

ORIGINAL

Decision No. 46508

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of Rivera Water System for an )  
Order Authorizing Issuance and )  
Disposal of Series B Preferred )  
Stock and Approval of new )  
amended Articles of Incorporation. )  
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Application  
No. 32906

O P I N I O N

Rivera Water System, applicant herein, is a California corporation engaged as a public utility in supplying water to consumers in an area in Los Angeles County generally east of the Rio Hondo River and within the unincorporated town of Rivera, and also along the east bank of the San Gabriel River between the river and Norwalk Boulevard. In this application it seeks authority to issue \$210,000 par value of its Class B 3% preferred stock in exchange for consumers' advances for construction.

Applicant was organized on or about March 22, 1950, for the purpose of acquiring the water systems of Samuel I. Berg and Ernst Leibacher and of consolidating and thereafter extending the operations. Reports filed by applicant and its predecessors show the fixed capital, the number of active service connections and the consumers' advances for construction as of December 31 of each of the years 1946 to 1950, inclusive, and the same information as of August 31, 1951, together with the gross revenues and net income from the operation of the water properties, as follows:

	<u>Fixed Capital</u>	<u>Service Connections</u>	<u>Consumers' Advances</u>	<u>Operating Revenues</u>	<u>Net Income</u>
1946	\$ 29,040	130	\$ -	\$ 3,210	\$(1,030)
1947	29,306	130	-	2,905	593
1948	30,462	145	-	4,015	872
1949	31,560	176	-	4,287	778
1950	223,166	1,271	54,267	20,828	1,074
1951(Aug.31)	292,105	1,875	116,204	35,268	7,302

A review of applicant's financial statements shows that since acquiring the properties of its predecessors it has met its capital requirements largely with moneys advanced by subdividers. Its financial position as of August 31, 1951, is set forth in the following balance sheet:

#### Assets

Current assets -			
Cash		\$ 893.56	
Accounts receivable		7,163.48	
Prepaid expenses		669.85	
Total current assets			\$ 8,726.89
Fixed assets -			
Total amount		292,105.43	
Less-reserve for depreciation		21,587.35	
Net fixed assets			270,518.08
Work in progress			294.35
Intangible capital			8,748.92
			<u>8,748.92</u>
		Total	<u>\$288,288.24</u>

#### Liabilities and Net Worth

Current liabilities -			
Accounts payable		\$ 2,652.64	
Consumers' deposits		4,045.36	
Accrued liabilities		3,166.27	
Total current liabilities			\$ 9,864.27
Notes payable			65,000.00
Consumers' advances for construction			116,204.60
Donations in aid of construction			6,731.88
Preferred stock - Class A, 5%			75,000.00
Common stock			10,000.00
Surplus			5,487.49
			<u>5,487.49</u>
		Total	<u>\$288,288.24</u>

The total amounts of consumers' advances for construction were reported at \$182,640.60 on November 20, 1951. The application

shows that additional agreements now are being negotiated with subdividers and that by the end of 1951 the volume of consumers' advances for construction will have increased to approximately \$212,000, with 2,200 consumers attached to the distribution lines. Under the arrangements under which lots are being subdivided, applicant reports that the additional tracts which are being opened in its service area will have a 100% occupancy within a very short time after the signing of the refund agreements under which advances for construction are made to it. Under the terms of applicant's refund rule, it has agreed to repay to subdividers the amounts thus advanced at the rate of 35% of the gross revenues collected from the consumers occupying the property, provided the total refunds thus made shall not exceed the amount of the original advance, without interest, and shall not extend over more than ten years from the date of the completion of the main extension.

Due to the rapidity with which subdivisions are being occupied, it appears that the refunds of advances will require substantial annual payments by applicant from its future revenues.<sup>(1)</sup> In order to relieve itself of these payments applicant proposes, with the agreement of the subdividers, to convert their advances into shares of 3% preferred stock at dollar for dollar, and accordingly has filed the present application to place itself in a position to do so.

In our opinion, the transaction as proposed will be in the interest of applicant and the public in that applicant will obtain a substantial volume of low dividend rate capital which will provide a broader base of stock in its capital structure to support debt financing should that become necessary or desirable in the future as

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<sup>(1)</sup> Applicant estimates that in 1951 it will refund \$6,605.00.

applicant is called upon to extend its services.

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 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. Rivera Water System, after the effective date hereof and on or before December 31, 1952, may issue, at par, not exceeding 2,100 shares of its Class B 3% preferred stock in exchange, at dollar for dollar, for consumers' advances for construction.
2. Applicant 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, California, this 11<sup>th</sup> day of December, 1951.

R. B. [Signature]  
President  
Justin F. [Signature]  
Harold [Signature]  
[Signature]  
[Signature]  
Commissioners