

ORIGINAL

Decision No. 58036

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

PALOS VERDES WATER COMPANY,
a California corporation,

for permission to issue common
stock in exchange for outstanding
notes

Application No. 40789

OPINION AND ORDER

This is an application for an order of the Commission authorizing Palos Verdes Water Company to issue 6,000 shares of its common (or Class B) stock of the aggregate par value of \$120,000 in satisfaction of outstanding indebtedness.

Applicant is a California corporation which is engaged in operating a water system in the Palos Verdes Hills in the County of Los Angeles, including the Cities of Palo Verdes Estates, Rolling Hills and Rolling Hills Estates, as well as a part of the unincorporated area of the county. The company's financial statement as of December 31, 1958, indicates that it has invested \$4,813,835 in its utility plant, after deducting the accumulated depreciation reserve, and that it has financed itself through the issue of first mortgage bonds, short-term notes and shares of 3% and 5-1/2% preferred stock and through the use of proprietary capital represented by common stock and retained earnings. Its capital ratios are indicated in the following tabulation:

Debt -		
Bonds - 4 $\frac{1}{2}$'s due, 1975	\$1,500,000	31%
Notes payable	336,970	7
Advances for construction	<u>1,513,928</u>	<u>31</u>
Total debt	3,350,898	69
Preferred stock	634,260	13
Net worth -		
Common (or Class B) stock	823,860	
Less - capital stock expense	(23,819)	
- unamortized expense	(27,841)	
Surplus	<u>47,449</u>	
Total net worth	<u>829,649</u>	<u>18</u>
Total	<u>\$4,814,807</u>	<u>100%</u>

All the outstanding common (or Class B) stock is reported held by Great Lakes Carbon Corporation and Capital Company, which corporations have advanced applicant certain sums represented by short-term notes. The present application shows that \$120,000 face value of such notes, bearing interest at the rate of 5% per annum, now are past due and that the holders are willing to accept shares of common (or Class B) stock in satisfaction of the indebtedness at dollar for dollar.

The Commission has reviewed this application and is 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 for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. Palos Verdes Water Company, on and after the effective date hereof and on or before October 31, 1959, may issue not to exceed \$120,000 par value of its common (or Class B) stock for the purpose of discharging indebtedness of like amount.

2. The authorization herein granted is for the issue of the 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. Palos Verdes 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.

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

Dated at San Francisco, California, this 24th day of February, 1959.

E. Lynn Fox
President
Robert G. ...
William ...
Theodore ...
Comptroller ...
Commissioners