

Decision No. 57223

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of SANTIAGO WATER COMPANY, a California corporation, for Authority to issue and sell 1,784 shares of its Series "B" Preferred Stock for cancellation of Applicant's promissory note; and for Authority to convert all of its outstanding capital stock into an equal number of shares of Common Stock; and for Authority to issue 550 shares of Preferred "B" and 400 shares of Preferred "C" Series for cash.

(Amended Title)

Application No. 40301
and Amendment

OPINION AND ORDER

In this application, as amended, the Commission is asked to enter an order authorizing Santiago Water Company to issue stock as follows:

| | |
|--|------------|
| Series "B" 5% cumulative convertible preferred | - \$58,350 |
| Series "C" 5-1/2% cumulative preferred | - 10,000 |
| Common stock | - 53,000 |

Applicant is a California corporation which was organized on January 28, 1955 for the purpose of engaging in business as a public utility water corporation in Orange County. Originally, its authorized capital stock consisted of one class only, but recently applicant has amended its Articles of Incorporation so as to provide for an authorized stock issue of 25,000 shares of the aggregate par value of \$1,000,000, divided into preferred shares, of several series, and common shares. The authorized and presently outstanding stocks are as follows:

| | <u>Authorized</u> | <u>Outstanding</u> |
|------------------------------|--------------------|--------------------|
| Preferred stock (\$25 par) - | | |
| Series A, 3% cumulative | \$ 200,000 | - |
| Series B, 5% cumulative | 100,000 | - |
| Series C, 5-1/2% cumulative | <u>200,000</u> | - |
| Total preferred | 500,000 | - |
| Common stock (\$100 par) | <u>500,000</u> | <u>\$53,000</u> |
| Total | <u>\$1,000,000</u> | <u>\$53,000</u> |

The Series "A" preferred shares are redeemable at \$25 a share; the Series "B" preferred shares at \$26 a share; and the Series "C" shares at \$26.50 a share, plus unpaid and accumulative dividends. The Series "B" preferred shares are convertible at the option of the holders into fully paid and non-assessable common shares on an initial basis of four preferred shares for one common share.

Applicant now seeks authorization to sell \$44,600 par value of its Series "B" preferred shares to M. E. Jones in satisfaction of an outstanding note of like amount representing borrowings made to finance, in part, the improvements which were ordered by the Commission by Decision No. 53432, dated July 16, 1956, as amended. In addition, it proposes to sell \$13,750 par value of its Series "B" preferred stock and \$10,000 par value of its Series "C" preferred stock for the purpose of financing plant additions and of providing working capital, as follows:

| | |
|--|-----------------|
| Purchase well site | \$ 4,000 |
| Drill and case a 14" well, approx. 500 ft. | 7,500 |
| Pumping equipment and tank | 6,000 |
| Operating capital | <u>6,250</u> |
| Total | <u>\$23,750</u> |

Because of the changes in the authorized stock, applicant proposes to reissue the common shares now outstanding of the aggregate par value of \$53,000.

The Commission has given consideration to this application and is of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stocks herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. Santiago Water Company, on and after the effective date hereof and on or before August 31, 1959, may issue not exceeding \$44,600 par value of its Series "B" 5% cumulative convertible preferred stock in exchange for an outstanding promissory note of like amount and may issue and sell, for cash, at par, not exceeding \$13,750 par value of its Series "B" 5% cumulative convertible preferred stock and \$10,000 par value of its Series "C" 5-1/2% cumulative preferred stock for the purpose of financing the cost of additions to its plant and of providing working capital.

2. Santiago Water Company, on and after the effective date hereof and on or before August 31, 1959, may issue not exceeding \$53,000 par value of its common stock in exchange for common stock of like amount now outstanding.

3. Santiago Water Company, from time to time, may issue such number of its shares of common stock as may be required upon conversion of its Series "B" 5% cumulative convertible preferred stock.

4. The authorization herein granted is for the issue of stocks 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.

5. Santiago Water 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.

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

Dated at San Francisco, California, this 26th day of August, 1958.

E. J. Fox
President
Robert E. Mitchell
William D. ...
Herbert J. ...
Commissioners