

ORIGINAL

Decision No. 40952

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PALM SPRINGS WATER COMPANY, a cor-) Application
 poration, to Declare a Stock Dividend.) No. 28323
 -----)

O P I N I O N

In this application, Palm Springs Water Company asks permission to issue \$133,200 par value of its common capital stock. The company proposes to issue such stock to reimburse its treasury and thereafter to distribute it, pro rata, to its present stockholders.

Palm Springs Water Company is, and since 1929 has been, engaged in the business of supplying water for domestic purposes to consumers in the City of Palm Springs, Riverside County, and in adjacent territory. It has reported its revenues and expenses for preceding calendar years as follows:

<u>Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Oper. Revenues</u>	<u>Dividends</u>	<u>Number of Consumers</u>
1946	\$152,008	\$114,524	\$37,484	\$17,760	1858
1945	143,752	98,493	45,259	17,760	1534
1944	124,048	109,944	14,104	17,760	1387
1943	123,522	78,544	44,978	17,760	1351
1942	97,077	66,246	30,831	17,760	1353
1941	85,365	67,767	17,578	17,760	1346
1940	87,466	52,710	34,756	17,480	1294
1939	81,877	50,050	31,827	13,600	1237
1938	79,656	59,553	20,103	10,000	1198
1937	71,916	39,947	31,969	10,000	1135
1936	55,780	32,655	23,125	10,000	965

The company estimates, for the year 1947, operating revenues of \$159,600, operating expenses of \$121,725, and net operating revenues of \$37,875.

The company has an authorized capital stock of \$500,000, divided into 5,000 shares of the par value of \$100 each, all common. Pursuant to authority heretofore granted by this Commission, it issued at par, \$100,000 of stock in 1929, \$25,000 in 1934, \$90,000 in 1939, and \$7,000 in 1940, a total of \$222,000, for the purpose of financing in part, the cost of acquiring the water system it operates and of subsequent additions, betterments and extensions. It has paid dividends on its outstanding stock at the rate of 7% per annum during the years 1929 to 1935, inclusive, and at the rate of 8% per annum since 1935.

The company has issued no preferred stock or bonds or other long-term debt. It reports its assets and liabilities, as of December 31, 1946, as follows:

Assets

Fixed capital	\$797,171.15
Cash	25,178.16
Miscellaneous investments	6,732.52
Materials and supplies	<u>15,979.03</u>
Total	<u>\$845,060.86</u>

Liabilities

Capital stock	\$222,000.00
Notes payable	40,000.00
Consumers' deposits	480.65
Consumers' advances for construction	101,289.70
Donations in aid of construction	43,438.67
Reserve for depreciation	171,856.87
Capital surplus	91,965.89
Corporate surplus	<u>174,029.08</u>
Total	<u>\$845,060.86</u>

It appears that the company set up in its fixed capital accounts, historical cost appraisal figures, prepared by engineers of the Commission, as of December 31, 1935. A review of the company's subsequent financial statements shows that since that date and up to December 31, 1946, it has expended \$506,806.49 for gross additions to its water system, which sum was financed in part through the issue of \$97,000 of stock in 1939 and 1940 and short-term notes, but primarily with moneys advanced by consumers, donations and earned surplus. The review discloses that during this period the company augmented its sources of water supply through the installation of diversion works at Falls Creek and Snow Creek and two additional wells, increased its storage capacity from 1,717,700 gallons to 4,252,000 gallons, and more than doubled its pipe system and the number of meters connected. Applicant estimates its construction expenditures during 1947 at \$32,200.

It clearly appears that the company has had earned surplus, after making allowances for depreciation, of at least \$133,200 and that such earned surplus, instead of being distributed as dividends, have been invested permanently in tangible fixed capital. An order therefore properly can be entered authorizing the company to issue \$133,200 of stock for the purpose of reimbursing its treasury for moneys actually expended from income for the purpose of making additions, betterments and extensions to the water system. Such stock thereafter, as required and permitted by law, may be distributed to the holders of the presently outstanding stock as a stock dividend.

This transaction will result in the transfer of \$133,200 from the corporate surplus account to the capital stock

account, and in the retention of surplus earnings of that amount in the business and properties of the company.

O R D E R

Palm Springs Water Company having applied to the Public Utilities Commission for permission to issue \$133,200 par value of its common capital stock, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Palm Springs Water Company, after the effective date hereof and on or before March 31, 1948, may issue not exceeding \$133,200 par value of its common capital stock for the purpose of reimbursing its treasury for moneys expended from income for permanent additions, betterments and extensions to its water system.
2. Palm Springs Water Company shall file a report, or reports, of the issue of the stock herein authorized as required by the terms of General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
3. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 25th day
of November, 1947.

Harold P. Gule
Justin J. Galloway
Jack Powell
R. J. Dinterman
Lawrence P. Gotta
 Commissioners