

**ORIGINAL**

Decision No. 61291

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 160,000 shares of  
its Cumulative Preferred Stock,  
\$1.32 Dividend Series

Application No. 42874

Bacigalupi, Elkus & Salinger, by Charles de Y.  
Elkus, Jr., for applicant; Sidney J. Webb  
for the Commission staff.

O P I N I O N

In this proceeding, California Water & Telephone Company seeks authorization to issue and sell, under negotiated arrangements, 160,000 shares of its Cumulative Preferred Stock, \$1.32 Dividend Series, of the par value of \$25 a share and of the aggregate par value of \$4,000,000.

The application was filed on November 21, 1960. A public hearing was held before Examiner Coleman in San Francisco on December 16, 1960, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The company proposes to sell its preferred shares by means of a private placement, at par, to nine insurance companies. It requests exemption from the Commission's competitive bidding rule with respect to such shares and, in support of its request, it asserts that under present conditions and those likely to exist in the foreseeable future, a better price can be obtained by negotiation, than by competitive bidding, with substantial savings in expenses incident to the sale.

Testimony by its finance officer shows that the present share offering was made to 14 companies before the sale was completed and that the effective rate on the issue, namely 5.28%, compares favorably with and, in some cases, is lower than, the effective rates on sales of preferred shares by other utilities in recent weeks under both competitive and negotiated arrangements.

The purpose of the proposed stock sale is to provide applicant with funds, after paying estimated expenses of about \$17,000, to reimburse its treasury for moneys heretofore expended for construction, completion, extension or improvement of its facilities which moneys have not been obtained from the sale of evidences of ownership or indebtedness. In Exhibit A, the company reports that up to September 30, 1960, its gross expenditures for plant which had not been financed through the sale of securities were \$41,594,649, this amount having been financed with moneys represented by reserves and retained earnings.

The company reports that it has need for the reimbursement of its treasury in order to have available funds to pay bank borrowings and to enable it to proceed with its 1961 construction program. The record shows that presently it has outstanding \$1,500,000 of bank loans and that it estimates its total cash requirements for construction during the year 1961 at \$13,033,000, of which approximately \$5,500,000 will be provided by internally generated funds leaving the remainder to be met primarily with proceeds from security sales.

Upon reviewing the record, we find and conclude that applicant's proposed arrangements for the sale of its shares are reasonable and that an order is warranted granting exemption from the Commission's competitive bidding rule with respect to such shares. In our opinion, the money, property or labor to be procured or paid for through the issue of the preferred shares herein authorized is reasonably required for the purposes set forth in this application, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. We will enter our order granting applicant's requests.

The authorization herein given refers to the issue of 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.

O R D E R

A public hearing having been held in the above-entitled matter and the Commission having considered the matter and being fully apprised in the premises, therefore,

IT IS HEREBY ORDERED as follows:

1. The issue of not to exceed 160,000 shares of Cumulative Preferred Stock, \$1.32 Dividend Series, by California Water & Telephone Company hereby is exempted from the provisions of the Commission's competitive bidding rule.

2. California Water & Telephone Company, on or after the effective date hereof and on or before March 31, 1961, may issue and sell said 160,000 shares at not less than their par value 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.

