

ORIGINAL

Decision No. 49061

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of Bay Water Company (formerly	:	Application
Enes Water Company) for authority)	No. 34469
to issue securities.	:	
-----)	

O P I N I O N

This is an application for an order of the Commission authorizing Bay Water Company to issue 2,640 shares of its common stock of the par value of \$100 each and of the aggregate par value of \$264,000.

Applicant was organized during 1933 as Enes Water Company, the name having been changed to Bay Water Company on June 15, 1953. It is engaged as a public utility in the distribution of water to approximately 1,200 customers in unincorporated territory in Contra Costa County near the City of Pittsburg. It has reported its results of operation during 1952 and during the first three months of 1953 as follows:

	<u>1952</u>	<u>1953 3 Months</u>
Operating revenues	\$54,436.55	\$14,604.18
Operating revenue deductions	<u>41,487.68</u>	<u>11,067.25</u>
Utility operating income	12,948.87	3,536.93
Interest expense	<u>4,163.69</u>	<u>1,667.15</u>
Net profit	<u>\$ 8,785.18</u>	<u>\$ 1,869.78</u>

By Decision No. 47209, dated May 27, 1952, the Commission approved certain increases in rates, effective on and after July 1, 1952, designed to produce annual revenues of \$109,910 and a return of approximately 6.8% on a depreciated rate base of \$427,965.

A balance sheet filed in this proceeding as Exhibit B shows applicant's financial position as of March 31, 1953, as follows:

Assets

Current assets -			
Cash	\$	3,359.23	
Notes and accounts receivable		8,588.23	
Materials and supplies		5,265.51	
Prepayments		<u>1,093.19</u>	
Total current assets			\$ 18,306.16
Fixed capital -			
Total fixed capital		258,093.27	
Less-depreciation reserve		<u>38,658.18</u>	
Net fixed capital			219,435.09
Deferred debits			<u>3,333.66</u>
Total			<u>\$241,074.91</u>

Liabilities and Capital

Liabilities -			
Notes payable	\$123,995.58		
Consumers' deposits	1,591.95		
Accruals	4,331.41		
Other liabilities	<u>1,515.83</u>		
Total liabilities			\$131,434.77
Capital stock and surplus -			
Capital stock	20,107.80		
Revaluation surplus	25,173.28		
Capital and earned surplus	<u>64,359.06</u>		
Total capital stock and surplus			<u>109,640.14</u>
Total			<u>\$241,074.91</u>

The outstanding notes consist of four short-term 5½% notes in the aggregate amount of \$90,000 in favor of Bank of America National Trust and Savings Association and a 5% demand note in the amount of \$33,995.58 in favor of Sherwood Field and Henry H. Wheeler, who are officers and stockholders of applicant. The capital stock consists of 640 shares without par value which are carried on the balance sheet at a stated value of approximately \$31 each. These shares are reported held by the following:

Sherwood Field	318½
Henry H. Wheeler	318½
Mary Enes	1
Albert A. Enes	1
Leonard Enes	<u>1</u>
Total	<u>640</u>

Applicant now is taking steps to amend its articles of incorporation so as to provide for an authorized capital stock of 15,000 shares, divided into 10,000 shares of 5% cumulative preferred stock of the par value of \$25 each and 5,000 shares of common stock of the par value of \$100 each, the holder of each share of said preferred stock to be entitled to one vote per share and the holder of each share of said common stock to be entitled to four votes per share. It does not seek authorization at this time to issue shares of preferred stock, but upon accomplishment of the amendment of its articles, proposes to issue one share of the new \$100 par value common stock for each presently outstanding share of old no par common stock, which old stock will then be surrendered and canceled.

The exchange of stock under the terms contemplated will result in the capitalization of surplus of \$43,892.20 and will bring applicant's capital stock account from \$20,107.80 up to \$64,000. Applicant is not contemplating in this proceeding the capitalization of any part of the \$25,173.28 credit balance carried on its books as surplus arising from revaluation of properties nor are we passing upon the propriety of the balance in the account.

In addition, applicant seeks authorization to issue \$200,000 par value of its common stock in payment for properties. It appears that the Commission by said Decision No. 47209 granted applicant a certificate of public convenience and necessity to extend its service into new territory, known as Shore Acres, then being subdivided, and it included in the rate base used in said decision the anticipated cost of the facilities necessary to so extend service. The present application shows that construction has been undertaken under agreements which contemplate the acquisition of the facilities by applicant through the issue of its stock in an amount equivalent to the cost of

the lines. It is reported that the transmission main, costing approximately \$22,000, now is ready for transfer by its owner, the Community Land Development Company, as well as distribution facilities, costing approximately \$60,000, for Units No. 1 and No. 2 of the Shore Acres subdivision. Additional distribution lines, costing approximately \$25,000, for Unit No. 3 of the subdivision will be ready for delivery in a few weeks and the remainder of the system within six to twelve months. Applicant proposes to accept the transfer of these properties at their cost of installation and to issue its shares of stock in payment in an amount not to exceed \$200,000.

A review of applicant's records has been made by the Commission staff. It appears that at least \$43,892.20 of the surplus items represent expenditures for property not heretofore capitalized through the issue of securities and that applicant's proposal, through the issue and exchange of shares of stock, to transfer this amount to capital stock account may be authorized. Upon the basis of the March 31 balance sheet figures, applicant, upon the conclusion of the transactions outlined in this proceeding, will have plant accounts of approximately \$420,000 with outstanding notes of \$123,995.58 and common stock equity of approximately \$285,000, excluding the revaluation surplus. Thus, applicant will develop a structure with a broad base of permanent capital which may facilitate debt financing should that become necessary or desirable in the future.

Upon considering this matter we are of the opinion that a public hearing is not necessary, 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.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that applicant's requests should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Bay Water Company, upon amendment of its articles of incorporation reclassifying its stock, may issue not exceeding 640 shares of new \$100 par value common stock having an aggregate par value of \$64,000 in exchange, on a share-for-share basis, for presently outstanding old no par common shares.

2. Bay Water Company may issue not exceeding 2,000 shares of its new \$100 par value common stock having an aggregate par value of \$200,000, at par, in payment for transmission and distribution facilities.

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 20 days after the date hereof.

Dated at San Francisco, California, this 15th day of September, 1953.

[Signature]
President

[Signature]
[Signature]

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Commissioners