

Decision No. 46300

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
WHITTIER WATER COMPANY for an )  
Order Authorizing Issuance and )  
Disposal of Series A and Series B )  
Preferred Stock, Common Stock and )  
the approval of new and amended )  
Articles of Incorporation. )  
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Application  
No. 32777

O P I N I O N

Whittier Water Company has filed this application for authorization to issue 2,000 shares (\$100,000 par value) of Class A 5½% cumulative preferred stock, 8,000 shares (\$400,000 par value) of its Class B 3% cumulative preferred stock, and 1,000 shares (\$50,000 par value) of its common stock, for the purpose of paying indebtedness, liquidating consumers' advances for construction, and financing the cost of additions to its plants and properties.

Applicant is engaged in supplying water as a public utility to customers in an area generally southwest and east of the City of Whittier. Since the close of the war applicant has been called upon to extend its facilities and to attach a considerable volume of new customers to its lines. Its annual reports to the Commission show that between December 31, 1945, and December 31, 1950, its investment in fixed capital had increased from \$255,367 to \$815,009 and its active service connections from 938 to 2,465, and its annual operating revenues had increased from \$51,339 in 1945 to \$86,578 in 1950.

In the first seven months of 1951 applicant increased its total investment in fixed capital to \$1,030,971. Its financial condition as of July 31, 1951, is indicated by the following balance sheet:

Assets.

Fixed capital -		
Tangible capital	\$1,030,971.18	
Less-Depreciation reserve	<u>176,691.16</u>	
Net fixed capital		\$854,280.02
Intangible capital		12,174.41
Other investments		13,199.40
Current assets -		
Cash and accounts receivable	31,403.86	
Materials and supplies	3,458.90	
Prepaid expenses	13,150.83	
Advances for construction	<u>51,822.31</u>	
Total current assets		99,835.90
Unamortized debt expense		<u>7,059.64</u>
	Total	<u>\$986,549.37</u>

Liabilities

Long-term debt		\$254,500.00
Current liabilities -		
Note payable	\$ 80,000.00	
Accounts payable	32,090.32	
Consumers' deposits	8,890.74	
Accrued liabilities	<u>7,890.39</u>	
Total current liabilities		128,871.45
Consumers' advances for construction		365,927.78
Donations in aid of construction		42,755.69
Capital stock		150,000.00
Surplus		<u>44,494.45</u>
	Total	<u>\$986,549.37</u>

The record shows that applicant has an authorized capital stock of 80,000 shares, of the par value of \$50 each and of the aggregate par value of \$4,000,000, divided into shares of preferred and shares of common stock, of which there are outstanding at this time only 3,000 shares of common stock of the aggregate par value of \$150,000. According to applicant's Articles of Incorporation, the holders of the Class A preferred shares, when issued, will be entitled to cumulative dividends at the rate of 5½% per annum and the holders of the Class B preferred shares, when issued, to cumulative dividends at the rate of 3% per annum. Applicant may redeem the Class A preferred shares on any dividend date by paying in cash \$52 per share, plus accumulated dividends, and may redeem the Class B shares on any dividend date within the first five years from the

issuance of such shares by paying the sum of \$52 per share, and on any dividend date within the subsequent five years by paying in cash the sum of \$51.50 per share, and on any dividend date within the next five-year period by paying in cash the sum of \$51 per share, and on any dividend date within the fourth five-year period by paying in cash the sum of \$50.50 per share, and on any dividend date after twenty years by paying in cash the sum of \$50 per share, plus accumulated dividends. All shares of stock, both preferred and common, will have equal voting rights.

Applicant proposes to issue and sell, at par for cash, the 2,000 shares of Class A preferred stock and the 1,000 shares of common stock covered by this application for the purpose of paying the outstanding note of \$80,000 referred to in the preceding balance sheet, and of financing the cost of additions to its plants and properties, consisting principally of mains, services and meters to serve new customers, as set forth in some detail in Exhibit D filed in this proceeding.

As to the new issue of 8,000 shares of Class B preferred stock, applicant intends to offer them to those who have made advances for construction in exchange for their advances, at dollar for dollar. It reports that in its opinion the agreements now being negotiated with subdividers will result in consumers' advances amounting to \$451,000 at the end of this year and in a total of 4,820 consumers. The application shows that under applicant's rules and regulations, refunds of advances to supply real estate tracts or subdivisions shall be made upon the basis of 35% of the gross revenues received from service through the pipe lines installed with the deposit of the advances for construction, provided that no refunds shall be made after a period of ten years from the date of

completion of the installation, and provided further that in no case shall the refunds exceed the amount of the original deposit.

In the present proceeding applicant reports that all the lots within the proposed subdivisions in its service area will have been completely improved with residences within 150 days, or less, after the signing of the refund agreements, so that complete refunds of the amounts advanced by subdividers will be made within the period of time specified. It thus appears that, due to the rapidity with which the subdivisions are being occupied, the refund of advances will require substantial annual payments by applicant. Applicant estimates that refunds of \$23,000 will be due in the early part of 1952.

A review of this proceeding indicates that applicant will have need for additional funds to enable it to proceed with its construction program, and that the issue of the shares of preferred stock in liquidation of consumers' advances will improve applicant's cash position materially and will provide a broader base of stock in its capital structure which should facilitate debt financing should that become necessary or desirable in the future.

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 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. Whittier Water Company, after the effective date hereof and on or before December 31, 1952, may issue, at par, 2,000 shares of its Class A 5½% cumulative preferred stock, 8,000 shares of its Class B 3% cumulative preferred stock, and 1,000 shares of its common stock, for the purposes set forth in this application.

2. Whittier Water Company shall file with the Commission monthly 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 twenty (20) days after the date hereof.

Dated at San Francisco, Cal. California, this 15th day of October, 1951.

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President

Justin F. Brewer

Harold H. Huls

Benjamin B. Blevins

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Commissioners