

ORIGINAL

Decision No. 48149

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
	:	
of)	
	:	Application
CALIFORNIA WATER & TELEPHONE COMPANY)	No. 33955
	:	
to issue and sell stock.)	
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Bacigalupi, Elkus & Salinger, by Charles De.Y. Elkus, Jr., for applicant.

O P I N I O N

California Water & Telephone Company has filed this application with the Commission for an order exempting from competitive bidding a proposed issue of 60,000 shares of its common stock of the aggregate par value of \$1,500,000, and authorizing it to sell said shares at not less than \$29 a share.

Applicant requests authority to use the proceeds to be received from the issue and sale of said shares of stock to pay expenses incident to such issue and sale, which are estimated at not to exceed \$20,000, to reimburse its treasury for moneys expended for the construction, completion, extension or improvement of its facilities and not heretofore paid or provided through the issue of securities, and to repay short-term bank loans. In Exhibit 2 filed in this proceeding it reports that its net expenditures for additions to fixed capital prior to October 31, 1952, amounted to \$24,938,849.99 and that \$19,968,484.75 of this amount had been financed through the issue of securities, leaving a balance of \$4,970,365.24 which had been obtained from treasury funds, primarily those represented by retained earnings and appropriations for depreciation. Since October 31, 1952, it appears that applicant has borrowed funds from

banks and now is indebted on short-term loans in the amount of \$550,000.

The evidence in this proceeding shows that applicant will have need for the proceeds from the sale of its stock, after reimbursing its treasury, to enable it to proceed with its 1953 construction program, a summary of which is as follows:

Enlargement, replacement and extension of water distribution and transmission facilities	\$ 650,000
Hydrants, meters and service connections	235,000
Additions to central office equipment	1,450,000
Telephone instruments, private branch exchanges and special station apparatus	660,000
Aerial and underground cable and wire additions and replacements	1,400,000
Telephone building additions	<u>115,000</u>
Total	<u>\$4,510,000</u>

Applicant estimates that during the year approximately \$1,000,000 will be available from internal funds and that approximately \$1,740,000 will be obtained from the issue and sale of the shares of stock covered by this application, leaving a balance of almost \$2,000,000 to be obtained through future issues of securities.

From a review of applicant's financial statements it appears that it has been its practice in financing its capital costs to issue bonds, debentures and shares of preferred and common stock and to use earnings from its operations. Its capital ratios as of the present time, and after giving effect to the proposed issue of the 60,000 shares of common stock, are as follows:

	<u>Present</u>	<u>Pro Forma</u>
Bonds	47.29%	44.8%
Debentures	9.30	8.8
Total debt	56.59	53.6
Preferred stock	14.42	13.6
Common stock and surplus	<u>28.99</u>	<u>32.8</u>
Totals	<u>100.00%</u>	<u>100.0%</u>

Applicant is of the opinion that it should undertake the sale of common stock at this time, rather than to engage in some

other form of financing, in order to improve its capital ratios and also to take advantage of prevailing market conditions. If authorized by the Commission, it intends to enter into an underwriting agreement with Blyth & Co., Inc., pursuant to which the underwriters will pay to it not less than \$29 a share for the 60,000 shares covered by this application.

The record shows that applicant's shares are not listed on any exchange. Its earnings during 1952, based on eleven months' recorded experience and one month's estimated, amounted to \$2.52 a share on the presently outstanding shares and to \$2.10 a share including the 60,000 shares proposed to be issued. Applicant estimates, however, that giving effect to rate changes authorized by the Commission during 1952 and to wage increases, the pro forma earnings would have been equivalent to \$2.55 a share on the outstanding shares plus those proposed to be issued.

Upon considering the information presented in this proceeding it appears to us that an order exempting the proposed issue from competitive bidding is warranted.

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 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 by California Water & Telephone Company of 60,000 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 & Telephone Company, on and after the effective date hereof and on or before June 30, 1953, may issue and sell said 60,000 shares of common stock at not less than \$29 a share.

3. California Water & Telephone Company shall use the proceeds to be received through the issue and sale of said shares for the purpose of paying expenses incident to the issue thereof, of reimbursing its treasury, of paying short-term bank loans, and of financing in part its 1953 construction expenditures.

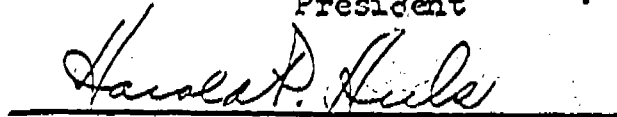
4. California Water & Telephone Company shall file with the Commission monthly reports as required by General Order No. 24-A; which order, insofar as applicable, is made a part of this order.

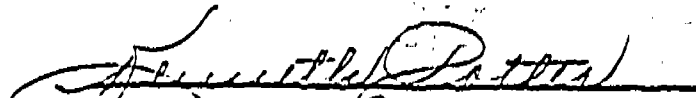
5. The authority herein granted will become effective upon the date hereof.

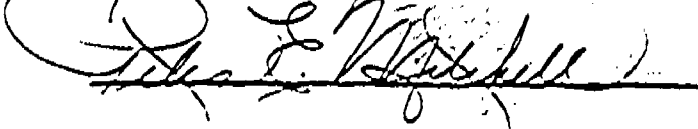
Dated at San Francisco, California, this 13th day of January, 1953.



President







Commissioners

Commissioner...Justus F. Graemer... being necessarily absent, did not participate in the disposition of this proceeding.