

Decision No. 60704**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC WATER CO., a California)
 Corporation, under the provisions)
 of Section 818 of the Public Utilities)
 Code, for authority to issue Preferred)
 Stock in exchange for unpaid advances)
 for construction now on its books.)

Application No. 42025
 (Amended)

O P I N I O N

Pacific Water Co., by this application filed March 9, 1960, as amended July 12, 1960, requests authority to issue up to 28,574 shares of its Class C 3 percent preferred stock, of the par value of \$10 per share, in exchange, dollar-for-dollar, for unrefunded amounts of advances in aid of construction owed to subdividers under main extension contracts executed pursuant to the percentage of revenue method of the company's present rule and to various provisions of its former main extension rules. The unrefunded balances, as of December 31, 1959, amounted to \$285,585.93 for contracts executed under the present rule and \$12,246.77 for contracts concluded during 1950-1953.

Applicant, which operates 23 water systems in four southern California counties, alleges that rapid expansion in most of its service areas, financed largely by subdividers' advances subject to refund under its Rule 15, together with the necessity of providing backup facilities and other items as required by certain Commission decisions, have had an increasingly adverse effect on its ability to provide the internal resources and outside financing necessary to meet such obligations. The sought authorization, applicant asserts, will (a) eliminate the drain on current assets for refund obligations (26.85 percent of 1958 net operating revenues); (b) create equity

capital to maintain the balance between long-term debt and preferred and common stock; (c) give the company additional bonding capacity to the extent of the value of the assets for which preferred stock is issued in cancellation of refund obligations; (d) make available additional capital to provide backup facilities and for improvement and replacement of plant and improvement of service as required by Commission orders.

Attached to the original application is a contract (Exhibit D) between applicant and J. Ray Construction Company, Inc., dated June 2, 1959, providing for transfer to applicant of a distribution system constructed by the construction company in Tract No. 2951, Garden Grove, Orange County, within one of applicant's certificated service areas, in exchange for 1,210 shares of applicant's Class C 3 percent preferred stock, representing the installed cost of said distribution system, less depreciation, amounting to \$12,000.

Possibly through inadvertence, applicant made no mention of this agreement in its original application, but it did set forth the circumstances in its amendment, filed July 12, 1960, in which it requested authorization for the transaction, which does not involve a refund agreement.

The requested authorization is an attempt to deviate from paragraph A-12 of the utility's filed main extension rule which provides that revenue refund contracts may be terminated on the basis of the present worth of such contracts. The effect of such authorization would be the immediate inclusion in applicant's rate base of the full amount of future refund payments not yet due. Therefore, the request will not be approved. Similarly, the request to convert balances not yet due under the company's pre-1954 extension rules will be denied.^{1/} L

^{1/} See Campbell Water Co., Decision No. 59777, Application No. 41154; La Granada Water Co., 57 Cal. P.U.C. 534; La Mirada Water Co., 57 Cal. P.U.C. 441. Revision of the present rule is under consideration by the Commission in Case No. 5501, re-opened for further hearings and now nearing determination.

Applicant's request to acquire, in exchange for stock, the distribution system constructed by J. Ray Construction Company, Inc., details of which are included in Exhibit D of the application and the amendment, appears to present no special features that require extended discussion and should be granted.

A public hearing is not necessary.

O R D E R

The Commission having considered the application herein, as amended, and being of the opinion that the money, property or labor to be procured or paid for by the issuance of 1,210 shares of stock, herein authorized, is reasonably required by the Pacific Water Co., applicant herein, for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and being further of the opinion that the application otherwise should be denied;

IT IS ORDERED that:

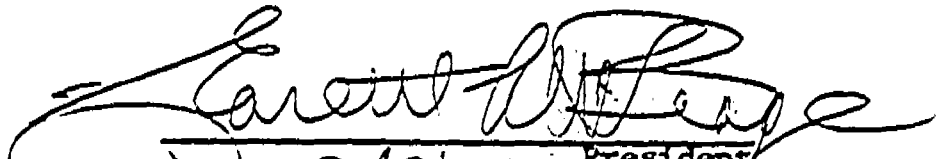
1. Applicant, after the effective date hereof and on or before December 31, 1960, may issue and sell not to exceed 1,210 shares of its Class C 3 percent preferred stock and use the proceeds for the purposes set forth in the foregoing opinion and in substantial accordance with the terms and conditions of the agreement attached to the application herein as Exhibit D thereof, authority to carry out the terms and conditions of which is hereby granted.


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. Except as hereinabove granted, the application, as amended, is denied.


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

Dated at San Francisco, California, this 6th day of SEPTEMBER, 1960.



President






Commissioners