

**ORIGINAL**

Decision No. 58800

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SOUTHWEST WATER COMPANY, a  
California corporation, for  
permission to distribute to the  
common shareholders a stock  
dividend.

Application No. 41209

Arthur B. Giv, Jr. and Carr Deitz,  
for applicant.

O P I N I O N

Southwest Water Company has filed this application for authorization to issue shares of its common stock of the aggregate par value of not to exceed \$76,680.

The application was filed on June 8, 1959. A public hearing was held before Examiner Coleman in Los Angeles on June 24, 1959, at which time the matter was taken under submission.

Applicant has been engaged in business since the early part of 1955. It has issued 8,520 shares of common stock of the par value of \$50 each, and of the aggregate par value of \$426,000, and has accumulated earned surplus in the amount of \$82,971 up to April 30, 1959, as follows:

Net income from operations -		
1955	\$ 5,952	
1956	20,090	
1957	26,876	
1958	45,404	
1959 (four months)	<u>19,951</u>	
Total net income		\$118,273
Debits -		
Preferred stock dividends	\$ 32,827	
Miscellaneous	<u>2,475</u>	
Total debits		<u>35,302</u>
Earned surplus, April 30, 1959		<u>\$ 82,971</u>

The company now proposes to sell additional common shares but desires, first, to bring the book value of its outstanding common shares, now approximately \$60 each, down to a point more nearly equal to the par value. To this end, instead of effecting a cash distribution of its profits, it proposes to capitalize \$76,680 of its earned surplus through the issue of common shares and to distribute such shares, as a dividend, to the holders of the presently outstanding common shares at the rate of \$9 a share. The proposed distribution will result in the transfer of \$76,680 from the earned surplus account to the capital stock account, bringing the balance in the latter account up to \$502,680.

From a review of the application and of the company's financial statements it appears that it has had earnings from operations in excess of the proposed dividend, that such earnings have been retained in the business instead of being distributed as cash dividends, and that an order can be made authorizing the issue of stock against such retained earnings.

The order to be entered herein is for the issue of stock only and is not to be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

O R D E R

A public hearing having been held in the above-entitled matter and the Commission being 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 for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Southwest Water Company, on and after the effective date hereof and on or before December 31, 1959, may issue not to exceed \$76,680 par value of its common stock in reimbursement of its treasury for earnings invested in its properties. Applicant may distribute such shares as a dividend to the holders of the presently outstanding common shares.

2. Applicant 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 is effective upon the date hereof.

Dated at San Francisco, California, this  
2<sup>nd</sup> day of July, 1959.

*Ernest R. [Signature]*  
President  
*Michael [Signature]*  
*Theodore [Signature]*

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Commissioners

Peter E. Mitchell  
C. Lyn Fox  
Commissioners....., being  
necessarily absent, did not participate  
in the disposition of this proceeding.