

Decision No. 44273

ORIGINAL

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. 31423

O P I N I O N

California Water Service Company has filed this application for an order authorizing it to issue and sell \$800,000 principal amount of its First Mortgage 3-1/4% Bonds, Series C, due November 1, 1975, at a price not less than 104.37% of the principal amount plus accrued interest, and to use the proceeds for the purpose of paying outstanding bank loans.

Applicant is engaged in operating water systems in various locations in the State. In its annual reports to the Commission for the last three calendar years it has reported, among other things, the following:

	<u>1947</u>	<u>1948</u>	<u>1949</u>
Operating revenues	\$4,808,619	\$5,268,077	\$6,112,872
Net income	724,530	689,417	841,584
Net increase in plant	\$3,053,975	\$3,723,957	\$4,272,923
Active service connections	126,579	140,224	157,441

As of April 30, 1950, applicant reports its investment in its plant and property, including construction work in progress, at \$38,008,228.34 which, according to the application, has been paid or provided, in part, through the issue of bonds, notes, preferred and common stock and the investment of earnings from operations. As of the date indicated, it reports its assets and liabilities as follows:

Assets

Plants and properties		\$36,962,846.88
Construction work in progress		1,045,381.46
Miscellaneous investments		4,879.15
Miscellaneous special deposits		139,824.70
Current assets -		
Cash	\$ 299,457.56	
Accounts receivable	312,865.44	
Materials and supplies	485,269.02	
Prepayments	<u>120,688.71</u>	
Total current assets		1,218,280.73
Deferred charges		<u>76,925.05</u>
	Total	<u>\$39,448,137.97</u>

Liabilities

First mortgage bonds		\$16,222,000.00
Serial notes, due 1951-1955		300,000.00
Current liabilities -		
Bank loans	\$1,250,000.00	
Serial note due 1950	60,000.00	
Accounts payable	404,093.53	
Accrued liabilities	285,235.51	
Accrued dividends	65,847.57	
Unearned revenue	41,610.61	
Consumers' meter deposits	<u>30,842.08</u>	
Total current liabilities		2,137,629.30
Line extension deposits		1,339,373.62
Reserve for depreciation		4,921,835.49
Other reserves		49,859.32
Contributions in aid of construction		384,656.58
Unamortized premium on bonds		221,460.69
Preferred stock		6,558,400.00
Common stock		5,631,300.00
Surplus		<u>1,681,622.97</u>
	Total	<u>\$39,448,137.97</u>

By Decision No. 43186, dated August 9, 1949, as amended, the Commission authorized the company, among other things, to issue and sell \$1,500,000 par value of its cumulative convertible preferred stock to reimburse its treasury because of income and other moneys expended for the acquisition of property or to pay, in part, the cost of additions and betterments during the year 1949. Applicant now reports that it received from the sale of said stock the sum of \$1,500,554.98, of which all but \$40,811.39 was applied against capital expenditures made prior to September 1, 1949, and said sum of \$40,811.39 was expended during September.

Between September 1, 1949, and April 30, 1950, applicant reports that its net additions to plant aggregated \$2,385,308.91, as shown in some detail in Exhibit C filed in this proceeding. Applicant reports that it financed the cost of such net additions, in part, through the issue of unsecured 2% bank loans. As shown in the preceding balance sheet, the amount of such loans aggregated \$1,250,000 as of April 30, 1950, and it is reported that since the date of the balance sheet additional loans of \$300,000 have been obtained.

Applicant intends to liquidate a portion of such notes with the proceeds to be received through the issue of the bonds covered by this application, and at a later date to make further applications for authority to issue additional bonds and stock during 1950 in order to provide funds for the liquidation of the remainder of said loans and for other purposes.

The application shows that applicant has not yet entered into any contract for the sale of the \$300,000 of bonds to which this application relates, but that it expects to dispose of them at a private sale. Presently, it is engaged in negotiating such a sale and it anticipates that the purchase price to be paid will be not less than 104.37% of the principal amount plus accrued interest. Applicant does not intend to execute an underwriting agreement but proposes to pay a commission not in excess of $\frac{3}{8}$ of 1% of the principal amount of said bonds for services in negotiating the sale.

A review of the application indicates that applicant has need for the funds to be received through the issue of the bonds to pay outstanding indebtedness and to improve its current cash position. An order accordingly will be entered.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, 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 the bonds herein authorized is reasonably required by California Water Service Company for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

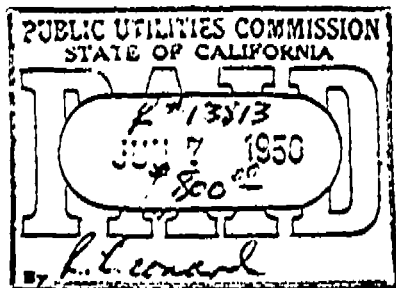
IT IS HEREBY ORDERED as follows:

1. California Water Service Company, after the effective date hereof and on or before July 31, 1950, may issue and sell not to exceed \$800,000 principal amount of its First Mortgage 3-1/4% Bonds, Series C, at a price not less than 104.37% of the principal amount plus accrued interest, and use the proceeds, other than accrued interest, to pay outstanding bank loans. The accrued interest may be used for general corporate purposes.

2. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is eight hundred (\$800.00) dollars.

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



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Commissioners