

Decision No. 45208

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of	:	
DEL ESTE WATER COMPANY, a	)	
corporation,	:	Application
	)	No. 31986
for authorization to issue shares	:	
of its stock.	)	
-----	:	

O P I N I O N

This is an application by Del Este Water Company for authority to issue and sell 150 shares of its capital stock for the sum of \$50,000, and to use the proceeds to repay advances for construction, to retire or discharge short-term notes, and to finance the cost of properties.

Applicant is a California corporation organized on or about September 23, 1938, by those in control of Beard Land and Investment Co. Heretofore it has received certificates of public convenience and necessity from the Commission, has acquired properties from Beard Land and Investment Co. and others, and has undertaken the distribution of water for domestic, commercial, industrial and other uses, in the County of Stanislaus near the City of Modesto. Its investment in fixed capital and its active service connections at the end of each of the last five calendar years, and its operating revenues and net income for those years, are shown in the following tabulation:

	<u>Fixed Capital</u>	<u>Active Service Connections</u>	<u>Operating Revenues</u>	<u>Net Income</u>
1945	\$211,276.14	2,385	\$ 62,293.07	\$11,168.07
1946	302,859.99	2,879	76,359.59	12,988.69
1947	428,462.32	3,863	96,856.55	13,626.14
1948	502,178.98	4,381	117,776.59	22,339.42
1949	636,558.45	5,013	129,978.20	19,665.17

In the present proceeding, applicant reports that for the ten months ended October 31, 1950, its operating revenues amounted to \$126,354.38 and its net income to \$11,295.33. It reports its assets and liabilities as of the close of October as follows:

<u>Assets</u>		
Fixed capital		\$808,297.42
Work in progress		41,587.25
Investments		1,025.55
Sinking fund		7,500.00
Current assets -		
Cash and deposits	\$ 19,469.69	
Accounts receivable	7,354.10	
Materials and supplies	16,972.81	
Prepaid expenses	<u>9,058.71</u>	
Total current assets		52,855.31
Unamortized bond expense		<u>4,500.43</u>
Total		<u>\$915,765.96</u>

<u>Liabilities</u>		
Capital stock		\$ 70,000.00
Funded debt		250,000.00
Current liabilities -		
Notes payable	\$140,000.00	
Accounts payable	20,977.15	
Accrued expenses	17,238.07	
Service billed in advance	5,946.22	
Miscellaneous accounts	<u>929.42</u>	
Total current liabilities		185,090.86
Advances for construction		129,109.97
Donations for construction		39,081.87
Reserve for depreciation		117,765.26
Surplus		<u>124,718.00</u>
Total		<u>\$915,765.96</u>

The foregoing balance sheet shows that applicant, in general, has financed the cost of its properties through the issue of capital stock, funded debt and notes payable, and with advances and donations and earnings from operations. Its outstanding stock consists of 700 shares of the par value of \$100, and its outstanding funded debt of first mortgage 4-1/2% bonds, due December 1, 1968. The notes payable now in the amount of \$150,000, represent short-term 5% notes in favor of American Trust Company.

Applicant reports that it has requested the holder of its outstanding bonds to purchase additional bonds to enable it to take up and discharge its short-term notes and to construct, extend and improve its facilities in order to meet demands for service. It appears that the holder of the bonds now outstanding has declined to purchase any additional bonds unless the amount of applicant's net assets be increased through the sale of additional shares of capital stock in the amount set forth in the present application. Applicant accordingly proposes to issue and sell the additional 150 shares at and for a consideration per share approximately equal to the book value of each of the presently outstanding shares. The shares will be sold to Beard Land and Investment Co. in consideration of the cancellation of consumers' advances for construction of \$40,018.90 and the payment of the balance of \$9,981.10 in cash. The cash received will be used by applicant to pay outstanding notes or to finance the cost of additions to its properties.

A review of the application and of the financial statements submitted in support of it, clearly indicates that applicant will have need for additional funds from outside sources to improve its financial position and to enable it to meet demands for service. Accordingly, an order will be entered.

#### ORDER

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 stock herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

