ORIGINAL

Decision No. 42890

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 stock.	Application No. 31032

Bacigalupi, Elkus & Salinger, by Herbert H. Salinger, for applicant.

O P I N I O N

California Water & Telephone Company, applicant herein, has applied to the Commission for an order authorizing it to issue and sell 35,000 shares ($875,000 par value) of its Cumulative Preferred Stock, $1.25 Dividend Series, at not less than $23.40 a share, and 50,000 shares ($1,250,000 par value) of its common stock at not less than $28.25 a share, for the purpose of providing funds to carry on its 1950 construction program and to pay bank loans, if any, incurred in connection therewith. It asks the Commission to exempt the issue of the shares of common stock from the requirements of the Commission's competitive bidding rule set forth in the order in Decision No. 38614, dated January 15, 1946, in Case No. 4761.

Applicant presently has outstanding shares of preferred stock of several series and shares of common stock as follows:

Class	Shares	Par Value
Preferred -		
Cumulative Preferred, $1.20 Dividend Series	107,000	$2,675,000
Cumulative Preferred, $1.00 Dividend Series	22,000	550,000
Convertible Cumulative Preferred, $1.40 Dividend Series	32,407	810,175
Total Preferred	161,407	4,035,175
Common	148,060	3,701,500
Total	309,467	$7,736,675

It now proposes to create a new series of preferred stock to be known as Cumulative Preferred Stock, $1.25 Dividend Series. The holders of shares of such stock shall be entitled to cumulative dividends at the rate of $1.25 a year, payable quarterly, or at such time as the applicant's board of directors may determine, and upon redemption shall be entitled to receive the par value of such shares and an amount equal to the accrued and unpaid dividends, together with a premium equal to $1.25 a share if redemption be effected on or before March 1, 1955; to 75¢ a share if redemption be effected thereafter and on or before March 1, 1960; to 25¢ a share if redemption be effected thereafter, provided in any case that if redemption be made with funds derived as the proceeds of property sold to governmental authorities or taken in condemnation, then the holders shall not be entitled to any premium.

If authorized by the Commission, applicant proposes to sell 35,000 shares of said new series of preferred stock, and 50,000 shares of common stock, pursuant to an underwriting agreement with a syndicate to be formed by Blyth & Co., Inc., whereby it will receive not less than $23.40 a share for the preferred stock and not less than $28.25 a share for the common. It alleges that it will have need for the proceeds as it goes forward with its 1950 construction program. In this connection it reports that its present plans call for the expenditure during the year of approximately $3,673,000, of which it estimates approximately $850,000 will be provided from earnings, leaving approximately $2,823,000 to be met from outside sources. The estimated expenditures, by departments, are shown below:

Telephone		$2,838,310
Water		
San Gabriel Valley	$184,782	
Monterey Peninsula	316,130	
San Diego Bay	333,800	
Total Water		834,712
Total		$3,673,022

The proposed expenditures are described in some detail in Exhibit 2 filed at the hearing on this application.

The testimony shows that applicant's officers feel that stock financing to meet its capital requirements should be undertaken at this time in order to improve its capital structure. Applicant's financial statement as of December 31, 1949, shows its investment in property, plant and equipment at $25,040,057 with a reserve for retirements of $2,931,174. In addition to the $7,736,675 of stock, it has outstanding $13,500,000 of long-term debt and surplus items reported at $1,061,966. Its capital ratios as of December 31, 1949, and after giving effect to the proposed issues are as follows:

	Dec. 31, 1949	Pro Forma
Bonds	55.56%	50.40%
Debentures	4.54	4.10
Preferred stock	18.30	20.20
Common stock and surplus	21.60	25.30
Total	100.00%	100.00%

The issue of the shares of preferred and common stock, according to the testimony, should improve applicant's capital structure to a point where additional debt financing can be accomplished under reasonable terms if such financing becomes necessary or desirable later in the year.

The proposed issue of shares of preferred stock for a total consideration of less than $1,000,000 is exempt from the requirements of the Commission's competitive bidding rule. Applicant seeks exemption for the proposed issue of shares of common stock. It is the opinion of its officers that the issue, being relatively small, would not attract competition and that it would take the risk of receiving no bids should the stock be offered at competitive bidding. It is pointed out that under the proposed arrangements the stock, which it contemplates selling at $28.25 a share, would be offered to the public at $29.50 a share, whereas currently its shares of common stock have been quoted at $29 bid and $30 asked. The shares of preferred stock to be sold at $23.40 a share will be offered to the public at $24.50.

A review of the record clearly indicates that applicant has need for funds from outside sources to enable it to meet its capital requirements and that the issue of stock at this time is desirable. The testimony warrants the granting of the request for the Commission to exempt the issue of the shares of common stock from the competitive bidding requirements of the Commission's Decision No. 38614.

Applicant has filed with the Securities and Exchange Commission a registration statement which it hopes will become effective on March 13, 1950. Accordingly, it requests that the Commission's order, if it authorizes the issue of stock, be made effective upon its date.

O R D E R

A public hearing having been held on the above entitled application, the Commission having considered the evidence submitted and being of the opinion that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 35,000 shares of preferred stock and

50,000 shares of common stock is reasonably required by California Water & Telephone Company for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of 50,000 shares of common stock by California Water & Telephone Company is hereby exempted from the requirements of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, in Case No. 4761.

2. California Water & Telephone Company, after the effective date hereof and on or before June 30, 1950, may issue and sell said 50,000 shares of common stock at not less than $28.25 a share, and may issue and sell 35,000 shares of Cumulative Preferred Stock, $1.25 Dividend Series, at not less than $23.40 a share.

3. California Water & Telephone Company shall use the proceeds to be received from the issue and sale of said shares of preferred and common stock to pay expenses of approximately $20,000 in connection with such issue and sale and to finance in part its 1950 construction program, or to pay short-term bank loans incurred for such construction program.

4. California Water & Telephone Company, within sixty (60) days after the issue and sale of the shares of stock under the authority herein granted, shall file with the Commission a report showing the names of those to whom such shares were sold, the number of shares sold to each and the consideration received, together with two (2) copies of the prospectus filed with the Securities and Exchange Commission. It shall file on or before August 30, 1950, a

statement showing in some detail its expenses incurred in connection with said issue and sale.

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

Dated at San Francisco, California, this 7th day of March, 1950.

Commissioners

Commissioner Harold P. Huls, being necessarily absent, did not participate in the disposition of this proceeding.