

**ORIGINAL**

Decision No. 50149

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
WASHINGTON WATER AND LIGHT COMPANY, a )  
corporation, for authority to issue )  
additional stock (Sections 816-830 of )  
the Public Utilities Code. )  
----- )

Application  
No. 35478

O P I N I O N

Washington Water and Light Company has filed this applica-  
tion for authorization to issue 500 shares of its 5% preferred stock,  
of the aggregate par value of \$5,000, for the purpose of refinancing  
a short-term note which it issued to finance the replacement of  
certain pipelines.

Applicant is engaged as a public utility in the distribution  
of water to approximately 2,700 customers in the County of Yolo. For  
the year ended December 31, 1953, it reported operating revenues at  
\$97,785.55, operating expenses at \$84,561.50 and utility operating  
income at \$13,224.05. The application shows that up to April 30,  
1954, it had a recorded investment in fixed capital of \$461,602.84  
after deducting \$106,270.80 representing the reserve for depreciation,  
and that it had financed itself generally through the media of long-  
term debt, capital stock and retained earnings. Its financial  
condition as of April 30, 1954, is reflected in its balance sheet as  
of that date which has been filed as Exhibit A in this proceeding.  
A summary of the balance sheet is as follows.

Assets

Current assets -		
Cash and accounts receivable	\$( 3,501.40)	
Materials on hand	6,210.63	
Other current assets	<u>3,199.35</u>	\$ 5,908.58
Fixed assets, less depreciation reserve		461,602.84
Other debits		<u>6,089.81</u>
	Total	<u>\$473,601.23</u>

Liabilities and Net Worth

Current liabilities -		
Accounts payable	\$ 2,431.76	
Other current liabilities	<u>6,017.27</u>	\$ 8,449.03
Consumer deposits for construction		131,767.68
Mortgage payable		171,000.00
Capital -		
Preferred capital stock	100,000.00	
Preferred capital stock subscribed	5,000.00	
Common capital stock	33,000.00	
Capital surplus	9,112.97	
Earned surplus	<u>15,271.55</u>	<u>162,384.52</u>
	Total	<u>\$473,601.23</u>

The \$5,000 shown in the balance sheet as preferred capital stock subscribed represents the preferred stock which applicant is now seeking authority of the Commission to issue.

Applicant advises that due to the failure of some 2,000 feet of steel pipe in its distribution system it has found it necessary to raise additional capital to provide for the replacement of these lines. The pipe had an anticipated life of thirty years and failed in less than three years. Therefore, no sums were available in the depreciation reserve to provide for the necessary replacement. The replacement of the pipe was financed by the issue of a note calling for the issue of 500 shares of preferred stock, provided the necessary authority was obtained from this Commission and that applicant's articles of incorporation were amended as necessary. The note is presently being held by applicant's president and it is now the desire of applicant to issue the 500 shares of preferred stock in order to retire its obligation under the note.

By prior decisions the Commission has authorized applicant to issue \$100,000 par value of its 5% cumulative preferred stock and \$45,400 par value of its common stock. Applicant has issued the entire amount of preferred stock authorized but has issued only \$33,000 par value of common stock. The small amount of common stock thus issued has caused applicant's capitalization to consist primarily of long-term debt and preferred stock, which are fixed charge obligations. A certified copy of the amended articles of incorporation, authorizing the issue of additional shares of 5% preferred stock, is attached to the application.

An order will be entered granting applicant the authority which it herein seeks. However, applicant is being placed on notice that consideration should be given in any future financing to the issue of common capital 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. Washington Water and Light Company, on and after the effective date hereof and on or before December 31, 1954, may issue

500 shares of its 5% cumulative preferred stock, of the aggregate par value of \$5,000, for the purpose of refunding an outstanding note which was previously issued to cover the cost of replacement of distribution mains.

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 20 days after the date hereof.

Dated at San Francisco, California, this 18 day of June, 1954.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_

  
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Commissioners