

ORIGINAL

Decision No. 47094

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA WATER SERVICE COMPANY,)
a corporation,)
for an order authorizing it to)
issue an additional amount of)
its common stock.)
-----)

Application
No. 33286

McCutchen, Thomas, Matthew, Griffiths & Greene,
by Robert M. Brown, for applicant.

O P I N I O N

California Water Service Company has filed this application for an order exempting from competitive bidding an issue of 50,000 shares of common stock of the aggregate par value of \$1,250,000, and authorizing it to sell said shares at a price hereafter to be fixed by the Commission upon the filing of a supplement to this application.

Applicant reports that it has need for the proceeds from the sale of its shares of stock to pay in part bank loans incurred for capital purposes during 1952.⁽¹⁾ The testimony shows applicant estimates its cash requirements for 1952 for construction purposes at \$3,772,000. It hopes to provide approximately \$866,000 of this amount from internal sources, leaving a balance of almost \$3,000,000 to be obtained from the sale of securities. In connection with its reported expenditures it estimates it will attach approximately 11,400 new consumers to its lines during 1952 and that to take care of its increased business it will be required to construct or install new

(1)
During March and April, 1952, applicant made bank borrowings in the amount of \$1,500,000 to meet current capital costs.

facilities, including 22 new pumping stations, 15 new wells, 3 tanks of a capacity of 250,000 gallons each, 17 parcels of real estate, approximately 13,000 feet of transmission mains and approximately 169,000 feet of distribution mains, together with new services and meters, hydrants and motor vehicle equipment.

The application shows that it has been applicant's practice in financing its capital costs to issue bonds, serial notes, shares of preferred and common stock, and to use earnings from its operations. Its capital structure as of the end of February, 1952, is reported as follows:

Bonds -			
Series C, 3-1/4's	\$17,822,000		
Series D, 3-5/8's	<u>3,000,000</u>	\$20,822,000	56.08%
Serial notes		180,000	.48
Preferred stock -			
Series C, 4.4%	3,475,000		
Series D, 5.3%	1,476,525		
Series E, 5.28%	937,525		
Series F, 5.36%	<u>1,516,050</u>	7,405,100	19.95
Common stock equity		<u>8,719,067</u>	<u>23.49</u>
	Total	<u>\$37,126,167</u>	<u>100.00%</u>

The issue of the shares of stock covered by this application will decrease the bond ratio to 54.14% and will increase the equity capital ratio to 26.14%. Applicant reports that at a later date in 1952 it hopes to undertake the issue and sale of shares of preferred stock.

Applicant seeks to dispose of its shares of stock by means of a negotiated underwriting. A witness called in its behalf testified that in his opinion the proposed issue is not a suitable subject for competitive bidding in that the relatively small volume of the offering would not create a widespread interest among potential bidders and would not warrant the expense for printing, legal and accounting fees involved in a competitive sale. He stated it is of

importance to applicant that the shares be marketed as much as possible in its service areas and he felt that a distribution locally more likely could be obtained by a negotiated sale to investment bankers who are familiar with applicant's operations. The witness suggested that when the Commission exempted issues of \$1,000,000 or less from the application of its competitive bidding rule in its order of January 15, 1946, it recognized that small issues were not adapted to competitive bidding and he urged that in view of the subsequent decline in the value of the dollar it would be equally reasonable at this time to exempt the presently proposed issue of \$1,250,000 par value of stock.

We have reviewed this matter and are of the opinion that applicant will require funds from external sources to finance permanently its 1952 capital expenditures and that upon the showing made by applicant we are warranted in making an order authorizing the issue and sale of the shares of common stock under the terms and conditions requested.

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 by 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. The issue by California Water Service Company of 50,000 shares of its common stock of the par value of \$25 each hereby is exempted from the requirements of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

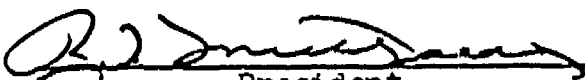
2. California Water Service Company, after the effective date hereof and on or before August 31, 1952, may issue and sell said 50,000 shares of common stock at a price hereafter to be fixed by the Commission in a supplemental order in this proceeding.

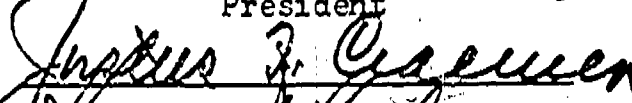
3. California Water Service Company shall use the proceeds to be received through the issue and sale of said shares of stock to pay outstanding bank loans representing moneys borrowed by it for capital purposes.

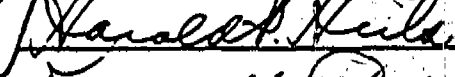
4. California Water Service Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

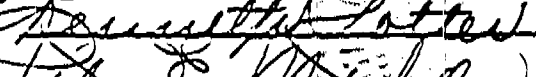
5. The authority herein granted to issue and sell said shares of stock will become effective when the Commission by a supplemental order has fixed the price at which said shares may be sold. In other respects, this order is effective upon the date hereof.


Dated at San Francisco, California, this 5th day of May, 1952.



President








Commissioners