

Decision No. 39843

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA WATER COMPANY)	Application
)	No. 28076
For an Order authorizing Issuance)	
of Stock or for other proper relief)	
-----)	

O P I N I O N

In this application, Southern California Water Company asks permission to issue 61,932 shares of its common stock of the par value of \$25 per share in exchange, share for share, for an equal number of its presently outstanding common shares.

Applicant is a public utility, and as such engages principally in the business of distributing and supplying water in certain areas within the counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento, State of California. It also engages to a limited extent in the public utility business of distributing and supplying electricity at Bear Valley in San Bernardino County, State of California. It also is engaged in the manufacture and sale of ice at Barstow, San Bernardino County, State of California.

Applicant is a subsidiary of American States Utilities Corporation, which is a registered holding company under the Public Utility Holding Company Act of 1935. Because of this fact, applicant's security issues are subject to the jurisdiction of the Securities and Exchange Commission. In connection with the

issue of 32,000 preferred shares, 4% Series, the Securities and Exchange Commission required applicant to amend its Articles of Incorporation and thereby impose restrictions upon the payment of dividends on its common stock. In substance, the restrictions are to the effect that if the aggregate of dividends proposed to be paid on common shares for any twelve months would reduce the common stock equity to less than 25% but not less than 20% of applicant's total capitalization, the amount of dividends that may be paid on the common stock shall not exceed 75% of applicant's net income for a twelve-month period. If the aggregate of the proposed dividends would reduce the common stock equity to less than 20% of applicant's total capitalization, the total dividends that may be paid on the common stock for the period shall not exceed 50% of applicant's net income. (1)

(1)

Paragraph 12 of applicant's proposed amended Articles of Incorporation restricting dividend payments on the common stock reads as follows:

"(12) Subject to the dividend preferences hereinabove provided for all shares of each other class at the time outstanding and to the restrictions set forth above and in this Paragraph (12), the Common Shares shall be entitled to receive dividends when and as declared by the Board of Directors out of any funds of this Corporation legally available therefor. After payment of the full preferential amounts hereinabove provided for all shares of each other class outstanding at the time of any liquidation, dissolution or winding up of this Corporation, whether voluntary or involuntary, all then remaining assets of this Corporation available for distribution to its shareholders shall be distributed ratably upon the Common Shares. No dividend shall be declared on the Common Shares which, after giving effect to such declaration, would reduce the Common Stock Equity of this Corporation as of the end of the calendar month last preceding that in which such dividend was declared to an amount less than 25% of the Total Capitalization of this Corporation as of the end of said last preceding month, except that any such dividend may be declared (a) which would reduce such Common Stock Equity to less than 25% but not less than 20% of such Total Capitalization if the amount of such dividend plus all dividends on the Common Shares declared during the 12 months period terminating at the end of such last

As of October 31, 1946, applicant's common stock equity exceeds 25% of its total capitalization. Therefore, at present the restrictions on common stock dividend payments in themselves will not limit the amount of such dividends under applicant's practice now prevailing.

(1) Cont'd.

preceding calendar month shall not exceed 75% of the net income of this Corporation applicable to its Common Shares for such period, or (b) which would reduce such Common Stock Equity to less than 20% of such Total Capitalization if the amount of such dividend plus all dividends on the Common Shares declared during said 12 months period shall not exceed 50% of the net income of this Corporation applicable to its Common Shares for such period; provided, however, that the foregoing restrictions of this sentence shall not apply to, nor in any way restrict, (a) the payment of any dividend on the Common Shares which is payable in shares of stock of this Corporation, or (b) any reclassification, subdivision, split-up or combination of the Common Shares, or (c) any transfer between the capital and surplus accounts of this Corporation in connection with any such reclassification, subdivision, split-up or combination or payment of dividend in shares of stock of this Corporation. Common Stock Equity as herein used shall mean the aggregate of (i) par value or stated capital of all outstanding Common Shares, and (ii) the surplus (including capital surplus, paid-in surplus and earned surplus) as shown by the books of this Corporation after giving effect to the declaration of the proposed dividend, and (iii) premium on Common Shares; less the remaining balance of the amount of organization expenses, as shown on said books. Total Capitalization as herein used shall mean the aggregate of (i) Common Stock Equity, (ii) premium on and the par value or stated capital of all outstanding shares of this Corporation of any and all classes having preference over the Common Shares as to dividends or assets, and (iii) the principal amount of all outstanding debt maturing more than 12 months after the close of said 12 months period, all as shown by the books of this Corporation; less the remaining balance of organization expenses, as shown on said books. Net Income as herein used shall be determined in accordance with accepted accounting practice (but after provision for all taxes based upon or measured by income, and after annual interest charges adjusted by provision for amortization of bond discount and expense or of premium on indebtedness, and also after deduction of depreciation for said 12 months period as reported in the accounts of this Corporation as filed with the Railroad Commission of the State of California or other public authority of said state having jurisdiction to establish or approve the system of accounts of this Corporation). Net Income applicable to Common Shares as herein used shall mean net income after deduction therefrom of all dividends payable for the period involved on all outstanding shares of any and all classes of this Corporation having preference over the Common Shares as to dividends or assets."

Applicant's counsel is of the opinion that the proposed amendment restricting dividend payments on applicant's common stock might, as a matter of law, be considered to be such an alteration in the rights of the outstanding common shares of applicant as to change them into a new security. Applicant therefore requests permission to issue new shares of common stock in exchange for its shares of common stock now outstanding.

A copy of applicant's proposed amended Articles of Incorporation is filed in this application as Exhibit "A".

O R D E R

The Commission has considered applicant's request and is of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for by applicant through the issue of the shares of stock herein authorized is reasonably required by applicant for the purpose herein stated, that such purpose is not, in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, therefore,

IT IS HEREBY ORDERED that Southern California Water Company may, after the effective date hereof and on or before June 30, 1947, issue 61,932 of its common shares of stock of the par value of \$25 per share in exchange, share for share, for an equal number of its presently outstanding common shares.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Southern California Water

Company has filed with the Commission a certified copy of its amended Articles of Incorporation.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the issue of the shares of stock herein authorized, applicant shall file with the Commission a statement showing the number of shares of stock issued under the authority herein granted, and to whom such shares of stock were issued.

Dated at San Francisco, California, this 7th day of January, 1947.

Harold P. Kula
Justice J. Wallace
Francis O'Connell
James J. Fawcett
R. B. [unclear]
Commissioners