

**ORIGINAL**Decision No. 48537

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
San Jose Hills Water Company for an  
Order Authorizing the Issuance and  
Disposal of Common and Preferred  
Stock.

Application  
No. 34246

O P I N I O N

In this application the Commission is asked to enter an order authorizing San Jose Hills Water Company to issue and sell 3,000 shares of common stock at \$10 a share and 1,000 shares of Class A 5½% cumulative preferred stock at \$100 a share for the purpose of financing construction costs, and to issue 40,000 shares of its Class B 3% cumulative preferred stock, of the par value of \$10 each, in exchange, at dollar for dollar, for consumers' advances for construction.

Applicant is engaged in business as a public utility water corporation in portions of Los Angeles County near Puente, Covina and Glendora. It was organized on June 27, 1944, and has reported its subsequent sales and profit or loss and the number of consumers served by it as follows:

<u>Year Ended</u>	<u>Number of Consumers</u>	<u>Sales</u>	<u>Net Profit (Loss)</u>
December 31, 1945	42	\$ 308.07	\$( 427.07)
December 31, 1946	139	2,830.30	(1,174.14)
December 31, 1947	532	11,355.04	(1,639.48)
December 31, 1948	950	25,463.59	597.61
December 31, 1949	1132	37,820.78	4,417.11
December 31, 1950	1550	47,342.85	3,792.41
December 31, 1951	2165	72,854.16	7,701.68
December 31, 1952	3614	119,736.45	6,175.56
January 1953	3704		
February 1953	3743		
March 1953	3910		

Information on file with the Commission shows that up to the end of 1952 applicant's net investment in its fixed assets aggregated \$1,093,719.66 which had been provided primarily by consumers' advances and through the issue of notes and shares of common and preferred stocks. Its financial position as of December 31, 1952, as reflected by its balance sheet of that date, is as follows:

<u>Assets</u>		
Fixed capital -		
Tangible assets	\$1,138,596.70	
Less - depreciation reserve	<u>99,399.85</u>	
Net tangible assets	1,039,196.85	
Intangible assets	<u>9,522.81</u>	
Total fixed assets		\$1,093,719.66
Current assets -		
Cash	42,521.67	
Other current assets	<u>23,046.26</u>	
Total current assets		65,567.93
Deferred debits and other assets		<u>25,682.75</u>
Total		<u>\$1,189,970.34</u>
<u>Liabilities</u>		
Long-term notes		\$ 300,000.00
Current liabilities -		
Notes and accounts payable	\$ 68,351.42	
Consumers' deposits	17,774.43	
Accrued liabilities	<u>15,030.40</u>	
Total current liabilities		101,656.25
Consumers' advances for construction		391,124.81
Donations in aid of construction		27,083.11
Preferred stock -		
Class A, 5 $\frac{1}{2}$ %	124,500.00	
Class B, 3%	<u>169,210.00</u>	
Total preferred stock		293,710.00
Common stock equity -		
Common stock	70,000.00	
Surplus	<u>6,396.17</u>	
Total common stock equity		<u>76,396.17</u>
Total		<u>\$1,189,970.34</u>

Heretofore, the Commission has authorized applicant to convert advances for construction into shares of Class B, 3% cumulative preferred stock. Applicant reports that during 1952 new installations of mains had increased the total outstanding amount of such advances to \$391,124.81, as shown by the preceding balance sheet, of which \$19,284.75 is payable in 1953, and that new subdivisions now

are being negotiated with developers which will result in additional advances of approximately \$390,000. Applicant is of the opinion that it will be able to convert at least \$400,000 of such advances into Class B preferred stock and accordingly it has filed this application for permission to issue additional shares of this series for this purpose.

In support of this request, applicant reports that due to the rapidity with which subdivisions are being built and occupied the conversion of advances, as proposed, is necessary to conserve its cash position and is desirable because it will provide a broader base of stock in its capital structure which will assist it in future debt financing.

In addition to the funds to be advanced by subdividers, applicant is faced with the necessity of providing additional sums to pay for pipe lines, labor, meters and services, its program calling for the expenditure of \$129,770 for these purposes, as set forth in Exhibit C as follows:

12" Main on Azusa Avenue from San Bernardino Road, south to Carvey Blvd.	\$ 25,000.00
Chlorination plant on Azusa Avenue at Badillo St., to treat water purchased from Covina Irrigating Co.	7,500.00
New pump and engine for Hassheider Well	7,500.00
Piping and electrical for Hassheider Well, located 300 ft. south of Carvey Blvd., east of Lark Ellen in West Covina	2,500.00
Land for South Covina high reservoir	8,500.00
Steel tank for South Covina high reservoir	10,000.00
Water main from tank to system	10,000.00
Services and meters for 1,306 units	<u>58,770.00</u>
Total	<u>\$129,770.00</u>

Applicant seeks to meet these requirements through the issue and sale of the shares of the common stock and Class A preferred stock applied for in this application.

It appears that applicant's common shares are without par value. The Class A preferred shares are of the par value of \$100 each and the Class B shares of the par value of \$10 each. The holders of common shares are entitled to one vote for each share of stock held by them and the holders of preferred shares are entitled to one vote for each \$10 of stock held by them. Applicant's 1952 annual report shows that all the outstanding shares of common stock are held by nine individuals, while the outstanding shares of preferred stock at the close of the year were held by 50 stockholders. During the year applicant regularly paid dividends on its preferred shares.

A review of this application indicates that applicant has need for additional funds for the purposes indicated and in our opinion an order should be entered granting its requests.

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; 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 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. San Jose Hills Water Company, on and after the effective date hereof and on or before March 31, 1954, may issue and sell not exceeding 3,000 shares of its common stock at \$10 a share and not exceeding 1,000 shares of its Class A, 5 $\frac{1}{2}$ % cumulative preferred stock at \$100 a share, for the purpose of financing the

cost of additions and improvements to its properties, as set forth in this application, and may issue not exceeding 40,000 shares of its Class B, 3% cumulative preferred stock in exchange, at dollar for dollar, for consumers' advances for construction.

2. San Jose Hills Water 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.

3. The authority herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 28<sup>th</sup> day of April, 1953.

R. J. [Signature]  
President

Harold S. [Signature]

[Signature]  
[Signature]

Commissioners