

Decision No. 41771

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of San Jose Hills Water Company, :
a corporation, for authority to :
issue stock. :
-----)

Application
No. 29376

ORIGINAL

Gordon, Knapp and Hennessy, by Wyman C. Knapp,
for Applicant.

O P I N I O N

San Jose Hills Water Company asks the Commission to enter its order authorizing Applicant to issue and sell, for the purposes hereinafter stated, at \$10 per share, 1,145 shares, or such other amount as the Commission may determine, of its no par value common capital stock, and to issue and sell at \$100 per share, 500 shares, or such other amount as the Commission may determine, of its 5-1/4% cumulative preferred stock.

Applicant is a corporation organized and existing under and by virtue of the laws of the State of California. It owns and operates a public utility water system in Los Angeles County, in the areas described in Decision No. 37556, dated December 19, 1944, in Application No. 26305; in Decision No. 38858, dated April 16, 1946, in Application No. 27231; and in Decision No. 40838, dated October 21, 1947, in Application No. 28412. As of May 31, 1948, Applicant reports assets and liabilities as follows:

Assets

Organization	\$ 1,661.06
Franchise and water rights	984.80
Reservoir	10,247.50
Pumping equipment	16,472.76
Distribution mains	229,467.34
Services	30,753.10
Meters	32,998.55
General shop equipment	979.06
General office equipment	468.10
Maps and engineering	3,482.99
Bank of America	576.14
Due from consumers	2,392.79
Deposit-Los Angeles County Road Department	100.00
Total assets	<u>\$330,584.19</u>

Liabilities

Capital stock	\$ 38,550.00
Accounts payable	54,453.30
Consumers' advances for construction	225,746.28
Consumers' donations for construction	2,306.59
Consumers' deposits for services	2,065.50
Employment taxes payable	15.90
Accrued property taxes payable	734.72
Reserve for accrued depreciation	10,471.54
Reserve for amortization of intangibles	283.62
Corporate deficit	<u>(4,043.26)</u>
Total liabilities	<u>\$330,584.19</u>

The testimony shows that Applicant's business and plant investment have expanded very rapidly. On December 31, 1946, it had 139 service connections, on December 31, 1947, 532, and at the time of the hearing on this application, about 725. Its monthly gross revenue increased from \$321.84 in December, 1946, to \$1,203.76 in December, 1947, and to \$1,989 in May, 1948.

Applicant has issued and sold at \$10 a share, under Commission authority, 3,855 shares of its no par value common stock. Its annual report shows that the shares are owned by the following:

Camille A. Garnier	949
Constance A. Garnier	951
June G. White	950
Fred C. Waddingham	500
C. H. Dietz	500
E. S. Golster	5

Applicant has recently amended its Articles of Incorporation, so as to provide for an authorized issue of 100,000 shares of common stock without par value and 5,000 shares of preferred stock having a par value of \$100 per share. The preferred shares carry a dividend rate of 5-1/4% and are redeemable at \$104 per share, plus accrued dividends. The Articles provide that the holders of both common and preferred shares issued and outstanding, except as otherwise provided by law or otherwise expressly provided by the Articles of Incorporation, shall have and possess the right to notice of shareholders' meetings and voting rights and powers. Each share of stock has one vote.

As said, Applicant asks permission to issue and sell 1,145 shares of common stock at \$10 per share, and 500 shares of 5-1/4% cumulative preferred stock at \$100 per share. It will use the proceeds to pay indebtedness incurred because of the acquisition and installation of additional properties, and to maintain and improve its service. The 1,145 shares of common stock will be acquired by Applicant's present stockholders. If they are issued, Applicant would have outstanding 5,000 shares of common stock representing an investment of \$50,000. If the preferred shares are sold, the holders of such shares, while providing Applicant also with \$50,000, would only have 500 votes. In our opinion the voting rights of different classes of stockholders should be related to the consideration paid for the

stock. We have no objection to Applicant issuing the 500 shares of preferred stock, provided it amends its Articles of Incorporation so as to give the holders of its preferred stock one vote for each \$10 par value of preferred stock held by them.

O R D E R

The Commission has considered the evidence submitted at the hearing had on this application before Examiner Fankhauser on June 16, 1948, and is of the opinion that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by San Jose Hills Water Company for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. San Jose Hills Water Company, after the effective date hereof and on or before December 31, 1948, may issue and sell at not less than \$10 per share, 1,145 shares of its no par value common stock and at \$100 per share, 500 shares of its 5-1/4% cumulative preferred stock, and use the proceeds to pay indebtedness incurred in the acquisition and installation of its properties and for the maintenance and improvement of its service.

2. The authority herein granted to issue the 1,145 shares of common stock is effective upon the date hereof. The

authority herein granted to issue the 500 shares of 5-1/4% preferred stock will become effective when San Jose Hills Water Company has filed with the Commission an amendment to its Articles of Incorporation according to the holders of said shares of preferred stock one vote for each \$10 par value of said preferred stock.

3. San Jose Hills Water Company shall file with the Public Utilities Commission such report, or reports, as are required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

Dated at San Francisco, California, this 29th day of June, 1948.

R. F. Morrison
Justus F. Coe
Frank Russell
Harold Hule
Arnold Lott
Commissioners