application shows that California Water & Telephone Company, as of September 1, 1935, executed a trust indenture providing for a total authorized issue of bonds, at any time outstanding, of \$20,000,000 of which there are now issued and outstanding, under said trust indenture and eight subsequent indentures supplemental thereto, bonds of several series in the aggregate face amount of \$10,750,000, as follows:

3.60% Series, due June 1, 1971, issued as of June 1, 1941	\$ 5,850,000
3 1/2% Series, due June 1, 1971, issued as of June 1, 1943 and June 1, 1948	1,900,000
3 1/2% Series, due March 1, 1979, issued as of March 1, 1949	1,000,000
2-7/8% Series, due June 1, 1971, issued as of December 1, 1946	1,000,000
3% Series, due June 1, 1971, issued as of June 1, 1947	<u>1,000,000</u>
Total	<u>\$10,750,000</u>

Applicant now proposes to execute its Ninth Supplemental Indenture and to create a new series of bonds to be designated as 3-1/8% Series, due 1979. A copy of the proposed Ninth Supplemental Indenture is on file in this application as Exhibit 5. It contains a form of new series of bonds. The bonds will bear interest at the rate of 3-1/8% per annum, will mature on March 1, 1979 and will be redeemable at the option of the company at any time upon giving the required notice, upon the payment of the principal amount, accrued interest, and a premium of 3½% of the principal amount up to and including March 1, 1953; of 3% thereafter to and including March 1, 1957; of 2½% thereafter to and including March 1, 1961; of 2% thereafter to and including March 1, 1965; of 1½% thereafter to and including March 1, 1969; of 1% thereafter to and including March 1, 1973; of ½% thereafter to and including March 1, 1978; and thereafter without premium.

Applicant reports that it has made arrangements to sell the \$500,000 of bonds to The Northwestern Mutual Life Insurance Company and The Mutual Life Insurance Company of New York at 99.50% of their face value plus accrued interest. It proposes, subject to receiving permission from the Commission, to use the proceeds as follows:

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|-----|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| (a) | To pay expenses in connection with the issuance and sale of said bonds (including fee of special counsel of the purchaser), estimated | \$ 5,500.00 |
| (b) | To provide funds for carrying on Applicant's 1949 construction program and for paying short term bank loans incurred in connection therewith | <u>492,000.00</u> |
| | Total | <u>\$497,500.00</u> |

The estimated construction program for 1949 and the actual expenditures up to the close of April, with the unexpended balances, are shown below:

	<u>Budget Estimates</u>	<u>Actual Costs Through April 1949</u>	<u>Unexpended Balance</u>
Water Divisions-			
San Gabriel Valley	\$ 177,226	\$ 34,775	\$ 142,451
Monterey Peninsula	671,100	439,482	231,618
San Diego Bay	305,590	57,637	247,953
Sub-total	<u>1,153,916</u>	<u>531,894</u>	<u>622,022</u>
Telephone Division	<u>2,522,085</u>	<u>557,379</u>	<u>1,964,706</u>
Total	<u>\$3,676,001</u>	<u>\$1,089,273</u>	<u>\$2,586,728</u>

Heretofore, applicant has been authorized by the Commission, by Decision No. 42597, dated March 15, 1949, to issue and sell \$1,000,000 of 3½% bonds to pay in part its 1949 construction expenses. It now reports that it has need for the proceeds from the sale of the bonds covered by this application to proceed with such program and that it contemplates during the latter part of the year, if possible, to issue preferred or common stock to meet in part the remainder of its requirements.

Giving effect to the issue of the bonds covered by this application, the capital ratio would be as follows:

First mortgage bonds	\$11,250,000	55%
Debentures	1,000,000	4%
Preferred stock	4,053,225	20%
Equity capital		
Common stock	\$3,683,450	
Premium on stock	193,350	
Earned surplus	<u>361,587</u>	
	<u>4,238,387</u>	<u>21%</u>
Total	<u>\$20,541,612</u>	<u>100%</u>

In the financial statement on file with the Commission, applicant reports that for the 12 months ended April 30, 1949, its operating revenues were \$4,115,460.20 and that its net operating income was \$986,289.41 after making provisions for depreciation in the amount of \$327,163.13. Its net income, after

payment of bond interest and making provisions for Federal income taxes and dividends on preferred stock, for the 12 months period, was \$329,368.42.

Applicant's assets and liabilities as of April 30, 1949, are reported as follows:

<u>Assets</u>		
Fixed assets		\$22,809,485.16
Investments		111,850.15
Current assets-		
Cash	\$386,759.51	
Accounts receivable	498,881.39	
Materials and supplies	736,873.81	
Special deposits	<u>10,321.10</u>	
Total current assets		1,633,335.81
Deferred debits		<u>227,940.14</u>
Total		<u>\$24,782,611.26</u>

<u>Liabilities</u>		
First mortgage bonds		\$10,750,000.00
Debentures		1,000,000.00
Current liabilities-		
Accounts payable	\$462,846.91	
Refundable deposits	16,369.33	
Accruals	418,982.42	
Dividends declared	122,864.15	
Other current liabilities	<u>58,798.01</u>	
Total current liabilities		1,079,860.82
Reserves		2,826,586.12
Deferred credits		589,169.74
Donations		202,617.38
Preferred stock		4,053,225.00
Common stock		3,683,450.00
Premium on stock		193,350.00
Capital surplus		40,764.53
Earned surplus		<u>361,587.67</u>
Total		<u>\$24,782,611.26</u>

A review of this application and of the company's financial statements on file with the Commission clearly indicates that the company is in need of the funds it will receive through the issue and sale of its bonds to enable it to proceed with its 1949 construction program.

O R D E R

The Public Utilities Commission having considered this application and 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 \$500,000 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,

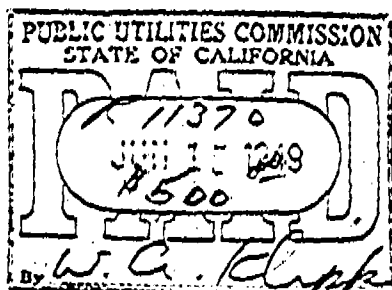
IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company, after the effective date hereof and on or before July 31, 1949, may execute a Ninth Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit "5", and may issue and sell, at 99.50% of their face value plus accrued interest, not exceeding \$500,000 of its First Mortgage Bonds, 3-1/8% Series, due 1979.
2. California Water & Telephone Company shall use the proceeds to be received through 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 on its plants and properties during 1949, or to pay short term bank 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 days after the issue and sale of said bonds, a report showing the consideration it received for

said bonds. Thereafter it 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 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 Five Hundred (\$500.00) Dollars.

Dated at San Francisco, California, this 14th day of June 1949.



R. B. Johnson
Justice J. C. Cullen
Gregory H. Lavelle
Harold P. Kild
Samuel P. Potter
Commissioners