

ORIGINAL

Decision No. 41182

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of	:	
)	
SOUTHERN CALIFORNIA WATER COMPANY	:	Application
)	No. 29015
For an Order authorizing it to	:	
issue shares of its Common Stock.)	
-----	:	

O P I N I O N

Southern California Water Company, applicant herein, is a corporation organized under the laws of the State of California and now engaged, as a public utility, in supplying and distributing water in certain areas within the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento and in supplying and distributing electricity at Bear Valley in San Bernardino County.

The company was organized on or about December 31, 1929. Its presently authorized and outstanding capital stock is as follows:

	<u>Authorized</u>	<u>Outstanding</u>
Common	\$ 7,500,000	\$1,548,300
Preferred, 4 1/2% Series	2,500,000	800,000
Preferred, 4% Series	<u>2,500,000</u>	<u>800,000</u>
Totals	<u>\$12,500,000</u>	<u>\$3,148,300</u>

The shares of stock have a par value of \$25 each. All of the outstanding common stock, consisting of 61,932 shares, is reported held by American States Utilities Corporation. Applicant

now proposes, and in this application seeks permission, to issue 842.8 shares of common stock, of the aggregate par value of \$21,070, to reimburse its treasury, such shares, after reimbursement, to be delivered to American States Utilities Corporation as a stock dividend.

The application shows that American States Utilities Corporation is a registered holding company under the Public Utilities Holding Company Act of 1935, and that the issue of stock by applicant, as a subsidiary of such holding company, is subject to the jurisdiction of the Securities and Exchange Commission. On October 2, 1947, the Securities and Exchange Commission issued an order approving an amended plan of simplification of the corporate structure of the holding company and on November 24, 1947, the District Court of the United States for the District of Nebraska issued its order enforcing the terms and conditions of said amended plan.

The amended plan thus referred to provides for the dissolution of American States Utilities Corporation, for the issue by applicant herein of 842.8 shares of its common stock to the holding company, as a stock dividend, bringing applicant's outstanding common stock up to 62,774.8 shares, and for the distribution of said 62,774.8 shares of applicant's common stock to the holders of the preferred and common stock of American States Utilities Corporation in exchange for their shares on the basis provided in the amended plan.⁽¹⁾ The issue by applicant of said

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The Securities and Exchange Commission's order provides for the exchange of one share of preferred stock of American States Utilities Corporation's stock for 1/3 of a share of applicant's common stock, and the exchange of ten shares of the holding company's common stock for one share of applicant's common stock.

842.8 shares of stock will call for the transfer of an amount of \$21,070, the par value of said shares, from the earned surplus account to the capital account.

The amended plan further provides that the 62,774.8 common shares of applicant will be deposited by American States Utilities Corporation with Baltimore National Bank, as exchange agent, for distribution to the stockholders of said holding company. Such distribution will be made in full shares and where fractional shares of applicant result from any exchange, non-voting and non-dividend bearing script certificates will be issued by said bank entitling the holders thereof to surrender such script in multiples of full shares in exchange for shares of applicant's stock held by said bank as exchange agent against the surrender and cancellation of such script certificates. The holders of the stock of American States Utilities Corporation who fail to exchange their stock or script within a five year period specified in the amended plan⁽²⁾ shall cease thereafter to have the right of such exchange and thereupon all unexchanged shares of applicant's stock shall be returned to applicant for cancellation, together with any cash then held by the bank representing dividends declared on the unexchanged shares.

In making the present application to the Public Utilities Commission for authority to issue the 842.8 shares, applicant bases its request on its earnings heretofore invested in its plant and not reimbursed through the issue of securities. In its

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Five years from the date of entry of the order of the District Court enforcing the amended plan.

latest available financial statement it shows its investment in its assets, and its liabilities, capital stock and surplus as of November 30, 1947, as follows:

<u>Assets</u>		
Fixed capital		\$12,053,709.62
Construction work in progress		338,285.60
Current assets -		
Cash and deposits	\$886,645.19	
Accounts receivable	188,260.10	
Materials and supplies	366,116.90	
Prepayments	<u>86,331.16</u>	
Total current assets		1,527,353.35
Miscellaneous investments		99,786.89
Deferred assets		<u>62,194.96</u>
Total		<u>\$14,081,330.42</u>

<u>Liabilities</u>		
Common stock		\$ 1,548,300.00
Preferred stock		1,600,000.00
Funded debt		5,100,000.00
Premium on preferred stock		101,120.00
Net premium on bonds		27,494.07
Current liabilities -		
Accounts payable	\$128,199.72	
Dividends declared	16,500.00	
Consumers' deposits	123,588.97	
Accrued liabilities	<u>296,322.12</u>	
Other	<u>16,530.39</u>	
Total current liabilities		581,141.20
Deferred credits		602,227.22
Reserve for depreciation		3,191,743.24
Other reserves		56,030.44
Donations in aid of construction		627,259.56
Capital surplus		162,018.75
Earned surplus		<u>483,995.94</u>
Total		<u>\$14,081,330.42</u>

The company reports that during the period from January 1, 1940, to December 31, 1946, its net expenditures for additions to plant aggregated \$2,492,260.66, as shown in some detail in Exhibit "A" attached to the application, of which amount the sum of \$1,134,520.00 was provided through the issue of bonds and preferred stock, leaving a balance as of December 31, 1946, of

\$1,357,740.66 which it alleges has not been paid for or provided through the issue of securities. It does not in this application make any showing of expenditures subsequent to December 31, 1946, for the reason, it states, that such expenditures were made either from the sale of bonds in May, 1947, or from income or other moneys in its treasury for which it does not now seek reimbursement. Its earned surplus as of December 31, 1946, was reported at \$547,178.87, including \$376,316.43 not available for dividends.

A review of applicant's financial statements on file with the Commission indicates that its reported unreimbursed expenditures have been financed, in part, through the use of its earned surplus and moneys represented by its reserve for depreciation. It clearly appears that its earned surplus invested in plant is substantially in excess of the amount of stock proposed to be issued and that accordingly the issue of the shares of stock, as now proposed, to reimburse the treasury, is warranted. The company's surplus at present, as indicated by the preceding balance sheet, is sufficient to permit the transfer of \$21,070 to capital account.

The authority herein granted is not to be construed as an approval of all the items contained in the reported expenditures of \$2,492,260.66.

O R D E R

The Public Utilities Commission having considered this application and being of the opinion that a public hearing is not

necessary, that the request of Southern California Water Company should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 842.8 shares of common stock is reasonably required by Southern California Water Company for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company, after the effective date hereof and on or before June 30, 1948, may issue 842.8 shares of its common stock of the aggregate par value of \$21,070 for the reimbursement of moneys actually expended from income or from other moneys in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidences of indebtedness, for the purpose of financing, in part, the cost of net additions, provided, that after reimbursement said 842.8 shares be distributed to its common stockholder as a stock dividend and the sum of \$21,070 transferred from the company's earned surplus account to its capital stock account.

2. Southern California Water Company shall file with the Commission a report as required by the Commission's 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 3rd day
of February, 1948.

R. F. Dunderman
Justice J. Cooney
Irving R. Kelly
Harold P. Kule
Committee (Latter)
Commissioners