

**ORIGINAL**Decision No. 55955

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of  
 WASHINGTON WATER AND LIGHT COMPANY  
 for an order authorizing it to issue  
 and sell 1,300 shares of its common  
 stock at Par Value \$10.00 per share

Application No. 39027

O P I N I O N

In this application Washington Water and Light Company, a corporation, seeks authorization to issue shares of its common stock in exchange for amounts advanced to it for construction purposes.

Applicant is engaged in distributing water in Yolo County. Its balance sheet, as of December 31, 1956, shows its recorded net investment in plant at \$606,928 and in other assets, including net current assets, at \$24,324, a total of \$631,252, and its capital structure, representing its sources of funds, as follows:

Mortgage indebtedness	\$216,500	
Advances for construction	<u>214,088</u>	
Total indebtedness	\$430,588	68%
Preferred stock	105,000	17%
Common stock equity	<u>95,664</u>	<u>15%</u>
Total	<u>\$631,252</u>	<u>100%</u>

In 1955, the Commission authorized applicant to execute a loan agreement with Pacific Mutual Life Insurance Company and to issue \$295,000 of promissory notes to refinance existing

indebtedness and to provide the cost of additions and betterments. (Decision No. 51501, dated May 31, 1955, in Application No. 36892) The insurance company recognized that applicant's capital structure was unbalanced because of the large proportion of borrowed money, including construction advances, and it specifically required in the loan agreement that applicant should enter into an agreement with Turner & Williams, a partnership, Westgate Investment Co., Inc., and River Oaks Properties, a corporation, which had been engaged in the construction of applicant's system, whereby such organizations would accept additional common shares in full satisfaction of the construction advances aggregating approximately \$130,000. It was provided that at least \$13,000 of such stock would be issued annually until the indebtedness is extinguished.

In giving its approval to applicant's borrowing, the Commission took cognizance of this requirement of the insurance company and in its order provided as follows:

"Washington Water and Light Company may execute an agreement with Turner & Williams, a partnership, Westgate Investment Co., Inc., and River Oaks Properties relating to the cancellation of construction advances in exchange for common stock and may issue at this time not exceeding \$13,000 par value of common stock in cancellation and extinguishment of advances."

Heretofore the Commission during 1955 and 1956 authorized the company to issue \$26,000 of common stock in exchange, at dollar for dollar, for advances for construction. At this time, applicant seeks further authorization to issue an additional block of \$13,000 of stock to take care of the 1957 refinancing and, in

addition, to issue \$13,000 par value of common stock each year on July 1 for the next seven years in accordance with the requirements of the loan agreement which has been approved by the Commission. The total authorization thus requested amounts to an aggregate of 10,400 shares of stock of the aggregate par value of \$104,000.

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

IT IS HEREBY ORDERED as follows:

1. Washington Water and Light Company may issue in the aggregate not to exceed \$104,000 par value of its common stock in annual installments of \$13,000 each in payment, at dollar for dollar, of advances for construction.
2. The authorization herein granted is for the issue of stock 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.

3. Washington Water and Light Company 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.

4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 4<sup>th</sup> day of JUNE, 1957.

*W. E. Mitchell* President  
*Donald L. ...*  
*...*  
*R. ...*  
*E. Lynn Fox* Commissioners