

ORIGINAL

Decision No. 52011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of CATHEDRAL CITY WATER COMPANY,)	Application
For a Permit Authorizing it to)	No. 37267
Issue and Sell its Securities.)	
-----)	

O P I N I O N

In this application Cathedral City Water Company seeks authorization to issue and sell 150 shares (\$15,000 par value) of its common stock, at par, for the purpose of paying indebtedness and of financing the cost of improvements.

Applicant is a California corporation organized in 1926 for the purpose of furnishing water service in and about Cathedral City, in Riverside County. It reports that it has an authorized capital stock of 500 shares, all common, of the par value of \$100 each, and that presently it has issued and outstanding 200 shares, which are held by the following:

P. H. Wedel	75 shares
R. H. Sherrill	75 "
M. Wedel	25 "
L. Sherrill	<u>25</u> "
Total	<u>200</u> shares

It appears that for a number of years applicant's activities produced operating losses resulting in an accumulated deficit. However, during recent years the trend was reversed, coincident with an increase in investment and in operations, and profits were developed as shown in the following summary statement prepared from applicant's filed financial reports:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Fixed Capital</u>	<u>Service Connections</u>
1950	\$15,689	\$(828)	\$ 67,077	345
1951	19,098	1,775	73,304	403
1952	18,687	114	80,358	463
1953	22,792	442	97,759	520
1954	25,397	1,242	101,129	577
1955*	13,397	2,133	110,795	590

* To June 30.

A statement showing applicant's assets and liabilities as of June 30, 1955, is as follows:

Assets

Fixed capital -		
Utility plant	\$110,795	
Less: depreciation reserve	<u>41,140</u>	
Net fixed capital		\$69,655
Current assets -		
Cash	2,037	
Accounts receivable	<u>7,705</u>	
Total current assets		<u>9,742</u>
	Total	<u>\$79,397</u>

Liabilities and Capital

Long-term debt		\$11,152
Current liabilities		10,311
Advances for construction		42,482
Common stock equity -		
Common stock	\$ 20,000	
Deficit--Jan. 1, 1955	(6,681)	
Profits to June 30, 1955	<u>2,133</u>	
Total common stock equity		<u>15,452</u>
	Total	<u>\$79,397</u>

The outstanding liabilities include \$8,449.39 advanced by applicant's shareholders.

Applicant now reports that it has need for funds to liquidate its outstanding indebtedness and to finance in part the cost, estimated at \$10,000, of a new steel reservoir having a capacity of 150,000 gallons and additional six-inch mains. It proposes to

meet its requirements in part through the issue of the \$15,000 of stock covered by this application to its shareholders.

The issue of stock, as proposed, will improve applicant's financial position by discharging a portion of its outstanding current obligations and by establishing a broader base of equity capital in its structure. Upon reviewing the matter we are of the opinion that applicant's request should be granted and 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, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

An order will be entered in the proceeding.

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 and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Cathedral City Water Company may issue and sell not exceeding 150 shares of its common stock, at not less than par for cash, on or before February 29, 1956, and use the proceeds for the purposes set forth in this application.

2. Cathedral City Water 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.

3. The authority herein granted will become effective 20 days after the date hereof.

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

John E. Felt
President

Justin F. Calmes

John W. Lutz

William J. ...

Paul Hardy

Commissioners