

ORIGINAL

Decision No. 47529

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

CATALINA ISLAND STEAMSHIP LINE,
a California corporation,

for an order authorizing the distribution of its reduction surplus.

Application
No. 33555

O P I N I O N

In this application Catalina Island Steamship Line seeks an order of the Commission authorizing it to distribute the reduction surplus now standing on its books in the amount of \$605,686.13.

The reduction surplus, originally in the amount of \$1,000,000, was set up on the company's books in 1934 upon the reduction of its outstanding stock from \$2,000,000 to \$1,000,000 pursuant to authorization granted by the Commission by Decision No. 27188, dated June 30, 1934, in Application No. 19501. At that time the Commission required the company to file a stipulation in which it agreed that it would not declare a dividend out of the reduction surplus thus created without the consent of the Commission. Subsequently, by Decision No. 46401, dated November 13, 1951, the Commission approved the distribution of \$394,313.87 of the amount.

The present application shows that the company is a wholly owned subsidiary of Santa Catalina Island Company and that it is engaged as a public utility in operating vessels for the transportation of freight and passengers between Catalina Island and the mainland and in operating tugboats in Los Angeles and Long Beach

Harbors. It appears that it desires to dispose of its non-utility operations and that it has made, or is making, arrangements to transfer its tugboats and certain current assets at their book value to Wilmington Transportation Company, a presently inactive affiliated corporation, in exchange for shares of stock. Thereafter, it proposes to distribute such shares of stock (\$300,000 par value) as a dividend to its parent corporation, charging the same against its reduction surplus account, and to eliminate the remainder of that account by an appropriation to its earned surplus account of \$1,929.48 in order to wipe out the deficit at the close of 1951 and by the payment of a cash dividend of \$303,756.65.

At the conclusion of these transactions, Catalina Island Steamship Line will be engaged solely in the public utility transportation business. It will have no long-term debt and will have a favorable cash position, its May 31, 1952 balances, giving effect to its program, being reported as follows:-

| | |
|--------------------------------|------------------|
| Current assets- | |
| Cash and government securities | \$525,880 |
| Accounts receivable | 43,998 |
| Inventories | 41,850 |
| Prepaid expenses | 13,601 |
| Total current assets | <u>625,329</u> |
| Liabilities- | |
| Current liabilities | 158,024 |
| Excess of current assets | <u>\$467,305</u> |

The company reports that its business is seasonal in its nature, that during the first five months of the year it usually suffers a loss in its operations, such loss having amounted to \$253,300 for the five months ended May 31, 1952; and to \$254,069 for the five months ended May 31, 1951, although it realized a profit of \$40,523 for the entire year, and that May 31st normally marks the peak of its working capital requirements. It concludes, therefore, that its working assets, as indicated by the preceding tabulation after giving effect to the proposed distribution of

assets and cash, will be ample for its needs. It further points out that in connection with its 1951 rate application the staff of the Commission reviewed the cash requirements of the business and included an allowance of \$300,000 for working capital in the rate base it recommended. ⁽¹⁾

Upon considering this application it appears to us that the transactions proposed by the company will not adversely affect its service to the public or the position of its creditors nor impair its financial position. Accordingly, an order will be entered granting the application.

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; therefore,

IT IS HEREBY ORDERED as follows:

1. Catalina Island Steamship Line, after the effective date hereof and on or before December 31, 1952, may distribute the remaining balance of \$605,686.13 in its reduction surplus account in the manner set forth in this application and referred to in the preceding opinion.

(1) By Decision No. 45885, dated June 26, 1951, in Application No. 32317, the Commission authorized increases in passenger fares which the company estimated would augment its annual operating revenues by \$105,000.

2. The stipulation filed by the company pursuant to the order in Decision No. 27188, dated June 30, 1934, in Application No. 19501, is revoked and annulled.

3. This order will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 5th day of August, 1952.

B. J. [Signature] President
Justice J. [Signature]
Harold A. [Signature]
[Signature]
[Signature] Commissioners