

ORIGINALDecision No. 52541

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of
CALIFORNIA WATER & TELEPHONE COMPANY,
to issue and sell common stock and
preferred stock.

Application
No. 37653

O P I N I O N

California Water & Telephone Company has filed this application for authorization to issue and sell 150,000 shares of common stock of the par value of \$12.50 each and 80,000 shares of Cumulative Preferred Stock, \$1.24 Dividend Series, of the par value of \$25 each.

Applicant is a California corporation organized on or about November 27, 1926. Its presently authorized shares of stock and the total par value thereof, together with the total par value outstanding on November 30, 1955, are shown in the following tabulation:

	<u>Authorized</u>		<u>Amount</u>
	<u>Shares</u>	<u>Amount</u>	<u>Outstanding</u>
Preferred (\$25 par)			
\$1.20 dividend series	125,000	\$ 3,125,000	\$ 2,675,000
1.00 dividend series	50,000	1,250,000	550,000
1.25 dividend series	35,000	875,000	875,000
1.32 dividend series	120,000	3,000,000	1,148,300
1.20 dividend series	80,000	2,000,000	2,000,000
Unclassified	190,000	4,750,000	-
Total preferred	<u>600,000</u>	<u>\$15,000,000</u>	<u>\$ 7,248,800</u>
Common (\$12.50 par)	<u>2,000,000</u>	<u>25,000,000</u>	<u>14,988,112</u>
Total	<u>2,600,000</u>	<u>\$40,000,000</u>	<u>\$22,236,912</u>

For a number of years dividends have been paid on the outstanding common shares at the rate of 8% of the par value. On the basis of the company's November 30, 1955 balance sheet, the book value per share is approximately \$17.10.

Applicant now proposes to create a new series of preferred stock to be known as Cumulative Preferred Stock, \$1.24 Dividend Series, and to sell 80,000 shares of such new preferred stock, and, also, to sell 150,000 shares of common stock for cash. Subject to receiving authorization from this Commission, it intends to dispose of the preferred shares to institutional investors at private sale at a price of \$25.20 a share and to sell the common shares to an underwriting syndicate, to be formed by Blyth & Co., Inc., at not less than \$17.50 a share. It proposes, and seeks authorization, to use the proceeds from both classes of stock, estimated at \$4,641,000, for the following purposes:

- | | |
|---|-----------------------|
| (a) To pay expenses in connection with the issuance and sale of said stock (estimated) | \$ 22,500.00 |
| (b) To reimburse the applicant's treasury for moneys expended for construction, completion or improvement of its facilities, and not obtained from the sale of evidences of ownership or indebtedness | 4,618,500.00 |
| | <u>\$4,641,000.00</u> |

In presenting this application to the Commission, applicant has filed a financial statement showing, among other things, its balance sheet as of November 30, 1955, its income account for the year ended November 30, 1955, and its expenditures for fixed capital. Its financial position, as reflected by its balance sheet, is summarized in the following tabulation:

Assets

Fixed capital, less reserves		\$46,527,822
Construction work in progress		1,819,814
Miscellaneous investment		125,428
Current assets -		
Cash & deposits	\$ 2,725,851	
Notes & accounts receivable	1,575,670	
Materials & supplies	1,600,536	
Prepaid expenses	<u>283,192</u>	
Total current assets		6,185,249
Deferred debits		<u>221,109</u>
	Total	<u>\$54,879,422</u>

Liabilities & Capital

Long-term debt		\$21,045,450
Current liabilities		4,259,975
Advances & donations		1,801,977
Miscellaneous reserves		37,892
Preferred stock		7,248,800
Common stock equity -		
Common stock	\$14,988,112	
Premium on stock	2,391,822	
Surplus	<u>3,105,394</u>	
Total common stock equity		<u>20,485,328</u>
	Total	<u>\$54,879,422</u>

The foregoing balance sheet indicates that applicant's recorded investments in its assets have been financed primarily through the issue of long-term debt and shares of preferred and common stock and the use of retained earnings. Its capital ratios as of November 30, 1955, and as adjusted to give effect to the proposed financing, are as follows:

	<u>November 30, 1955</u>	<u>As Adjusted</u>
Long-term debt	43%	40%
Preferred stock	15	17
Common stock equity	<u>42</u>	<u>43</u>
Total	<u>100%</u>	<u>100%</u>

A review has been made of the application and of the exhibits presented in support of it, and of earlier proceedings

involving this company. It appears, upon analysis, that applicant's net additions to fixed capital during the period from August 1, 1935, to November 30, 1955, amounted to \$42,640,590 and that \$35,902,230 of this amount has been paid or provided through the issue of securities, leaving a balance of \$6,738,360 which has not been capitalized and for which applicant now seeks reimbursement in part through the issue of permanent securities. Although applicant predicates its request to issue securities on expenditures made prior to November 30, 1955, it has submitted a statement showing its estimated construction expenditures during 1956 in the amount of \$13,200,000.

It is apparent that applicant is entitled to issue securities to reimburse its treasury because of funds expended from income for permanent fixed capital, and that it will have need for the proceeds from the sale of such securities, upon replenishing its treasury, to finance, in part, its construction activities. Upon the basis of the information now before us we will enter our order approving its application. The approval herein indicated is for the issuance of certain securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 of the 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. California Water & Telephone Company may issue and sell 150,000 shares of its common stock at not less than \$17.50 a share and 80,000 shares of its Cumulative Preferred Stock, \$1.24 Dividend Series, at not less than \$25.20 a share, on or before June 30, 1956, and use the proceeds 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. This order will become effective upon the date hereof.

Dated at Los Angeles, California, this 31st day of January, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

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Commissioners