

Decision No. 31481

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WESTERN WATER COMPANY, a corporation,
for authority to reduce the par value
of its capital stock from \$50 to \$35
per share, to create a reduction sur-
plus, and to distribute the same pur-
suant to Section 348b of the Civil Code.

Application No. 22338

ORIGINAL

BY THE COMMISSION:

O P I N I O N

Western Water Company proposes to reduce the par value of its outstanding stock from \$50 per share to \$35 per share, thereby reducing its aggregate stated capital from \$1,050,000. to \$735,000. Thereafter it intends to distribute \$315,000. to its stockholders, as capital, no longer according to its petition, required in its business.

As of September 30, 1938, applicants reports assets and liabilities as follows:

ASSETS

Cash	\$290,411.58
Accounts Receivable	40,320.47
Accrued Interest	3,738.79
Bonds	309,388.77
Current Assets	85,955.38
Capital Assets	<u>1,944,313.02</u>
Total	\$2,674,128.01

LIABILITIES

Notes Payable - Suspense	\$ 1,067.93
Accounts Payable	8,636.55
Guarantee Deposits	5,560.66
Accrued Taxes	14,600.00
Unemployment Insurance)	
Old Age Pension Tax)	1,190.83
Depreciation	1,420,823.06
Earnings Undistributed	172,248.98
Capital	<u>1,050,000.00</u>
Total	\$2,674,128.01

In paragraph four of its petition, applicant, in support of its request states:

"That applicant's plants and system were expanded from 1920 to 1927 in order to provide an additional water supply and also to serve the extensive oil development in the Midway Oil Fields. For some time now its fixed capital account has not increased, because of the fact that its facilities are adequate for all demands, present or in prospect. When it becomes necessary to replace field lines, it is probable that such replacing lines will be of smaller size and therefore will be less costly to install. Those conditions particularly pertain to the northerly and southerly sections of the service area, and the same will likewise affect the cost of replacement, when and if necessary, of other units of the system.

"That due to the fact that consumption of water for oil field use had decreased, and also to the fact that the system is adequate for all present and prospective uses, applicant has been unable, for several years, to reinvest its depreciation accruals in plant, and it has likewise been unable to invest the same in securities that would yield any depreciable return."

Applicant's balance sheet as of September 30, 1938, shows that it had cash on hand or in bank in the amount of \$290,411.58 and had invested in bonds the sum of \$309,388.77. Of its investment in bonds and cash on hand, as stated, it proposes to distribute \$315,000.00. Such distribution is a matter that need not be authorized by the Commission. We feel, however, that the change in the par value of applicant's outstanding stock is a matter that comes under the jurisdiction of the Commission and the order herein will authorize such reduction.

O R D E R

Western Water Company, having asked permission to reduce the par value of its capital stock from \$50.00 to \$35.00 per share, the Commission having considered applicant's request, and being of the opinion that this is not a matter in which a hearing is necessary, that in effect the reduction of the par value of the stock constitutes an issue of stock which should be authorized by the Commission, that the money, property or labor to be procured or paid for by the issue of said stock 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, that Western Water Company be, and it is hereby, authorized to reduce the par value of its capital stock from \$50.00 to \$35.00 per share, such reduction to be effected either by stamping such fact of reduction upon the shares of capital stock or to exchange such shares for new shares evidencing the fact of such reduction.

IT IS HEREBY FURTHER ORDERED, that within sixty (60) days after the reduction of the par value of applicant's stock it shall file with the Commission, a report containing the names of its stockholders, the number of shares of stock held by each stockholder and a statement showing the manner in which the reduction in the par value of its stock has been effected.

DATED at San Francisco, California, this 25th day of November 1938.

Raymond W. ...
Leon Whitall

Carl ...
...

COMMISSIONERS