

ORIGINAL

Decision No. 57131

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of

CAPITOL ACCOMMODATIONS, INC.,
a California Corporation,

Application No. 40261

For an Order authorizing applicant
to transfer earned surplus to
stock account and concurrently
therewith, to issue shares of
stock.

OPINION AND ORDER

This is an application for an order of the Commission authorizing Capitol Accommodations, Inc., to issue 7,000 shares of its common stock as a share dividend.

Applicant is a California corporation engaged in the operation of a public utility water system in a portion of Sacramento County. Its 1957 annual report to the Commission shows 1,522 active service connections at December 31, 1957, with operating revenues for the year amounting to \$57,395. At June 30, 1958, applicant reports assets of \$300,883, financed by \$220,019 of liabilities, \$1,000 of capital stock, \$248 of donated surplus and \$79,616 of earned surplus.

As a step toward improving its capital structure, applicant now proposes to issue 7,000 shares of its common stock at a stated

value of \$10 per share to its shareholders in order to capitalize a portion of its retained earnings. The proposal does not call for the withdrawal of cash but merely for the transfer of \$70,000 from earned surplus to the capital stock account.

A review of this matter clearly shows that applicant has had earnings from operations in excess of the proposed stock dividend, that such earnings have been retained in the business and that shares of stock properly may be issued against such earnings. We are of the opinion that the money, property or labor to be procured or paid for by the issue of the stock is reasonably required for the purpose specified herein, that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that an ex parte order should be entered granting the application; therefore,

IT IS HEREBY ORDERED as follows:

1. Capitol Accommodations, Inc., on and after the date hereof and on or before December 31, 1958, may issue not exceeding 7,000 shares of its common stock for the purpose set forth in the application.

2. Capitol Accommodations, Inc., shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authorization herein granted relates only to the issue of stock and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

4. This order will become effective on the date hereof.

Dated at San Francisco, California, this 12th day of August, 1958.

E. L. Fox
President
[Signature]
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Commissioners