

ORIGINAL

50754

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 :
 PACIFIC WATER CO., a California)
 corporation, to issue Class C prefer- : Application
 red shares, under the provisions of) No. 35902
 Section 818 of the Public Utilities :
 Code, to Morongo Highlands.)
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 :

OPINION AND ORDER

Pacific Water Co., applicant herein, is a California corporation engaged in the operation of public utility water systems in the counties of Los Angeles, Orange, Kern and San Bernardino. It has filed this application for authorization to issue, at par, \$3,900 par value of its Class C, 3% cumulative preferred stock for the purpose of financing the construction of facilities.

Applicant was organized on June 3, 1953, as a consolidation of Mountain Properties, Inc. and Desert Water Company. Its capital stock as authorized by its articles of incorporation and the amounts outstanding are reported as follows:

	<u>Authorized</u>		<u>Outstanding</u>
	<u>Shares</u>	<u>Amount</u>	
Preferred, cumulative -			
Class A, 6%, \$10 par	10,000	\$ 100,000	\$ 78,000
Class B, 5%, \$10 par	60,000	600,000	183,000
Class C, 3%, \$10 par	<u>30,000</u>	<u>300,000</u>	<u>96,260</u>
Total preferred	100,000	1,000,000	357,260
Common, \$1 par	<u>1,000,000</u>	<u>1,000,000</u>	<u>370,000</u>
Totals	<u>1,100,000</u>	<u>\$2,000,000</u>	<u>\$727,260</u>

The shares of Class B preferred stock are convertible at the option of the holders up to and including December 31, 1956, into shares of common on the basis of eight shares of common for

each Class B share. The holders of all three classes of preferred shares are entitled to ten votes for each share held.

In addition to issuing shares of stock, applicant has financed itself through the sale of \$760,000 of first mortgage $4\frac{1}{2}\%$ bonds. Its capital structure is indicated in the following tabulation:

Bonds	46%
Preferred stock	22
Common stock equity	<u>32</u>
Total	<u>100%</u>

It appears that applicant has established its preferred Class C shares of stock primarily for the purpose of paying for main extensions in territories adjoining its certificated areas. The use of such stock is of advantage to applicant in providing a quantity of low interest bearing capital and in creating a broader base in its capital structure for the support of its debt capital.

We have considered applicant's request to issue additional Class C shares and 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 said shares is reasonably required by applicant for the purpose set forth in this application, that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that applicant's request should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Water Co. may issue and sell 390 shares of its preferred Class C stock, on or before December 31, 1954, for the purpose set forth in this application.

2. Pacific Water Co. 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.

3. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 16th day of November, 1954.

Robert L. Mitchell
President

Justin F. Casper

Deane Roggens

Rayle W. Auer

Commissioners