

ORIGINAL

Decision No. 50931

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	:	
Preferred shares, under the)	Application
provisions of Section 818 of the	:	No. 36543
Public Utilities Code, to)	
Southeastern Builders, a partner-	:	
ship.)	
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O P I N I O N

Pacific Water Co. has filed this application for authorization to issue \$6,700 par value of its Class C, 3% Cumulative Preferred Stock for the purpose of financing the construction of facilities.

Applicant is engaged in operating numerous water systems in portions of the counties of Los Angeles, Orange, Kern and San Bernardino. It now is proceeding with the extension of its lines in Tract No. 1936 in Orange County, being a part of the Russ Boorey Tract Water System, and it has made arrangements to issue the \$6,700 of Class C stock to Southeastern Builders, a partnership, to pay for the installation of 780 feet of 6-inch transite pipe, 1,320 feet of 4-inch transite pipe, 12 road crossings, services for 57 lots, and 5 fire hydrants.

A review of applicant's financial statements on file with the Commission shows that it has financed itself, in general, with first mortgage bonds, consumers' advances for construction, shares of preferred stock and equity capital. Its ratios as of October 31, 1954, including consumers' advances for construction and the proposed stock issue, are as follows:

Bonds -			
1st mortgage $4\frac{1}{2}$'s		\$ 755,000	37%
Consumers' advances		384,305	19
Preferred stock -			
Class A, 6%	\$ 78,000		
Class B, 5%	183,000		
Class C, 3%	<u>106,860</u>		
Total preferred		367,860	18
Common stock equity -			
Common stock	370,000		
Surplus	<u>167,679</u>		
Total common stock equity		<u>537,679</u>	<u>26</u>
	Totals	<u>\$2,044,844</u>	<u>100%</u>

The results of operations of applicant's water system for the calendar year 1953 and the first 10 months of 1954 are indicated in the following table:

	<u>1953</u>	<u>1954</u> <u>10 Mos.</u>
Operating revenue	\$278,562	\$289,067
Operating expenses	<u>250,501</u>	<u>235,387</u>
Operating income	28,061	53,680
Other income	<u>110</u>	<u>150</u>
Gross income	28,171	53,830
Interest and other deductions	<u>22,473</u>	<u>25,397</u>
Balance	<u>\$ 5,698</u>	<u>\$ 28,433</u>

The annual dividends on the preferred stock, including the stock to be issued, will amount to \$16,985.

It appears that the Class C series of preferred stock was created by applicant primarily for the purpose of paying for extension of its distributing facilities. The use of such stock clearly is of advantage to applicant in that it provides a quantity of low interest-bearing permanent capital, without the necessity for refund as in the case of consumers' advances for construction, and it assists in the creation of a broader base in the capital structure for the support of debt capital.

In our opinion applicant's request to issue additional Class C preferred stock should be granted.

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 shares of stock herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Pacific Water Co. may issue and sell not exceeding \$6,700 par value of its Class C, 3% Cumulative Preferred Stock on or before April 30, 1955, for the purposes set forth in this application.

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 upon the date hereof.

Dated at San Francisco, California, this 4th day of JANUARY, 1955.

John E. Mitchell
President

James J. C. Newell
Robert L. H. ...

Commissioners