

Decision No. 44437

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA WATER COMPANY

for an order authorizing issuance
of common shares of the par value
of \$5 per share upon reclassifi-
cation of its common shares of the
par value of \$25 per share.

Application
No. 31492

O P I N I O N

In this application, Southern California Water Company reports that it proposes to amend its Articles of Incorporation so as to provide for shares of common stock of the par value of \$5 each, in lieu of the present shares of common stock of the par value of \$25 each. It requests authority to issue such number of new shares of common stock in exchange for presently outstanding shares as may be required on the basis of five new common shares of the par value of \$5 each for one common share of the par value of \$25 now outstanding, and also to issue such number of common shares of the par value of \$5 each as may be required, from time to time, upon conversion of its outstanding Preferred Shares, 5½% Convertible Series.

As of June 6, 1950, applicant is authorized by its Articles of Incorporation to issue 97,710 shares of preferred stock and 300,000 shares of common stock, all of the par value of \$25 each, with voting rights on the basis of one vote for each share. The number of shares of each class outstanding, and the par value thereof, is as follows:

	<u>Shares</u>	<u>Par Value</u>
Preferred Shares, 4 $\frac{1}{2}$ % Series	32,000	\$ 800,000
Preferred Shares, 4% Series	32,000	800,000
Preferred Shares, 5 $\frac{1}{2}$ % Convertible Series	<u>33,710</u>	<u>842,750</u>
Total Preferred Shares	97,710	2,442,750
Common Shares	<u>86,823.8</u>	<u>2,170,595</u>
Total	<u><u>184,533.8</u></u>	<u><u>\$4,613,345</u></u>

Common shares in the aggregate number of 20,226 are reserved for issue upon conversion of the outstanding Preferred Shares, 5 $\frac{1}{2}$ % Convertible Series, being at the rate of 0.6 shares of common stock for one share of said preferred stock.

Applicant has decided to split up its shares of common stock, at the rate of five for one, in order to permit the sale of such shares on a lower unit price basis which it feels will be more attractive to a larger field of investors. It reports that during the last twelve months the market price of its shares of common stock has ranged from a low of \$38-3/4 bid and \$39-3/4 asked to a high of \$46 bid and \$47 asked, and that it has been advised by investment dealers that the price range is too high to attract the average investor and constitutes an obstacle to the marketing of additional shares on favorable terms. Applicant is of the opinion that it is necessary, in meeting its requirements, to obtain additional funds from the issue of shares of common stock in order to develop and maintain a balanced capital structure and that the program now proposed should enable it to obtain additional common stock capital upon terms more favorable than now are available. (1)

(1)

Presently, applicant's capital structure is as follows:	
Bonds	54%
Preferred stock	21%
Equity capital (including surplus and premiums on stock)	<u>25%</u>
	100%

Accordingly, applicant proposes to amend its Articles of Incorporation so as to provide for an authorized issue of 1,600,000 shares, divided into 100,000 shares of preferred stock of the par value of \$25 each, and 1,500,000 shares of common stock of the par value of \$5 each, the aggregate par value of all shares being \$10,000,000. In order to preserve the existing distribution of voting rights, the proposed amendment to the Articles will provide that all preferred shares shall be entitled to voting rights on the basis of one vote per share and all common shares shall be entitled to voting rights on the basis of one-fifth of one vote per share.

Following the adoption of the amendment to the Articles, applicant proposes to issue five new shares of common stock in exchange for each share of common stock now outstanding. It is unable to state the number of new shares which will be required to be issued inasmuch as some Preferred Shares, 5 $\frac{1}{2}$ % Convertible Series may be presented for conversion prior to the effective date of the proposed amendment and the outstanding shares of common stock thereby increased accordingly. The total number of shares to be issued in exchange for present shares upon the split-up becoming effective will be equal to five times the number of \$25 shares then outstanding.

As a result of the proposed split-up, there will be an increase in the number of shares of common stock issuable upon conversion of the Preferred Stock, 5 $\frac{1}{2}$ % Convertible Series. The conversion rate following the split-up will be three shares of common for each share of convertible stock.

Upon reviewing the application, the Commission is of the opinion that an order should be entered granting applicant's request.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the shares of stock herein authorized is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company may amend its Articles of Incorporation as set forth in this proceeding and, upon the reclassification and split-up of its shares of common stock of the par value of \$25 each, may issue such number of shares of common stock of the par value of \$5 per share in exchange for shares of common stock of the par value of \$25 per share as may be required on the basis of five common shares of the par value of \$5 for each common share of the par value of \$25.
2. Southern California Water Company may issue, from time to time, such number of shares of common stock of the par value of \$5 per share as may be required to effect the conversion of the outstanding Preferred Shares, 5½% Convertible Series.
3. Southern California Water Company shall file with the Commission quarterly reports showing the number of shares of common stock of the par value of \$5 each issued in exchange for shares of common stock of the par value of \$25 each, the expenses incurred to effect such exchange and the accounts to which such expenses were charged, the first report to be filed on or before October 31, 1950 covering the period from the effective date of

this order to and including September 30, 1950, and subsequent reports to be filed within thirty days after the end of each quarter thereafter until substantially all of the shares have been exchanged.

4. The authority herein granted will become effective when Southern California Water Company has filed with the Commission a certified copy of its Articles of Incorporation amended as indicated in this proceeding.

Dated at San Francisco, California, this 27th day of June 1950.

R. E. Duntaway

Joseph H. Powell

Harold A. Kille

Commissioners