

**ORIGINAL**

Decision No. 51628

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
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  ) :  
  ) :  
of ) :  
CALIFORNIA WATER & TELEPHONE COMPANY ) :  
  ) :  
to issue and sell stock. ) :  
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Application  
No. 37026

Tadini Bacigalupi, Jr., for applicant.

O P I N I O N

California Water & Telephone Company has filed this application for authorization to issue and sell 200,000 shares of its common stock of the par value of \$12.50 each and of the aggregate par value of \$2,500,000.

The application was filed on June 10, 1955. A public hearing was held before Examiner Coleman in San Francisco on June 20, 1955, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant is engaged in furnishing water service in the Counties of San Diego, Los Angeles and Monterey, and telephone service in the Counties of Riverside, San Bernardino and Los Angeles, its net investment in operative fixed capital, including construction work in progress, being reported at \$44,635,710 as of April 30 of this year. From time to time, as it has proceeded with the development of its plants, applicant has issued and sold mortgage bonds, debentures and shares of preferred and common stock to finance its requirements. Its capital structure as of the close of April of this year is indicated in the following tabulation:

First Mortgage bonds	\$18,250,000	41%
Debentures	2,850,000	6
Preferred stock	6,100,000	14
Convertible preferred stock	1,556,275	4
Common stock	\$12,162,050	
Premium on stock	1,230,431	
Corporate surplus	<u>2,201,704</u>	
Total common stock equity	<u>15,594,185</u>	<u>35</u>
Total	<u>\$44,350,460</u>	<u>100%</u>

According to the testimony taken at the hearing, applicant is in need of additional capital funds to meet the increasing demands in its service areas and has concluded that prevailing market conditions are conducive to the sale of common shares under favorable terms. It proposes, therefore, to undertake the sale of the 200,000 shares covered by this application by means of a negotiated arrangement to a syndicate headed by Blyth & Co., Inc. and it asks that the issue be exempted from competitive bidding. A witness called on behalf of applicant testified that its shares are not listed on any exchange, that they are relatively unknown outside the State, and that in his opinion the proposed issue, because of its size, would not be a suitable subject for competitive bidding in that it would not invite general underwriting interest. The witness further testified that it is of importance to applicant for its shares to be marketed as much as possible in its service areas, that presently 80% of outstanding shares of common stock is held in California, and that he felt such a local distribution could be maintained through a negotiated sale to underwriters who have placed its earlier issues and who are familiar with its operations.

Applicant has been paying annual dividends on its outstanding shares of common stock at the rate of 8% per annum. Such shares have a book value of approximately \$17 and tentatively it is proposed that the new block of shares will be sold to underwriters

at not less than \$17.50 a share and reoffered to the public at a spread of 85 cents.

Under these arrangements, applicant will receive approximately \$3,500,000 through the sale of its shares. It proposes to use approximately \$17,500 of the proceeds to pay expenses in connection with the issue and sale and to use the remaining proceeds to reimburse its treasury, in part, for moneys expended for the construction, completion, extension or improvements of its facilities, which were not obtained from the sale of securities, and upon thus replenishing its treasury to use the moneys to pay short-term bank loans and to provide for a part of its capital costs. In this connection, it reports its cash requirements for new construction for the year 1955 in the total amount of \$7,300,108, of which approximately \$2,000,000 was provided through the sale of securities in the latter part of 1954, and approximately \$1,500,000 will be generated internally, leaving the remainder to be met with common stock proceeds.

We have reviewed the record in this matter. It appears to us that if applicant has the opportunity to obtain common stock funds at this time under favorable terms, it should do so and thereby reserve its borrowing capacity for some future time when equity capital may not be readily available. On the basis of the information now before us we are of the opinion that an order is warranted exempting the proposed issue from competitive bidding and authorizing the sale under the terms set forth in the application.

#### O R D E R

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion 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 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. The issue by California Water & Telephone Company of 200,000 shares of its common stock of the par value of \$12.50 each hereby is exempted from the requirements of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended.
2. California Water & Telephone Company, on and after the effective date hereof and on or before December 31, 1955, may issue and sell said 200,000 shares of common stock at not less than \$17.50 a share.
3. California Water & Telephone Company shall use the proceeds to be received through the issue and sale of said shares of common stock for the purpose of paying expenses incident to the issue thereof, of reimbursing its treasury, of paying short-term bank loans and of financing, in part, its construction expenditures.
4. Within 60 days after the issue and sale of said shares of common stock, applicant shall file with the Commission three copies of its prospectus and a report showing the amount of stock sold, the price at which sold, and the names of those to whom sold.
5. Within six months after the issue and sale of said shares of stock, applicant shall file with the Commission a statement showing in some detail the expenses incurred by it in connection

with such issue and sale and the account, or accounts, to which such expenses were charged, together with a statement showing the purposes for which the proceeds were used.

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

Dated at San Francisco, California, this 5<sup>th</sup> day of July, 1955.

Justin J. Calmes  
President

Robert L. [unclear]

[unclear]

[unclear]

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.