

ORIGINALDecision No. 53323

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of DOMINGUEZ WATER CORPORATION	:	Application
for an order authorizing it to issue)	No. 38117
its bonds and to mortgage its prop-	:	
erties, and to issue its preferred stock.)	:	
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O P I N I O N

In this application, Dominguez Water Corporation requests that the Commission issue an order authorizing it to execute a First Supplemental Trust Indenture, to issue and sell \$500,000 in principal amount of its First Mortgage Series B 4% Bonds of 1976 and to issue 23,764 shares of its \$25 par value 5% Preferred Stock of the aggregate par value of \$594,100.

Applicant, a California corporation, was organized in 1937 and commenced operations in 1939 as the successor to Dominguez Water Company. It currently is engaged in the business of producing, distributing and supplying water in an area of approximately 26 square miles in unincorporated territory in Los Angeles County lying due south of the City of Los Angeles, north of the City of Wilmington, east of the City of Redondo Beach and west of the Los Angeles River. It has experienced a substantial growth as indicated by the following tabulation which sets forth certain data taken from the annual reports it has filed with the Commission.

	<u>Operating</u> <u>Revenue</u>	<u>Gross</u> <u>Income</u>	<u>Net</u> <u>Income</u>	<u>Net Plant</u> <u>Dec. 31</u>	<u>Active Service</u> <u>Connections</u>
1939	\$106,452	\$ (41,810)	\$ (43,504)	\$ 386,429	1,490
1945	228,844	13,152	9,898	491,381	2,952
1953	547,155	107,878	75,198	2,134,626	8,334
1954	611,871	101,738	55,170	2,710,727	9,767
1955	810,006	186,178	124,539	3,891,869	12,399

In Exhibit A attached to the application the net investment in property, plant and equipment is reported to have increased to \$4,229,450 as of April 30, 1956. A summary statement of applicant's assets and liabilities as reflected by its balance sheet of that date is as follows:

Assets

Property, plant and equipment, less reserves		\$4,229,450
Intangible capital		62,452
Current assets -		
Cash	\$106,937	
Accounts receivable	100,279	
Material and supplies	<u>115,125</u>	322,341
Prepaid expenses and deferred charges		<u>57,838</u>
Total assets		<u>\$4,672,081</u>

Liabilities

Current liabilities		\$ 187,847
Due Dominguez Estate Company		883,095
Consumers' advances for construction		1,170,499
Donations in aid of construction		138,169
First mortgage bonds		1,000,000
Capital -		
Common stock	\$1,029,050	
Capital surplus	6,206	
Earned surplus	<u>257,215</u>	<u>1,292,471</u>
Total liabilities		<u>\$4,672,081</u>

Applicant originally financed its investment in utility properties through the issue of \$500,000 par value of its common stock to Dominguez Estate Company, which company was and currently is applicant's sole stockholder. From 1939 to 1954 applicant financed its construction program primarily through the use of funds borrowed from Dominguez Estate Company. In 1954, under authority granted by Decision No. 50582, dated September 21, 1954, in Application No. 35796, applicant refinanced its then existing balance of \$1,379,060.80 due Dominguez Estate Company and reimbursed its treasury through the use of proceeds from the issue and sale of \$1,000,000 of first mortgage bonds to Pacific Mutual Life Insurance

Company and through the issue of 21,162 shares of its common stock of the aggregate par value of \$529,050 to Dominguez Estate Company.

Reviewing the April 30, 1956, balance sheet it is noted that applicant has continued to finance itself primarily with moneys advanced by Dominguez Estate Company and that as of the date of the balance sheet there was an open account balance of \$883,095 due Dominguez Estate Company, which balance had increased to \$1,094,119.04 as of the date the application was filed. Applicant now proposes to liquidate the \$1,094,119.04 indebtedness to its parent company and it seeks the funds for this purpose through the issue and sale of \$500,000 of bonds and the issue of 23,764 shares of its preferred stock. It has made arrangements to sell the bonds to Pacific Mutual Life Insurance Company and to deliver the 23,764 shares of preferred stock to Dominguez Estate Company.

The capital structure of applicant after giving effect to the proposed issues will be as follows:

Bonds	38.2%
Preferred stock	17.5
Common stock equity	<u>44.3</u>
Total	<u>100.0%</u>

The cost to applicant of servicing its outstanding securities including those it proposes to issue will be, on an annual basis, \$57,500 for interest and \$29,705 for dividends on preferred stock. Its reported gross income for 1954 of \$101,738 and for 1955 of \$186,178 indicates that it will have the financial resources to meet the requirements which the proposed issues of securities will place upon it.

From a review of the application we are of the opinion that an order should be entered granting applicant's requests.

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

IT IS HEREBY ORDERED as follows:

1. Dominguez Water Corporation may execute a First Supplemental Trust Indenture on or before December 31, 1956, in, or substantially in, the same form as that filed in this proceeding as Exhibit B.
2. Dominguez Water Corporation, on or before December 31, 1956, may issue and sell \$500,000 in principal amount of its First Mortgage Series B 4% Bonds of 1976 at not less than the principal amount plus accrued interest, and may issue to Dominguez Estate Company not exceeding 23,764 shares of its 5% Preferred Stock, at \$25 per share, for the purpose set forth in this application. The accrued interest to be received from the sale of the bonds may be used for general corporate purposes.
3. Dominguez Water Corporation shall file monthly reports with the Commission as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Dominguez Water Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$500.

Dated at San Francisco, California, this 10th day of July, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]

Commissioners

