

Decision No. 45505

ORIGINAL

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. 32210

Bacigalupi, Elkus & Salinger, by Charles DeY.
Elkus, Jr., for applicant.

O P I N I O N

This is an application for an order of the Commission authorizing California Water & Telephone Company to issue and sell 40,000 shares of its common stock, of the par value of \$25 each, at not less than \$27 a share, and exempting the issue and sale from the Commission's competitive bidding rule.

A public hearing in this matter was held on March 28, 1951. The Commission has received no protest to the granting of the application.

Applicant is engaged in business as a public utility furnishing water service for irrigation, domestic, industrial and public purposes in portions of the counties of San Diego, Los Angeles and Monterey, in giving 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 County. It reports its investment in its fixed assets as of December 31, 1950, at \$28,355,426.01 and its reserve for retirement of fixed assets at \$3,124,259.20, leaving a balance representing

net investment of \$25,231,166.81.

In the present proceeding applicant reports its estimated gross additions to plant during 1951 at \$5,343,225 with estimated net additions, after giving consideration to costs of removal, plant displaced and salvage recovered, of \$4,554,192, segregated as follows:

Telephone Division -	
Routine estimates	\$ 949,725
Specific estimates -	
Buildings	310,585
Central office equipment	821,600
Station equipment	122,800
Outside plant	1,069,645
Office equipment	7,410
Carry-over from 1950	325,910
Carry-over to 1952	<u>(48,000)</u>
Total Telephone Division	\$3,559,675
Water Division -	
San Gabriel Valley	\$ 244,392
Monterey Peninsula	314,750
San Diego Bay	<u>435,375</u>
Total	<u>\$4,554,192</u>

The estimated expenditures are set forth in some detail in Exhibit 1 filed in this proceeding.

The record shows that applicant's officers estimate that it will need approximately \$3,000,000 from outside sources during 1951 to enable it to proceed with its estimated construction program. The testimony shows that applicant presently has outstanding \$700,000 of short-term bank loans, that it proposes to use the proceeds from the sale of the stock covered by this application to discharge such bank loans and to finance in part further expenditures during 1951, and that it intends at a later date to issue and sell additional securities.

Applicant proposes, and here asks permission, to sell the 40,000 shares of common stock, which have a par value of \$25 each, under a negotiated underwriting to a syndicate headed by Blyth & Co.,

Inc. at a price not less than \$27 per share. It asks the Commission to exempt such issue from its competitive bidding rule and at the hearing held on this matter produced testimony in support of its request.

The Commission has considered the evidence submitted in this proceeding and is of the opinion that it is warranted at this time in authorizing applicant to sell its shares of common stock, as now proposed, exempt from competitive bidding. It clearly appears that applicant will have need for the proceeds to improve its cash position and to enable it to proceed with its construction program.

Applicant reports that it expects its Registration Statement filed with the Securities and Exchange Commission to become effective April 4, 1951. Accordingly, the order herein will become effective on its date so as to permit applicant to proceed at once with the issue and sale of its shares of stock.

O R D E R

A public hearing having been held in the above entitled matter, and the Commission 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 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,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of 40,000 shares of common stock by California Water & Telephone Company is hereby exempted from the

provisions of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

2. California Water & Telephone Company, after the effective date hereof and on or before July 31, 1951, may issue and sell said 40,000 shares of common stock at not less than \$27 a share. Applicant shall use the net proceeds to be received from the issue and sale of said shares of stock for the purposes set forth in this application.

3. Within ninety (90) days after the issue and sale of said 40,000 shares of common stock, California Water & Telephone Company shall file with the Commission two (2) copies of its prospectus and a report showing the names of the underwriters to whom said shares were sold, the number of shares sold to each underwriter, the consideration received, and the purposes for which it expended the proceeds.

4. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 3rd day of April, 1951.

R. F. Anderson
James J. Leamer
Harold P. Hula
Frederick F. Potter
John L. McNeill
Commissioners