

Decision No. 43530

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

CALIFORNIA WATER & TELEPHONE COMPANY
for a permit to issue and sell bonds.

Application
No. 30666

O P I N I O N

This is an application for an order of the Public Utilities Commission authorizing California Water & Telephone Company to execute a supplemental indenture, to issue and sell \$1,000,000 of First Mortgage Bonds, 3-1/10% Series due 1979 at their face value plus accrued interest and to use the proceeds to pay expenses and to provide funds for carrying on its 1949 construction program.

Applicant is engaged in giving public utility water service for irrigation, domestic, industrial and public purposes in portions of the Counties of San Diego, Los Angeles and Monterey, in giving public utility telephone and telegraph service in portions of the Counties of Riverside, San Bernardino and Los Angeles and in serving water under private contract to Del Monte Properties Company in Monterey.

In Exhibit "2" attached to the application it reports its assets and liabilities as of July 31, 1949 as follows:

<u>Assets</u>		
Fixed Capital		
Water	\$15,521,367.85	
Telephone	6,355,435.34	
General Office	229.27	\$21,877,532.46
Construction Work in Progress		942,485.61
Miscellaneous Investments		746,743.02
Current Assets-		
Cash and Deposits	\$ 321,348.40	
Notes Receivable	9,875.00	
Accounts Receivable	547,672.00	
Materials and Supplies	844,565.53	
Prepaid Expenses	49,825.78	1,773,286.71
Unamortized Discount		44,000.00
Other Suspense		152,732.12
Total Assets		<u>\$25,536,779.92</u>

<u>Liabilities</u>		
Capital Stock		\$ 7,736,675.00
Premium on Common Stock		237,350.00
Long Term Debt		12,250,000.00
Current Liabilities		
Accounts Payable	\$ 577,028.42	
Accrued Liabilities	536,240.96	1,113,269.38
Past Service Pension Premium payable		54,596.86
Service Billed in Advance		30,758.01
Consumers Advances for Construction		561,745.36
Donations in Aid of Construction		205,483.34
Reserve for Depreciation		2,866,049.07
Capital Surplus		40,764.53
Other Reserves		14,164.07
Corporate Surplus		425,924.30
Total Liabilities		<u>\$25,536,779.92</u>

The outstanding long term debt consists of \$1,000,000 of 3-3/4% debentures dated March 1, 1948 and due March 1, 1968 and \$11,250,000 of First Mortgage Bonds of six different series as follows:

3.60% series dated June 1, 1941, due June 1, 1971	\$ 5,850,000
3-1/4% series dated June 1, 1943, due June 1, 1971	1,900,000
2-7/8% series dated Dec. 1, 1946, due June 1, 1971	1,000,000
3% series dated June 1, 1947, due June 1, 1971	1,000,000
3-1/4% series dated March 1, 1949, due March 1, 1979	1,000,000
3-1/8% series dated March 1, 1949, due March 1, 1979	500,000
Total	<u>\$11,250,000</u>

The presently outstanding bonds were issued under and pursuant to the terms of a trust indenture and chattel mortgage dated as of September 1, 1935 and subsequent indentures supplemental thereto. Applicant now proposes to execute a tenth supplemental indenture and to create a new series of bonds to be designated as First Mortgage Bonds 3-1/10% Series due 1979. Said bonds will be dated September 1, 1949, will mature March 1, 1979, will bear interest at the rate of 3-1/10% per annum and will be redeemable at any time upon the payment of the principal amount, with accrued interest and a premium of 4% to and including March 1, 1951; of 3-1/2% thereafter to and including March 1, 1955; of 3% thereafter to and including March 1, 1959; of 2-1/2% thereafter to and including March 1, 1963; of 2% thereafter to and including March 1, 1967; of 1-1/2% thereafter to and including March 1, 1971; of 1% thereafter to and including March 1, 1975; of 1/2% thereafter to and including March 1, 1978; and thereafter without premium.

Applicant reports that it has need for additional funds and that it has made arrangements to sell \$1,000,000 of said new series of bonds at their face value plus accrued interest. It proposes, subject to receiving permission from the Commission, to use the proceeds for the following purposes:

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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 | \$ 6,850.00 |
| (b) To provide funds for carrying on applicant's 1949 construction program and for paying short term bank loans incurred in connection therewith | <u>993,150.00</u> |
| Total | <u>\$1,000,000.00</u> |

The \$1,000,000 of bonds will be purchased by the following:

The Northwestern Mutual Life Insurance Company	\$500,000.00
Provident Mutual Life Insurance Company of Philadelphia	250,000.00
The Mutual Life Insurance Company of New York	250,000.00

In former proceedings applicant has advised the Commission of its 1949 construction program in some detail. It has estimated its requirements for capital purposes during the year as \$3,676,001, segregated as follows:

Water Divisions-	
San Gabriel Valley	\$ 177,226
Monterey Peninsula	671,100
San Diego Bay	305,590
Sub-total	<u>1,153,916</u>
Telephone Division	<u>2,522,085</u>
Total	<u>\$3,676,001</u>

It appears that applicant has financed its construction costs in part with moneys on hand and with bank borrowings and in part through the issue during 1949 of bonds in the aggregate amount of \$1,500,000. A review of the present application clearly shows that it has need for additional funds from outside sources to complete its construction program. The order herein accordingly will authorize the issue and sale of \$1,000,000 of bonds.

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 \$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 December 31, 1949, may execute a Tenth Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit "5", and may issue and sell at their face value plus accrued interest, not exceeding \$1,000,000 of its First Mortgage Bonds, 3-1/10% 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 to 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 to whom it sold said bonds and the consideration it received for them. 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 One Thousand (\$1,000.00) Dollars.

Dated at Los Angeles, California, this 11th day
of October 1949.

R. E. Zimmerman
Justice J. C. Cramer
Harold S. Kula
Samuel D. Lott

Commissioners

