

Decision No. 22390.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WESTERN WATER COMPANY,
a corporation, for an order authorizing the issuance of \$350,000.00 par value of its common capital stock, and also for authority to reclassify and exchange its present capital stock.)

ORIGINAL

Application No. 16401

Chickering and Gregory, by W. C. Fox,
for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter, Western Water Company has applied to the Railroad Commission for an order authorizing it to reclassify its capital stock and to issue \$700,000.00 par value of its common capital stock, divided into 14,000 shares of the par value of \$50.00 each, in exchange for the \$700,000.00 of stock now outstanding, consisting of 700 shares of the par value of \$1,000.00 each, and in addition to issue \$350,000.00 of stock to its stockholders as a stock dividend.

The application shows that the company is a public utility engaged in supplying water for industrial and domestic uses in the City of Taft, Kern County, and in the oil fields in the vicinity thereof. In financial statements on file with the Commission, the company has reported its gross revenues during 1927 at \$521,047.82, during 1928 at \$443,229.14 and during 1929 at \$483,216.22. Its net profits available for dividends are reported at \$98,273.08 for 1927, at \$122,945.02 in 1928 and at \$151,595.01 in 1929. Its assets and

liabilities, as of December 31, 1929, are set forth in its Exhibit No. 1, as follows:-

A S S E T S

Cash	\$210,499.54
Accounts receivable	52,361.94
Special deposits	101.82
Current assets	53,586.39
Capital assets	<u>1,947,200.32</u>
Total assets.....	<u>\$2,263,750.01</u>

L I A B I L I T I E S

Accounts payable	\$ 7,853.93
Guarantee deposits	5,082.50
Depreciation reserve	962,937.51
Appreciation of property	5,017.60
Earnings undistributed	582,852.47
Capital stock	<u>700,000.00</u>
Total liabilities.....	<u>\$2,263,750.01</u>

Of the outstanding stock, \$500,000.00 has heretofore been issued to reimburse applicant's treasury and distributed as a stock dividend.

The record shows that applicant's authorized capital stock is \$1,000,000.00, divided into 1,000 shares of the par value of \$1,000.00 each, all of which is common stock. The testimony herein indicates that steps are now being taken to increase the authorized capital stock to \$2,500,000.00 to be divided into 50,000 shares of the par value of \$50.00 each, all of which will be common stock.

Applicant urges that in view of the fact that its shares of stock have a par value of \$1,000.00, it is difficult to establish and maintain a market for its stock. It is further urged that if the company must hereafter finance the cost of additions and betterments through the issue of stock, it can do so to better advantage if its shares of stock have a par value of \$50.00 per share, rather than a

par value of \$1,000.00 per share.

In support of the request to issue \$350,000.00 of common stock in addition to the \$700,000.00 now outstanding, the company reports that, as of December 31, 1929, its corporate surplus unappropriated amounted to \$582,852.47. It appears from an analysis of the company's financial reports on file with the Commission, that its corporate surplus has been built up almost entirely from surplus earnings and that such surplus has been invested in the company's properties and assets. The foregoing balance sheet shows that in addition to the corporate surplus, the company had, as of the same date, a reserve for accrued depreciation of \$962,937.51. It seems to us that the amount of stock which applicant intends to issue will not result in the capitalization of any properties acquired or constructed through the investment of moneys represented by the reserve for accrued depreciation. It also appears to us that the properties and assets of the company are ample to support the proposed stock issue.

ORDER

Western Water Company having applied to the Railroad Commission, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the issue of the stock, as herein authorized, is reasonably required by the company for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Western Water Company be, and it hereby is, authorized to amend its articles of incorporation and re-classify its stock, as indicated in this application, and to issue

\$700,000.00 of its capital stock, divided into 14,000 shares of the par value of \$50.00 each, in exchange for the \$700,000.00 of stock now outstanding, consisting of 700 shares of the par value of \$1,000. each.

IT IS HEREBY FURTHER ORDERED that Western Water Company be, and it hereby is, authorized to issue for the purpose of reimbursing its treasury on account of surplus earnings expended for additions and betterments, \$350,000.00 of its common capital stock, such stock to be issued at not less than its par value, and distributed to its present stockholders, as required and permitted by law.

The authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue of the stock herein authorized as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

2. The authority herein granted will become effective when applicant has amended its articles of incorporation and reclassified its capital stock, as herein authorized. Under such authority, no stock may be issued subsequent to December 31, 1930.

DATED at San Francisco, California, this 30th day of April, 1930.

C. L. Seaver

Thos D. Lott

W. J. Lane

Commissioners.