

ORIGINALDecision No. 49109

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 DEL ESTE WATER COMPANY, a corporation,
 for an order authorizing it to issue
 an additional amount of its capital
 stock.

Application
 No. 34692

O P I N I O N

Del Este Water Company, applicant herein, is a California corporation engaged in the business of supplying water for domestic, commercial and industrial purposes in the vicinity of the cities of Modesto and Turlock and the towns of Empire, Salida and Waterford. In this application it seeks authorization to issue 78 shares of stock, of the par value of \$100 each and of the aggregate par value of \$7,800, in consideration for the cancellation of obligations to refund subdividers' advances in the total amount of \$42,418.20.

Applicant has an authorized capital stock of 5,000 shares of the par value of \$100 each, all common, of which 850 shares presently are outstanding and, according to applicant's latest annual report, were held on December 31, 1952, by the following:

Edna B. Curtner	70	John B. Beard	70
W. F. Beard	28	Esther A. Brack	70
Ethel G. Hoover	70	Cora A. Beard	70
H. L. Beard	70	Beard Land & Investment Co.	150
Ruth B. McDowell	70	Kennan H. Beard	14
Geo. K. Beard	70	Franklin Beard	14
W. Paul Beard	70	Elizabeth B. Whelan	14
		Total	<u>850</u>

The application shows that during the last five years but one dividend has been paid and that was on February 28, 1950, in the amount of \$2,500.

Applicant's assets, liabilities and net worth as of June 30, 1953, are reported as follows:

<u>Assets</u>		
Current assets -		
Cash	\$ 22,601.59	
Notes and accounts receivable	15,262.75	
Materials and supplies	<u>24,487.41</u>	
Total current assets		\$ 62,351.75
Fixed assets -		
Plant and property	1,090,293.37	
Work in progress	29,444.01	
Less: depreciation reserve	<u>(205,909.89)</u>	
Total fixed assets		913,827.49
Other debits		10,874.25
	Total	<u>\$987,053.49</u>
<u>Liabilities & Net Worth</u>		
Current liabilities -		
Notes and accounts payable	\$ 65,255.66	
Taxes accrued	11,226.95	
Other liabilities	<u>12,586.68</u>	
Total current liabilities		\$ 89,069.29
Mortgage payable		388,000.00
Subdividers' advances		<u>154,278.48</u>
Total liabilities		631,347.77
Net worth -		
Capital stock	85,000.00	
Donations	42,645.62	
Paid in surplus	35,000.00	
Earned surplus	<u>193,060.10</u>	
Total net worth		355,705.72
	Total	<u>\$987,053.49</u>

The foregoing balance sheet indicates that applicant has financed a portion of its investment with moneys advanced by subdividers. It reports that under its existing commitments its refunds of such advances constitute a continuing heavy financial burden which tends to impair its financial status. It therefore desires to pay certain of its refund obligations through the issue of securities and to that end has negotiated with two subdividers, who are controlled by essentially the same interests which own its outstanding stock, to extinguish the amounts due them in exchange for stock, these two subdividers being Modesto Terminal Company and Beard Land & Investment Company.

It appears that applicant entered into a subdivision agreement with Modesto Terminal Company on April 1, 1945, and with Beard Land & Investment Company on August 28, 1952. The amounts of these advances and the amounts subsequently refunded, together with the remaining balances, are shown in the following tabulation:

	Cost of Installation	Refunded	Balance Dec. 31, 1952
Modesto Terminal Company	\$35,187.49	\$6,640.12	\$28,547.37
Beard Land & Investment Company	13,985.50	114.67	13,870.83
Totals	<u>\$49,172.99</u>	<u>\$6,754.79</u>	<u>\$42,418.20</u>

It is reported by applicant that in its opinion approximately \$20,000 of the remainder of the amount advanced by Modesto Terminal Company and approximately \$12,500 of the amount advanced by Beard Land & Investment Company will be refunded.

The book value of the presently outstanding shares of applicant's stock is approximately \$418.20 each. Applicant proposes, and has made arrangements, to issue its shares of stock at or about its book value to these subdividers in cancellation of the refund obligations. On this basis it will issue 48 shares to Modesto Terminal Company and 30 shares to Beard Land & Investment Company.

Upon a review of this matter we are of the opinion that applicant's request should be granted. The action taken herein, however, shall not be construed to be a finding of the book or the market value of applicant's shares of stock.

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 purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Del Este Water Company may issue not exceeding 78 shares of its common stock, on or before November 30, 1953, in consideration of the cancellation of refund obligations to Modesto Terminal Company and Beard Land & Investment Company, such shares to be issued upon the basis set forth in this proceeding.

2. Applicant shall file with the Commission a report, or 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 twenty (20) days from the date hereof.

Dated at San Francisco, California, this 24 day of September, 1953.

A. W. Johnson
President

Harold P. Hills

Francis P. Potter

Commissioners