

ORIGINAL

Decision No. ~~50582~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
	:	
DOMINGUEZ WATER CORPORATION)	
	:	Application
for an order authorizing it to issue)	No. 35796
its bonds and to mortgage its properties,	:	
and to issue its common stock.)	
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O P I N I O N

This is an application filed by Dominguez Water Corporation for authorization to execute a trust indenture, to issue and sell \$1,000,000 in principal amount of First Mortgage Series A 3-3/4% Bonds of 1974, and to issue 41,162 shares of its common stock of the par value of \$25 each and of the aggregate par value of \$1,029,050.

Applicant is a California corporation organized on or about January 26, 1937, with an authorized capital stock of \$500,000, represented by 5,000 shares of common stock of the par value of \$100 each, all of which presently is outstanding and is held by Dominguez Estate Company. The application shows that on June 17, 1954, applicant increased its authorized capital stock to \$5,750,000, to be represented by 200,000 shares of common stock and 30,000 shares of 5% cumulative preferred stock, all of the par value of \$25 a share. It proposes to issue 20,000 of the new shares of \$25 common stock in exchange for the 5,000 presently outstanding shares of \$100 common stock on the basis of four new shares for each one share now held. It does not seek at this time any

authorization to issue and sell preferred shares.

Applicant is engaged in the business of producing, distributing and supplying water as a public utility in an area of approximately 26 square miles in unincorporated territory in Los Angeles County lying due south of the City of Los Angeles. For the last three years it has reported the following:

	<u>Operating Revenue</u>	<u>Gross Income</u>	<u>Net Income</u>	<u>Net Plant Dec. 31</u>	<u>Active Service Connections</u>
1951	\$374,159	\$ 20,419	\$16,902	\$1,253,527	5,770
1952	407,059	47,778	46,041	1,636,756	6,637
1953	547,155	107,878	74,118	2,134,626	8,334

In Exhibit A applicant reports that its net investment in property, plant and equipment had increased to \$2,454,148 as of July 31, 1954. A summary of its balance sheet reflecting its financial position as of that date is as follows:

Assets

Property and equipment, less reserve		\$2,454,148
Intangible capital		34,841
Current assets -		
Cash	\$ 34,047	
Accounts receivable	102,337	
Material and supplies	<u>52,004</u>	
Total current assets		188,388
Prepaid expenses and deferred debits		<u>45,682</u>
	Total	<u>\$2,723,059</u>

Liabilities and Capital

Current liabilities		\$ 169,287
Due Dominguez Estate Company		1,424,748
Advances for construction		381,756
Donations in aid of construction		139,874
Capital -		
Common stock	\$500,000	
Paid in surplus	6,206	
Earned surplus	<u>101,188</u>	
Total capital		<u>607,394</u>
	Total	<u>\$2,723,059</u>

It appears from the foregoing balance sheet that it has been applicant's practice to finance itself primarily with moneys advanced by Dominguez Estate Company, the owner of all its outstanding shares of stock. Applicant now proposes to liquidate \$1,379,060.80 of its indebtedness to its parent company, represented in part by a note for \$898,149.56 issued under authorization granted by Decision No. 48411, dated March 30, 1953, and in part by advances on open account, and it seeks to obtain the funds for this purpose and for the reimbursement of its treasury through the creation of bonded indebtedness and the issue and sale of \$1,000,000 of bonds and the issue of 21,162 shares of its common stock. It has made arrangements to sell the bonds to Pacific Mutual Life Insurance Company and to deliver the 21,162 shares of common stock to Dominguez Estate Company.

This is the first time applicant has had occasion to borrow money in substantial amounts from external sources. At the conclusion of the financing it will have outstanding \$1,000,000 of bonds against net property investment of \$2,454,148, as shown in the preceding balance sheet. Its annual charges for interest will aggregate \$37,500 as compared with gross income available for interest of \$107,878 during 1953 and of \$56,360 during the first seven months of 1954. Its capital structure will be improved by the elimination of open advances and the substitution of capital funds represented by long-term debt and additional common stock equity investment.

From a review of the application we are of the opinion that an order should be entered granting applicant's requests.

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 and sale of the bonds and shares of stock 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Dominguez Water Corporation may execute a trust indenture on or before December 31, 1954, in, or substantially in, the same form as that filed in this proceeding as Exhibit B.
2. Dominguez Water Corporation may issue and sell \$1,000,000 in principal amount of its first mortgage bonds, at not less than the principal amount plus accrued interest, and may issue to Dominguez Estate Company not exceeding 21,162 shares of its new common stock, at \$25 a share, for the purposes set forth in this application. The accrued interest to be received from the sale of the bonds may be used for such purposes or for general corporate purposes.
3. Dominguez Water Corporation may issue 20,000 shares of its \$25 par value common stock in exchange for 5,000 shares of its \$100 par value common stock presently outstanding.
4. Dominguez Water Corporation shall file monthly reports with the Commission as required by General Order No. 24-A,

which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective when Dominguez Water Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California, this 28th day of September, 1954.

Peter E. Mitchell
President

Justus J. Cooney
Committee Member

Verne Juggins

Rayle W. Krenner
Commissioners

