

Decision No. 46345

**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. 32801

Tadini Bacigalupi, Jr., of Bacigalupi, Elkus &  
Salinger, for applicant.

**O P I N I O N**

In this application, as amended, California Water & Telephone Company seeks authorization to issue and sell 50,000 shares of its common stock of the aggregate par value of \$1,250,000, at \$26 a share, and to use the proceeds to pay expenses incident to the sale, to pay bank loans and to finance, in part, the cost of its 1951 construction program. It asks for exemption from the Commission's competitive bidding rule in issuing said shares of stock.

Applicant is a California corporation engaged in giving telephone service in portions of the counties of Riverside, San Bernardino and Los Angeles, and water service in portions of the counties of San Diego, Los Angeles and Monterey. In Application No. 32210, which was filed with the Commission earlier in the year, it reported that it had made plans for expenditures during 1951 for net additions to its plants and properties in the aggregate amount of \$4,554,192, and that of this amount it would obtain approximately \$1,500,000 from internal sources and approximately \$3,000,000 from the issue and sale of bonds and shares of stock. The estimated

expenditures were segregated as follows:

Telephone Division -	
Routine estimates	\$ 949,725
Specific estimates -	
Buildings	310,585
Central office equipment	821,500
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>

Heretofore, the Commission has authorized applicant to issue and sell \$1,000,000 par value of its common stock and \$1,000,000 of bonds as it proceeded with its 1951 construction program. Applicant now reports that it has outstanding bank loans of \$200,000 and plans to borrow \$200,000 more by the end of the month, representing moneys used for capital purposes, and that it will be necessary for it to obtain additional funds from the issue of securities to liquidate these amounts and proceed with its 1951 construction, although a portion of the work now contemplated may not be completed until the early part of 1952. It estimates that its 1952 capital expenditures will be not less than those in 1951 and that it will have to continue with the issue and sale of securities during the coming year.

Applicant desires to issue shares of common stock at this time, instead of some other form of security, in order to improve its capital structure and to broaden the base of equity capital so that it can sell bonds more readily in the future. At the conclusion of the proposed financing its capital ratios will be as follows:

Bonds	49.3%
Debentures	3.3
Preferred stock	16.4
Common stock equity	<u>31.0</u>
Total	<u>100.0%</u>

If authorized by the Commission, applicant proposes to enter into an underwriting agreement with a syndicate to be formed by Blyth & Co., Inc. for the sale of its shares of stock, and accordingly it requests that it be relieved from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946. Applicant's officers are of the opinion that considering the size of the proposed issue and the present condition of the security market a better price can be obtained under negotiated arrangements than under competitive bidding. In this connection applicant points out that in earlier issues of shares of its common stock, Blyth & Co., Inc. has headed the underwriting syndicate and has associated with it many California dealers. Applicant doubts that another group could be formed to enter a bid, especially in view of the size of its operations and the lack of familiarity of eastern dealers with its affairs.

From a review of this application, it clearly appears that applicant will have need for additional funds to enable it to pay bank loans and to finance its construction costs and that it should be authorized to issue and sell its shares of stock at this time by means of a negotiated underwriting.

Applicant reports that it expects its registration statement filed with the Securities and Exchange Commission to become effective October 31. Accordingly, the order herein will provide that the authorization granted will become effective at once so as

to permit applicant to proceed with the issue and sale of its shares of stock without delay.

O R D E R

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence 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 and sale of the shares of 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 50,000 shares of common stock by California Water & Telephone Company hereby is 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 date hereof and on or before March 31, 1952, may issue and sell said 50,000 shares of common stock at not less than \$26 a share, and use the proceeds for the purposes set forth in this application.

3. Within ninety (90) days after the issue and sale of said 50,000 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, and the consideration received.

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

Dated at San Francisco, California, this 30<sup>th</sup> day of October, 1951.

R. T. Dunning  
President

Justin J. Green  
Harold P. Kell

Robert W. Dutton  
Edward L. Dutton  
Commissioners