

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :  
of CAMPBELL WATER COMPANY for au- :  
thority to issue 259 shares of : Application No. 588.  
stock of the par value of \$25.00 :  
per share. :

John F. Duncan, secretary Campbell Water  
Company, for applicant.

CORDON, Commissioner.

O P I N I O N

This is an application by Campbell Water Company to issue 259 shares of its capital stock of the par value of \$25.00 per share. It is proposed to issue 19 shares in lieu of a like number of shares issued on January 17, 1913 without the authority of this Commission and to issue 240 shares pro rata to applicant's holders of stock against its surplus which it estimates at \$6,000.00.

Campbell Water Company is engaged in the business of selling water for domestic purposes in the town of Campbell, Santa Clara county. At the time of its application it had an authorized issue of 300 shares of stock of the par value of \$25.00 per share. It has since amended its Articles of Incorporation and now has an authorized issue of 1,000 shares of stock of the par value of \$25.00 per share.

Previous to the adoption of the Public Utilities Act, Campbell Water Company had issued 221 shares of stock for which it had received \$5,225.00 in cash. On January 17, 1913 it issued 19 additional shares at \$25.00 per share and invested the proceeds in additions to its plant. These 19 shares were issued in ignorance of the Public Utilities Act and without the approval of this Commission and are, therefore, void.

Applicant now desires authority to issue 19 shares of stock in lieu of the 19 shares illegally issued on January 17, 1913. As these shares were issued without knowledge of the Public Utilities Act and without wrong intent, I recommend that this portion of the application be granted.

Applicant states that the money realized from the sale of its stock, in the sum of \$6,000.00, was invested in its water plant.

During its many years of operation, the company has re-invested a large part of its surplus earnings, and states that its full investment has now reached the sum of \$12,336.45. An investigation by the Commission's engineers indicates value approximating \$12,000.00. It thus appears that applicant has invested surplus earnings in its plant to the amount of approximately \$6,000.00. It now desires to issue stock pro rata to its present holders to the amount of 240 shares against this surplus. This is, in reality, a stock bonus.

The Public Utilities Act makes no provision for a stock issue of this sort against surplus and, therefore, the Commission is without power to grant this portion of the application. I recommend, therefore, that this portion of the application to issue 240 shares of stock in the form of a stock bonus against surplus reinvested in property be denied.

I submit the following form of Order:-

#### O R D E R

Campbell Water Company having applied to this Commission for authority to issue 259 shares of its capital stock of the par value of \$25.00 per share, and a hearing having been held and it appearing that it is the purpose to issue 19 shares of said stock in lieu of 19 shares illegally issued on January 17, 1913; and it appearing further that full par value of \$25.00 per share was re-

ceived from the sale of said 19 shares and that said sum of \$475.00 was duly invested in applicant's plant, and was, therefore, not used for purposes wholly or in part chargeable to operating expenses or to income;

IT IS HEREBY ORDERED: That Campbell Water Company be given authority, and it is hereby given authority, to issue 19 shares of its capital stock.

It appearing further that Campbell Water Company desires to issue 240 shares of its capital stock to present holders of stock as a stock bonus against surplus reinvested in plant, and there being no authority in the Public Utilities Act under which the Commission may permit such issue of stock;

IT IS HEREBY ORDERED: That the application of Campbell Water Company to issue said 240 shares of stock be and it is hereby denied.

The authority hereby given to Campbell Water Company to issue 19 shares of its capital stock is given on the following conditions and not otherwise:-

(1) Said 19 shares of stock shall be issued in substitution for 19 shares of stock of Campbell Water Company issued on January 17, 1913, and shall be issued to the present holders of said 19 shares of stock so issued.

(2) Campbell Water Company shall present evidence to this Commission that the 19 shares of stock illegally issued on January 17, 1913 have been returned to it and cancelled.

(3) Campbell Water Company shall file a statement, within sixty days, with this Commission showing that it has issued said 19 shares of stock herein authorized to be issued to the present holders of the 19 shares of stock illegally issued on January 17, 1913.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission

of the State of California.

Dated at San Francisco, California, this 31st  
day of October, 1913.

Alexander

Max Thelen

Edwin L. Edgerton

Commissioners.