

**ORIGINAL**

Decision No. 50795

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
	:	
of	)	
	:	Application
CALIFORNIA WATER & TELEPHONE COMPANY	)	No. 35949
	:	
to issue and sell \$3,000,000 face value	)	
of its First Mortgage Bonds, 3-3/8% Series,	:	
due 1979.	)	
-----	:	

O P I N I O N

California Water & Telephone Company, applicant herein, is a California corporation engaged in the public utility water business in portions of the counties of San Diego, Los Angeles and Monterey and in the public utility telephone business in portions of the counties of Riverside, San Bernardino and Los Angeles. In this application it seeks an order of the Commission authorizing it to execute a supplemental indenture and to issue and sell \$3,000,000 in principal amount of its First Mortgage Bonds, 3-3/8% Series due 1979. It has made, or is making, arrangements to dispose of such bonds by means of a private placement with John Hancock Mutual Life Insurance Company and Continental Assurance Company, for cash, at the principal amount of the bonds plus accrued interest.

In financing the cost of its properties, applicant has executed a trust indenture dated as of September 1, 1935, together with subsequent indentures supplemental thereto, and has issued and sold, pursuant to the terms thereof, first mortgage bonds in the aggregate amount of \$15,250,000, in series as follows:

<u>Series due June 1, 1971</u>		
3.60 % Series, issued on Sept. 2, 1941	\$5,850,000	
3-1/4% Series, issued on Aug. 31, 1943	900,000	
2-7/8% Series, issued on Feb. 2, 1947	500,000	
2-7/8% Series, issued on May 22, 1947	500,000	
3 % Series, issued on Nov. 28, 1947	1,000,000	
3-1/4% Series, issued on Aug. 16, 1948	<u>1,000,000</u>	\$ 9,750,000
<u>Series due March 1, 1979</u>		
3-1/4% Series, issued on Mar. 23, 1949	1,000,000	
3-1/8% Series, issued on June 23, 1949	500,000	
3.10 % Series, issued on Oct. 27, 1949	1,000,000	
3 % Series, issued on Nov. 1, 1950	1,000,000	
3-5/8% Series, issued on Aug. 7, 1951	1,000,000	
3-7/8% Series, issued on Apr. 10, 1952	<u>1,000,000</u>	<u>5,500,000</u>
Total		<u>\$15,250,000</u>

Applicant reports that it has need for additional funds and that it desires to execute a Fourteenth Supplemental Indenture creating a new series of bonds, to be known as First Mortgage Bonds, 3-3/8% Series due 1979, and to sell \$3,000,000 of bonds of this new series. According to the application, the proceeds will be used to pay expenses incident to the issue and sale of said bonds, estimated at \$17,500, and to reimburse applicant's treasury in part for moneys expended for construction, completion, extension or improvement of its facilities. Out of funds received upon such reimbursement applicant proposes to repay short-term bank loans, if any, and to carry on, in part, its 1955 program for the construction, completion, extension and improvement of its facilities. In this connection, it estimates cash requirements for 1955 construction in the amount of \$8,881,852, segregated as follows:

<u>Water Division -</u>	
Routine estimates	\$ 277,751
Land and buildings	46,014
Wells and pumping equipment	65,672
Tanks and reservoirs	37,888
Extensions, replacement and cement lining of transmission and distribution mains	535,557
Miscellaneous construction expenses and overhead	<u>66,400</u>
Total water division	<u>\$1,029,282</u>

Brt. fwd. Total water division	<u>\$1,029,282</u>
<u>Telephone Division -</u>	
Routine estimates	\$1,842,510
Land and buildings	353,820
Central office equipment	2,651,380
Special station apparatus, PABX and PBX	391,100
Outside plant construction	2,610,670
Furniture and office equipment	<u>3,090</u>
Total telephone division	<u>\$7,852,570</u>
Grand total	<u>\$8,881,852</u>

In addition to the first mortgage bonds, applicant has outstanding, as of August 31, 1954, \$2,850,000 of debentures, \$8,083,075 par value of preferred stock and \$11,820,637.50 par value of common stock. At the conclusion of the proposed financing its capital structure will consist of the following:

Bonds	<u>41%</u>
Debentures	7
Preferred stock	18
Common stock equity	<u>34</u>
Total	<u>100%</u>

In financial statements filed with the Commission applicant has reported operating revenues of \$9,508,074 during 1953 and of \$6,822,699 during the first eight months of 1954 with net income, before provisions for depreciation, of \$2,477,984 during the calendar year and of \$1,728,150 during the eight-months period of the present year. Depreciation charged to income amounted to \$857,735 in the first of these two periods and to \$659,220 during the second.

It is clear that applicant must look to external sources for funds to meet its construction requirements. From a review of the application we are of the opinion that we are warranted in authorizing applicant to issue and sell its bonds, at this time and under the terms indicated, for the purposes set forth in its application.

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 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. California Water & Telephone Company, on and after the effective date hereof and on or before March 31, 1955, may execute a supplemental indenture dated as of September 1, 1954, in, or substantially in, the same form as that attached to the application as Exhibit C, and may issue and sell \$3,000,000 in principal amount of its First Mortgage Bonds, 3-3/8% Series due 1979, for cash at not less than the principal amount plus accrued interest.

2. California Water & Telephone Company shall use the proceeds, exclusive of accrued interest, to be received by the issue and sale of said bonds for the purposes set forth in this application. The accrued interest may be used for said purposes or for general corporate purposes.

3. California Water & Telephone Company 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. Within six months after the issue and sale of said bonds, California Water & Telephone Company shall file with the Commission a statement showing in some detail the expenses incurred by it incident thereto and the account, or accounts, to which such expenses were charged.

5. The authority herein granted will become effective when California Water & Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2000.00.

Dated at San Francisco, California, this 30<sup>th</sup> day of November, 1954.

Arthur E. Mitchell  
President

Lawrence Pottel

Deane Higgins

Raymond Kessinger

Commissioners

