

ORIGINAL

Decision No. 48179

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of PALOS VERDES WATER COMPANY,	:	
a California corporation, for per-)	
mission to sell and issue Preferred	:	Application
Stock for cash, and for permission)	No. 34217
to issue new Common Stock in exchange	:	
for present outstanding and issued)	
Common Stock.	:	
-----)	

O P I N I O N

This is an application filed by Palos Verdes Water Company for an order of the Commission authorizing it to issue 25,335 shares of common stock, of the par value of \$20 each and of the aggregate par value of \$506,700, in exchange for its presently outstanding shares of common stock, of the par value of \$100 each, at the rate of five new shares of its \$20 stock for each one share of the \$100 stock, and to issue and sell, at par for cash, 7,500 shares of its 5½% preferred stock, of the par value of \$20 each and of the aggregate par value of \$150,000, for the purpose of paying indebtedness and of financing the cost of additions to its properties.

Applicant is engaged in the business of distributing water, primarily for domestic use, in the City of Palos Verdes Estates and in a portion of the County of Los Angeles.^{1/} Its financial statement filed with the application shows that up to January 31, 1953, it had invested \$1,295,435.54 in its plants and properties and had accumulated a reserve for depreciation of \$267,085.39, leaving a total net invest-

^{1/} Applicant has reported the number of service connections at the end of each of the last three years and its gross and net revenues for these years as follows:

	Service connections	Revenues	
	December 31	Operating	Net
1950	1,665	\$150,323.61	\$20,141.29
1951	2,037	192,588.32	41,195.20
1952	2,363	204,827.73	28,441.76

ment in fixed capital of \$1,028,350.15, and that it had financed its investment in its assets primarily through the issue of long-term notes in the amount of \$293,039.18, through consumers' advances for construction in the amount of \$321,571.35, and through the issue of 5,067 shares of common stock, of the par value of \$100 each. It appears that it is faced with additional capital expenditures, that it desires to meet its costs through the issue of shares of stock, and that it has undertaken to amend its articles of incorporation so as to create a new issue of shares of preferred stock of the par value of \$20 each, with cumulative dividends at the rate of 5½% per annum, and at the same time to reclassify its shares of common stock into shares of the par value of \$20 instead of \$100. It seeks at this time to issue and sell 7,500 of its preferred shares, at par for cash, and to use the proceeds for the following purposes:

(1) Additional pumping capacity -		
a. Additional pump at Metropolitan Water District connection	\$ 7,500.00	
b. Additional pump at #3 plant	<u>3,500.00</u>	\$ 11,000.00
(2) Distribution mains -		
a. Replace approx. 15,000'-6" wood stave pipe with 6" Class 150 asbestos cement pipe including reconnection of existing services, street resurfacing, and other surface restoration	69,900.00	
b. Install 700'-12" cement lined and coated steel pipe for increased capacity Miraleste pump line	<u>4,200.00</u>	74,100.00
(3) Distribution tanks and reservoirs -		
a. Replace 100,000 gal. wood tank known as Valmonte Tank with 100,000 gal. reinforced gunite tank		8,500.00
(4) New services and meters, 400 estimated for 1953		20,000.00
(5) Prepayment of short-term note		8,100.00
(6) Refunds due in 1953 on consumers advances for construction and contingencies, estimated		<u>28,300.00</u>
	Total	<u>\$150,000.00</u>

A review of the application and of applicant's financial statements indicates that applicant will have need for the proceeds from the sale of its shares of preferred stock to enable it to meet its capital requirements and that its earnings should be ample to support the proposed issue. It is the opinion of the Commission 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.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Palos Verdes Water Company, on and after the effective date hereof and on or before March 31, 1954, may issue and sell, at par for cash, not exceeding 7,500 shares of its preferred stock of the par value of \$20 each for the purposes indicated in this application, and may issue not exceeding 25,335 shares of its common stock of the par value of \$20 each in exchange for the presently outstanding 5,067 shares of common stock of the par value of \$100 each.

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 upon the date hereof.

Dated at San Francisco, California, this 14th day of April, 1953.

A. J. [Signature]
President

Justus J. [Signature]
Joseph [Signature]

Benjamin [Signature]
Robert L. [Signature]
Commissioners