

ORIGINAL

Decision No. 48878

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA WATER COMPANY)
 for authority to issue not exceeding)
 60,000 shares of a new series of its)
 preferred stock, without competitive)
 bidding.)
 -----)

Application
No. 34533

O'Melveny & Myers, by Frederick N. Edwards,
for applicant.

O P I N I O N

Southern California Water Company has filed this applica-
tion for authorization to issue and sell 60,000 shares of preferred
stock, of the aggregate par value of \$1,500,000, for the purpose of
paying outstanding indebtedness, of reimbursing its treasury and of
financing the cost of property.

The application was filed on July 11, 1953. Thereafter, a
public hearing was held before Examiner Coleman in Los Angeles on
July 23, 1953, at which time the matter was taken under submission.
The Commission has received no protests in this proceeding.

The 60,000 shares will constitute a new series of preferred
stock. They will be convertible into shares of common stock, will be
entitled to cumulative dividends and will be redeemable at such rates
as hereafter will be determined by applicant's board of directors.
Applicant seeks authorization to dispose of the shares by means of a
negotiated underwriting and in this connection it points out that
the conversion rate must be related to the market price of the

common stock at or about the time of the public offering of the shares of preferred stock and it urges that the proposed issue therefore, because of its character, is unsuitable for competitive bidding in that it involves such variable factors as price, conversion rate and dividend rate. Further, applicant is of the opinion that under present market conditions it would be difficult to arouse underwriting interest in a competitive bidding offer of a security in the amount which it now desires to sell.

If authorized to issue and sell its shares of preferred stock, applicant proposes to use the proceeds to provide construction funds, to reimburse itself for funds actually expended in the construction and acquisition of property, and to discharge and pay promissory notes which were incurred for capital purposes. In Exhibit B, applicant reports its capital expenditures for the year 1952 and estimated for the year 1953, as follows:

	1952 <u>Actual</u>	1953 <u>Estimated</u>	<u>Total</u>
Water -			
Water supply	\$ 393,969	\$ 332,300	\$ 726,269
Distribution system	479,323	643,505	1,122,828
New business	719,947	818,637	1,538,584
Meters and services	261,041	215,000	476,041
Electric	37,522	15,000	52,522
Ice	4,119	1,558	5,677
Automobiles, office equipment and miscellaneous	50,377	74,000	124,377
General office building	186,322	-	186,322
Acquisition of operating properties	569,057	-	569,057
Totals	<u>2,701,677</u>	<u>2,100,000</u>	<u>4,801,677</u>
Advances in aid of construction	443,288	222,000	665,288
Net cost to company	<u>\$2,258,389</u>	<u>\$1,878,000</u>	<u>4,136,389</u>
Funds received from bonds and notes			1,695,400
Balance			<u>\$2,440,989</u>

Presently applicant has outstanding \$700,000 of short-term notes heretofore authorized by the Commission and an unused credit of \$200,000 under its loan agreement. It is proposed that the principal amount of these outstanding notes and of notes representing

additional borrowings will be paid with funds to be received from the offering of shares of preferred stock.

Applicant has met its capital requirements in part through the issue of first mortgage bonds and shares of preferred stock of several series and through the use of equity capital. Its capital structure as of May 31, 1953, and as adjusted to give effect to the proposed issue, is reported as follows:

	<u>May 31, 1953</u>	<u>Pro Forma</u>
Long-term debt	55.1%	47.4%
Preferred stock	14.7	24.0
Equity capital	<u>30.2</u>	<u>28.6</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

Upon the record made in this particular proceeding, we are warranted in exempting the proposed issue from competitive bidding and in making a preliminary order at this time authorizing the issue and sale of the shares of stock of the new series. At a later date, upon the filing of a supplemental application setting forth the terms of the shares of preferred stock and the price at which applicant intends to dispose of them, we will give further consideration to this matter.

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 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 and sale of 60,000 shares of a new series of preferred stock by Southern California Water Company hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.
2. Southern California Water Company, on and after the effective date hereof and on or before December 31, 1953, may issue and sell said 60,000 shares of preferred stock at a price hereafter to be fixed by the Commission.
3. Southern California Water Company shall use the proceeds to be received from the sale of said 60,000 shares of preferred stock for the purposes set forth in this proceeding.
4. The authority herein granted to issue and sell said shares of preferred stock will become effective when the Commission by a supplemental order has fixed the price at which applicant may sell the same. In other respects, the authority herein granted is effective upon the date hereof.
5. Within 60 days after the issue and sale of said shares of preferred stock, applicant shall file with the Commission three copies of its prospectus and a report showing the amount of stock sold, the price at which sold, and the names of those to whom sold.
6. Within six months after the issue and sale of said shares of stock, applicant shall file with the Commission a statement

showing in some detail the expenses incurred by it in connection with such issue and sale and the account, or accounts, to which such expenses were charged, together with a statement showing the purposes for which the proceeds were used.

Dated at San Francisco, California, this 28th day of July, 1953.

[Signature]
President

Justus J. Calmes
Harold Hill

[Signature]

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.