

60005

Decision No. _____

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DEL ESTE WATER COMPANY, a corporation,)
 for an order authorizing it to issue)
 an additional amount of its capital)
 stock.)

Application No. 41133
 (Amended)

O P I N I O N

Del Este Water Company, by this application, as amended, requests authority to issue and sell 53 shares of its common stock, of the par value of \$25 per share, to Beard Land & Investment Company, in consideration of the cancellation of the former's accrued refund obligations to the latter as of September 30, 1959, amounting to \$7,741.17, pursuant to certain subdivision agreements described in the original application herein, filed on May 12, 1959, as follows:

<u>Date of Subdivision Agreement</u>	<u>Name of Subdivision</u>	<u>Amount of Advance</u>
May 20, 1954	Highway Village	\$ 9,575.71
May 20, 1954	Sunnyview Tract	11,587.04
May 20, 1954	River View Tract	2,543.38
October 12, 1956	La Gallina Tract	<u>1,438.43</u>
	Total - - -	\$25,144.56

There were installed pursuant to the foregoing agreements certain water facilities, the actual and reasonable cost of which is alleged to be \$25,144.56. Notwithstanding that the water company became obligated from time to time to make cash refunds as required by the terms of the contracts, the land company agreed to refrain from insisting on collection of such refunds until such time as the

water company might be in an improved cash position and able to make the payments without undue detriment to its other cash needs. As of September 30, 1959, the utility had become obligated to make cash refunds under the agreements in an amount aggregating \$7,741.17 and that sum is accrued and unpaid.

By letter agreement, dated January 11, 1960, the land company agreed with the utility to accept, as full payment and extinguishment of the utility's refund obligation in the amount of \$7,741.17, shares of the utility's common stock, the book value of which should be approximately equal to the amount of said accrued refund obligation. On September 30, 1959, the book value of the utility's common stock is alleged to have been \$145.78 per share. The approximate share equivalent of the accrued refund obligation, as of September 30, 1959, accordingly, would amount to 53 shares of common stock of the par value of \$25 per share, or an aggregate par value of \$1,325.

Upon acceptance of the offer contained in the letter of January 11, 1960, a previous letter agreement between the same parties, dated May 6, 1959, would be terminated. The former arrangement (set forth in the original application herein) had provided for issuance by the utility of 182 shares of its \$25 par value common stock, of the then book value of \$138.49 per share, in extinguishment of accrued refunds as of December 31, 1958, aggregating \$4,742.77 and of future maximum possible refunds due under the contracts to the extent of \$20,401.79, making a total of \$25,144.56, the aggregate amount of the advances.

As of September 30, 1959, the utility's financial data submitted with the application show net investment in utility plant at \$1,304,286, with fixed liabilities, including \$190,604 of sub-dividers' advances, amounting to \$610,604 and net worth at \$673,637.

Current assets are reported at \$97,142 and current liabilities at \$123,537. Net income, after taxes, for the period January 1 to September 30, 1959, is shown as \$42,232, an increase of \$13,605 over the same period in the preceding year.

The transaction for which authority is here requested appears to be reasonable in light of the circumstances disclosed by the application and its amendment.

The requested authority should and will be granted. Such approval is not to be taken as a precedent for conversion of unaccrued main extension refund obligations. A public hearing is not deemed necessary.

O R D E R

The application herein, as amended, having been considered, and the Commission now being fully advised,

IT IS ORDERED that:

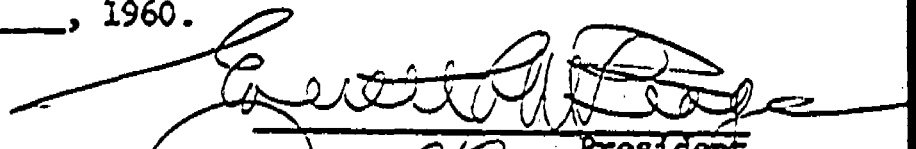
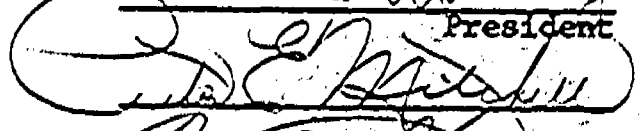

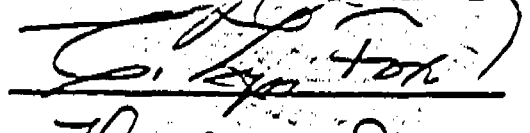

1. Del Este Water Company, after the effective date hereof and on or before July 1, 1960, may issue and sell not to exceed 53 shares of its common stock, of a par value of \$25 per share, for the purposes hereinabove specified, the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue and sale of said stock 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.

2. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authorization herein granted is for the issuance of certain securities 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.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 26th day of April, 1960.


President




Commissioners