

Decision No. 27426

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PUBLIC UTILITIES CALIFORNIA CORPORA-)
TION, for Orders with reference to) Application No. 19619
its Securities.)

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to authorize Public Utilities California Corporation to issue 5,000 shares of no par value common capital stock and a \$1,000,000.00 six percent unsecured note payable March 1, 1948, all for the purpose of re-financing its properties.

The Public Utilities California Corporation is a corporation organized and existing under the laws of the State of California. It operates water, telephone and electric properties situated in different parts of the state. The extent of its operations is indicated by the following statement showing its revenues and expenses for the 12-month period ending December 31, 1930, 1931, 1932 and 1933:-

I T E M	1930	1931	1932	1933
Gross revenue	\$428,651.08	\$ 422,632.82	\$384,821.80	\$ 367,709.14
Maintenance expense	43,011.57	39,340.29	31,917.06	30,372.40
Operating expenses	200,077.03	224,269.76	209,283.07	184,292.15
Depreciation	47,339.04	50,093.04	52,044.96	55,393.32
	\$290,427.64	\$ 313,703.09	\$ 293,245.09	\$ 270,057.87
Net revenue.....	\$138,223.44	\$ 108,929.73	\$ 91,576.71	\$ 97,651.27

The Public Utilities California Corporation has outstanding \$1,517,100.00 par value of common capital stock divided into 15,171

shares of the par value of \$100. per share. All of this stock was issued under authority granted by the Railroad Commission. It appears that it is owned by Joseph Chapman as trustee in bankruptcy of Public Utilities Consolidated Corporation. He is also the owner of the company's demand promissory note in the principal amount of \$92,505.81. He has agreed that if Public Utilities California Corporation will amend its Articles of Incorporation, changing its shares from shares of a par value of \$100. each, to shares without par value, and that if it will reduce its stated capital to the sum of \$500,000., he will sell to applicant, to be purchased by it from its reduction surplus arising by reason of such reduction of its stated capital, 10,171 shares of applicant's capital stock, and also cause to be surrendered for cancellation to applicant, its promissory note in the principal amount of \$92,505.81, for which there is to be paid to him the sum of \$1,000,000.00 to be represented by applicant's demand promissory note carrying interest at the rate of 6% per annum. To permit the applicant to refund its promissory demand note, he agrees to accept in payment therefor the company's note in the principal amount of \$1,000,000.00 due March 1, 1948 payable semi-annually with interest at the rate of 6% per annum and containing a provision giving the holder thereof the right and option to accelerate the maturity thereof in the event semi-annual interest is not paid within 30 days after due.

Applicant during July, 1933, sold its Roseville water system to the City of Roseville. After giving effect to the sale of the Roseville properties the company reports its assets and liabilities as of July 31, 1934, and its assets and liabilities as of the same date, assuming that its refinancing had been then in effect as follows:-

<u>A S S E T S</u>		
	Before Re- financing	After Re- financing
Fixed capital	\$1,970,644.92	\$1,970,644.92
Cash	248,198.16	248,198.16
Accounts receivable	63,158.26	63,158.26
Material and supplies	26,825.13	26,825.13
Prepayments	2,427.24	2,427.24
Special deposits	470.44	470.44
Total assets.....	<u>\$2,311,724.15</u>	<u>\$2,311,724.15</u>
<u>L I A B I L I T I E S</u>		
Capital stock	\$1,517,100.00	\$ 500,000.00
Notes payable	92,505.81	1,000,000.00
Notes payable (Trade)	1,794.00	1,794.00
Accounts payable	17,217.58	17,217.58
Taxes accrued	5,283.10	5,283.10
Insurance accrued	759.22	759.22
Miscellaneous current liabilities	394.98	394.98
Consumers' deposits	3,598.19	3,598.19
Refundable contributions	8,199.11	8,199.11
Uncollectible accounts reserve	8,138.70	8,138.70
Miscellaneous unadjusted credits	21,674.74	21,674.74
Retirement reserve	391,983.44	391,983.44
Donations for construction	2,589.68	2,589.68
Surplus (Earned)	240,485.60	240,485.60
Reduction surplus	-	109,605.81
Total liabilities....	<u>\$2,311,724.15</u>	<u>\$2,311,724.15</u>

The \$248,198.16 of cash reported in the foregoing balance sheet includes \$185,000.00 received from the sale of applicant's Roseville properties. It will also be observed that the company in its balance sheet giving effect to the refinancing of its properties shows a reduction surplus of \$109,605.81. This reduction surplus is created by re-stating applicant's stated capital. It is not an earned surplus and under no circumstances should be used for the purpose of declaring a dividend. We will require applicant as a condition precedent to the effective date of the order following to file with the Commission a stipulation duly authorized by its Board of Directors in which it agrees that it will not consider the reduction surplus as a surplus available for the declaration or payment of dividends.

The proposed refinancing appears reasonable and should not handicap applicant in its operations.

O R D E R

The Commission having considered the request of Public Utilities California Corporation for an order, as indicated in the foregoing opinion, and being of the opinion that this is not a matter in which a public hearing is necessary, that the money, property or labor to be procured or paid for by the issue of the stock and note herein authorized, is reasonably required by applicant for the purpose herein stated, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

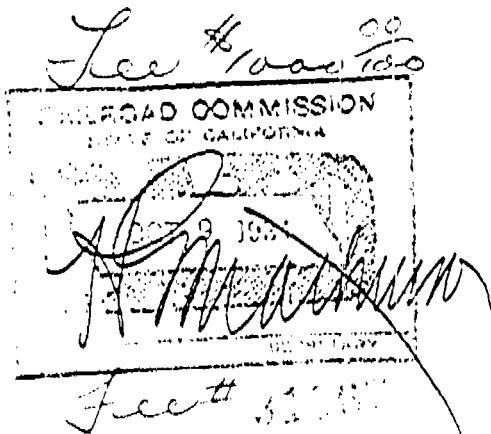
IT IS HEREBY ORDERED as follows:-

1. Public Utilities California Corporation may, after the effective date hereof and prior to December 31, 1934, amend its Articles of Incorporation and thereby change its authorized and outstanding shares of its capital stock from shares having a par value of \$100.00 to shares without par value and after such amendment or concurrently therewith reduce its stated capital to \$500,000.00 and issue 5,000 shares of no par value common capital stock for the purpose of refunding its outstanding capital stock.
2. Public Utilities California Corporation may issue after the effective date hereof and prior to December 31, 1934, its unsecured promissory note in the principal amount of \$1,000,000.00 payable March 1, 1948, with interest at the rate of 6% per annum, payable semi-annually, with the provision that the holder of said note shall have the right and option to accelerate the maturity thereof in

the event semi-annual installments of interest are not paid within thirty (30) days after due and said Public Utilities California Corporation may use said \$1,000,000. note to refund the \$1,000,000.00 demand note, referred to in the foregoing opinion.

3. The authority herein granted to Public Utilities California Corporation will become effective when Public Utilities California Corporation has filed with the Commission a stipulation duly authorized by its Board of Directors in which it agrees for itself, its successors and assigns, that it will not regard its reduction surplus as surplus available for the declaration or payment of dividends, and when Public Utilities California Corporation has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Thousand (\$1,000.00) Dollars.
4. Public Utilities California Corporation shall file with this Commission on or before December 31, 1934 (a) a copy of its Articles of Incorporation, as amended, and, (b) a report or reports of the issue of the stock and note required by the Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 8th day of October, 1934.



Leon Whelan

W. B. Harris

W. B. Harris

W. B. Harris

Commissioners.