

ORIGINAL

Decision No. 55819

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.

Application No. 39430

Bacigalupi, Elkus & Salinger,  
by Charles de Y. Elkus and  
Alvin Pelavin, for Applicant

O P I N I O N

California Water & Telephone Company has filed this application for authorization to issue and sell 250,000 shares of its common stock of the par value of \$12.50 each and of the aggregate par value of \$3,125,000.

The application was filed on September 26, 1957. A public hearing was held before Examiner Coleman in San Francisco on November 5, 1957, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The company proposes to sell its shares of common stock by means of a negotiated underwriting at a price of not less than \$17.50 each. It asserts, and produced testimony in support of its position, that under present conditions and those likely to exist in the foreseeable future, better results would be obtained by a sale under the terms as proposed than if the shares of stock were to be offered at competitive bidding, in that, among other things, there is more

certainty of consummation of the transaction under satisfactory terms, there is greater flexibility in timing the transaction with prevailing conditions, that the necessary market preparation and stabilization can be accomplished and that better distribution in the service area can be effected.

The company seeks to sell shares of common stock at this time, rather than some other form of security, in order to improve its capital ratios by establishing a larger base of permanent equity capital to support future debt financing which will become necessary as it proceeds with its construction activities. Its ratios, as of August 31, 1957, and as adjusted to give effect to the proposed financing, are as follows:

	<u>August 31, 1957</u>	<u>As Adjusted</u>
Bonds	37%	31%
Debentures	11	11
Subtotal	48	45
Preferred stock	13	12
Common stock equity	<u>39</u>	<u>43</u>
Total	<u>100%</u>	<u>100%</u>

Upon selling its shares of common stock, applicant proposes to use the proceeds, after paying expenses incident to the issue estimated at \$20,862, to reimburse its treasury for moneys expended for construction, completion, extension and improvement of its facilities which were not obtained from the sale of evidences of ownership and indebtedness and to use the funds so received, upon such reimbursement of its treasury, in part, to repay short-term bank loans. It reports expenditures of \$8,227,700 prior to July 31, 1957, which had been financed with treasury cash, and outstanding short-term bank loans as

of October 31, 1957, of \$2,050,000, with additional borrowings contemplated of about \$1,000,000 by the time the stock proceeds become available. It appears that the total capital expenditures during 1957 will aggregate \$13,980,000 and during 1958 from twelve to thirteen million dollars. Applicant's balance sheet, as of July 31, 1957, shows current assets of \$6,029,828 and current liabilities of \$5,165,028, exclusive of consumers' advances for construction.

Upon a review of the record, it is clear that applicant will have need for external funds to replenish its treasury and that an order is warranted authorizing it to proceed with the sale of the shares of common stock exempt from competitive bidding. In our opinion, the money, property or labor to be procured or paid for by the issue of the shares of common stock herein authorized is reasonably required for the purposes specified herein and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue and sale of the shares of common stock 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

A public hearing having been held on the above-entitled matter and the Commission having considered the matter and being of the opinion that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:



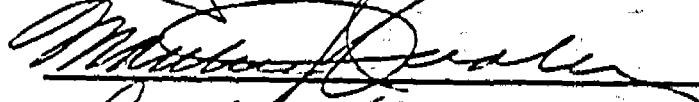

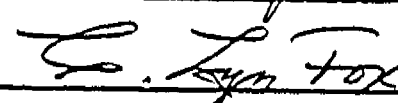
1. The issue and sale by California Water & Telephone Company of 250,000 shares of its common stock hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended.

2. California Water & Telephone Company, on and after the effective date hereof and on or before April 30, 1958, may issue and sell not to exceed 250,000 shares of its common stock at not less than \$17.50 a share and use the proceeds for the purposes set forth in this application.

3. California Water & Telephone 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 12<sup>th</sup> day of November, 1957.

  
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President  
  
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Commissioners