

Decision No. 48574

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Lakewood Water & Power Company, a)
 corporation, for an Order authorizing)
 Applicant (1) to issue \$600,000.00)
 par value of Common Stock, (2) to)
 issue \$150,000 par value Preferred)
 Stock, (3) to issue First Mortgage)
 Bonds, 3-7/8% Series, due 1977, in)
 the principal amount of \$450,000.00,)
 (4) to execute and record a Supple-)
 mental Indenture as additional secur-)
 ity for said Bonds, and (5) to sell)
 such Bonds under a Bond Purchase)
 Agreement dated May 26, 1952, for a)
 consideration as set out therein, and)
 to use the proceeds for the purposes)
 and in the manner specified in this)
 Application.)
 -----)

Application
 No. 34298

O P I N I O N

Lakewood Water & Power Company has filed this application for authorization to issue shares of common and preferred stock and bonds, in amounts and for purposes as follows:

Common stock -			
To reimburse its treasury		\$351,296.86	
To pay amounts now due representing advances for construction		167,600.00	
To provide cash for plant additions		<u>81,103.14</u>	
Total common stock			\$600,000.00
Preferred stock, 5% cumulative -			
To repay advances for construction			150,000.00
Bonds, First Mortgage, 3-7/8% Series, due 1977 -			
To finance plant additions and to pay expenses incident to the issue			450,000.00

For a number of years applicant has been engaged in a program of expansion of its facilities and business. Its annual reports for the last five years show the number of service connections and investment in fixed capital, including construction work in

progress, at the end of each year, and the operating revenues and net income in the following amounts:

	<u>Service Connections</u>	<u>Fixed Capital</u>	<u>Operating Revenues</u>	<u>Net Income</u>
1948	5,803	\$ 719,842	\$155,254.75	\$ 28,064.30
1949	6,844	847,618	168,838.62	27,731.22
1950	15,360	2,157,828	274,883.72	64,509.61
1951	19,261	3,021,881	546,956.22	125,307.28
1952	22,070	4,295,541	695,026.38	138,812.12

A statement of applicant's assets, liabilities and capital as of December 31, 1952, is as follows:

Assets

Utility plant -			
Fixed capital		\$3,954,658.07	
Construction work in progress		<u>240,882.81</u>	
		4,295,540.88	
Less-reserves		<u>296,181.67</u>	
Remainder			\$3,999,359.21
Sinking fund			15,000.00
Current assets -			
Cash and deposits		284,925.42	
Materials and supplies		387,819.63	
Other current assets		<u>33,495.38</u>	
Total current assets			706,240.43
Deferred debits			<u>79,225.11</u>
			<u>\$4,799,824.75</u>

Liabilities and Capital

Funded debt			\$2,200,000.00
Current liabilities			242,644.27
Consumers' advances			<u>274,738.42</u>
Total liabilities			2,717,382.69
Donations in aid of construction			30,410.49
Preferred stock			750,000.00
Common stock equity -			
Common stock		\$ 900,000.00	
Surplus		<u>402,031.57</u>	
Total common stock equity			<u>1,302,031.57</u>
			<u>\$4,799,824.75</u>

All the outstanding shares of stock, both common and preferred, are reported held by Lakewood Park, a corporation. Applicant has never paid dividends on the shares of common stock and, as shown in the balance sheet, has retained in its business earnings from operations in the amount of \$402,031.57.

Applicant now reports that it proposes to make additions to its plant during this year which should increase the number of its customers to 27,500, that its estimated costs for the year aggregate \$854,400.79,^{1/} and that while a substantial part of its capital requirements will be financed with cash on hand, it will be necessary for it to obtain additional funds from external sources. It has made arrangements to sell \$450,000 of its First Mortgage Bonds, 3-7/8% Series, due 1977, to New York Life Insurance Company at their face value plus accrued interest from May 1, 1953, to date of delivery, in order to provide in part such additional funds.

It appears that the purchaser of the bonds has required applicant to increase the balance in its capital and earned surplus accounts and that to meet this requirement in part applicant now proposes to issue additional shares of common stock to Lakewood Park. The application shows that Lakewood Park will pay to applicant the sum of \$81,103.14 in cash to help finance the 1953 plant additions and that it will accept \$167,600 in payment of advances made for construction purposes, which advances now are due and payable. The remainder of the issue, amounting to \$351,296.86, will be made for the purpose of reimbursing applicant's treasury and will be represented on its books by a transfer from earned surplus to capital stock account.

The Commission heretofore has authorized applicant to issue \$950,000 of preferred stock in payment of advances for construction.

^{1/} The proposed expenditures are set forth in some detail in Exhibit F filed in this proceeding. A summary of the same is as follows:

Landed capital	\$ 12,500.00
Buildings, structures, grounds	60,030.00
Wells	16,100.00
Pumping equipment	63,250.00
Purification	15,525.00
Distribution mains	387,486.73
Hydrants	12,977.37
Services	78,074.89
Meters and measuring devices	193,956.80
General equipment	<u>14,500.00</u>
Total	<u>\$854,400.79</u>

The authorization thus granted expired on June 30, 1951, with \$750,000 of the authorization being exercised. Applicant now desires to have the authority for \$150,000 of stock reinstated so as to permit it to liquidate other advances for construction to serve tracts and subdivisions within its present service area.

Applicant's financial statements show that its capital structure consists of bonds in the amount of 52% of the total, preferred stock 18% and equity capital 30%. The issues of the additional securities in the amounts and under the circumstances set forth in this application will preserve these ratios. A review of the results of operations indicates that applicant's earnings for the year 1952, based on an average of 19,808 customers, were in an amount more than 3.8 times the annual interest requirements on the bonds outstanding and on those proposed to be issued, and that the net income of \$138,812 available for dividends and surplus was approximately three times the preferred dividend requirements. Upon a full consideration of this application we are of the opinion that the requests should be granted, that the money, property or labor to be procured or paid for by the issue of the shares of stock and the bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, 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. Lakewood Water & Power Company may issue, at par, on or before December 31, 1953, not exceeding \$600,000 par value of its common stock and not exceeding \$150,000 par value of its 5% preferred stock, and may issue and sell at not less than their face value plus accrued interest, not exceeding \$450,000 in principal amount of its First Mortgage Bonds, 3-7/8% Series, due 1977, for the purposes set forth in this application. The accrued interest on the bonds may be used for general corporate purposes.

2. Lakewood Water & Power Company, on or before December 31, 1953, may execute a Third Supplemental Indenture in substantially the same form as that filed in this proceeding as Exhibit C.

3. 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.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$450.00.

Dated at San Francisco, California, this 12th day of May, 1953.

[Signature]
President

[Signature]
[Signature]

[Signature]
[Signature]
(Commissioners)

