

Decision No. 59469

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CALIFORNIA-PACIFIC UTILITIES COMPANY

for an order authorizing it to split up its Common shares by changing each outstanding Common share of the par value of \$10 each into two Common shares of the par value of \$5 each, and to issue its new \$5 par value Common shares to effect such split-up, including the issue of such number of \$5 par value Common shares as may be required to be issued upon conversion of Applicant's three series of Convertible Preferred shares, and upon conversion of Applicant's 4-7/8% Convertible Debentures or the exercise of the Warrants which may be issued to the holders of such Debentures, after the adjustments required by reason of such Common share split-up.

Application No. 41701

O P I N I O N

California-Pacific Utilities Company, a corporation, by application filed on November 25, 1959, seeks authorization to issue shares of its common stock of the par value of \$5 each in exchange for presently outstanding shares of common stock of the par value of \$10 each, in order to effect a stock split-up, on a two-for-one basis, of its outstanding common stock.

Applicant owns and operates public utility electric, gas, water and telephone systems in various parts of California; electric, gas and telephone systems in Oregon; electric, gas, water and telephone systems in Nevada; and electric systems in Idaho, Wyoming, Utah and Arizona. It is also engaged in the nonutility sale of butane-propane gas in California and Oregon.

At the present time applicant's Amended Articles of Incorporation provide for an authorized capital stock of 1,318,427 shares, consisting of 318,427 shares of preferred stock of the par value of \$20 each and 1,000,000 shares of common stock of the par value of \$10 each, of which there were, as of November 17, 1959, shares outstanding as follows:

	<u>No. of Shares</u>	<u>Total Par Value</u>
Preferred -		
5% cumulative	72,395	\$1,447,900
5.40% cumulative convertible	14,602	292,040
5.00% cumulative convertible	46,576	931,520
5.50% cumulative convertible	14,970	299,400
Total preferred	<u>148,543</u>	<u>2,970,860</u>
Common	<u>341,071</u>	<u>3,410,710</u>
Total	<u>489,614</u>	<u>\$6,381,570</u>

The preferred shares are entitled to cumulative dividends at the rates indicated and, except for the initial series of Preferred Shares designated as 5% cumulative, are convertible into common stock. There was also outstanding on November 17, 1959, an issue of 4-7/8% Convertible Debentures due June 1, 1983, which are convertible into shares of common stock.

Applicant now is undertaking to further amend its Articles of Incorporation so as to change its authorized common shares from 1,000,000 of the par value of \$10 each to 2,000,000 of the par value of \$5 each, the effect of which will be to split the outstanding common shares on a two-for-one basis. It is not proposed to increase the total capital or surplus but merely to divide the common stock into twice the present number of shares and to reduce the par value of each common share to one half of its present par value. Applicant's management is of the opinion that the proposed stock split will broaden the market for its common shares and will result in a wider distribution and in an increased number of shareholders, all of which applicant believes is desirable and will facilitate future financing.^{1/}

As now provided by the Articles of Incorporation the preferred shares, with a par value of \$20 each, are entitled to two votes per share and the common shares, with a par value of \$10 each, are entitled to one vote per share. The Amended Articles of Incorporation which applicant proposes to file in order to effectuate the stock split do not provide for a change in the voting rights, it being applicant's position that the present provision of allowing two votes for each preferred share and one vote for each common share is equitable. In explanation of this

^{1/} On the basis of applicant's balance sheet as of December 31, 1958, the presently outstanding common shares have a book value of approximately \$23 each. Information before the Commission shows that the shares have been quoted recently on the over-the-counter market at \$37-3/4 bid.

position, it was noted that, on the basis of the December 31, 1958 recorded balances and assuming a two-for-one split in the common shares outstanding as of that date, the book value of each common share would be approximately \$11.50 as compared with the \$20 par value of each share of preferred stock outstanding.

With the change in par value of the common stock, the conversion prices of the preferred stock, excepting the initial series of Preferred Shares designated as 5% cumulative, and that of the issue of 4-7/8% Convertible Debentures due June 1, 1983, will be proportionately changed.

In considering this matter it appears to us that the proposed transaction will not be adverse to the public interest. Accordingly, we will enter our order granting applicant's requests.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for through the issue of the 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. California-Pacific Utilities Company, on or after the effective date hereof, may change its authorized common shares from 1,000,000 of the par value of \$10 each to 2,000,000 of the par value of \$5 each and may issue to each holder of outstanding common shares certificates representing two common shares of the par value of \$5 each for each common share of the par value of \$10 each.

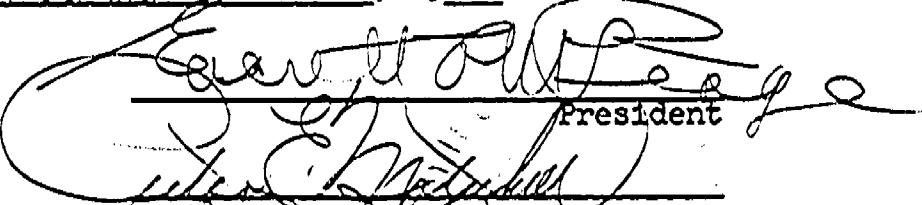
2. California-Pacific Utilities Company, from time to time, may issue common shares of the par value of \$5 each to persons who wish to surrender, in exchange therefor, shares of applicant's outstanding 5.40% cumulative convertible preferred shares, 5.00% cumulative convertible preferred shares and 5.50% cumulative convertible preferred shares, after giving effect to the adjustments in the respective conversion prices and conversion bases of such shares which are required by the stock split.

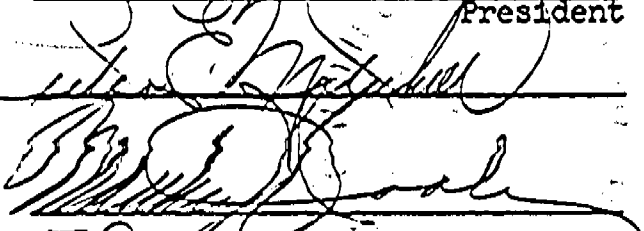
3. California-Pacific Utilities Company, from time to time, may issue common shares of the par value of \$5 each upon conversion of any of its then outstanding 4-7/8% Convertible Debentures due June 1, 1983, or upon the exercise of warrants which may be issued to the holders of such debentures, after giving effect to the adjustments in the conversion price and the conversion basis of such debentures, which are required by the stock split.

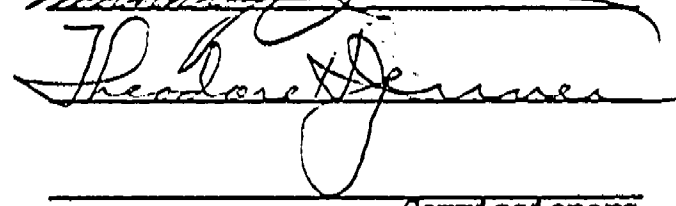
4. California-Pacific Utilities Company shall charge the expenses of effecting the conversion of the common stock to its earned surplus account.

5. The authority herein granted will become effective when California-Pacific Utilities Company has filed with the Commission a certified copy of its Certificate of Amendment to its Articles of Incorporation to reflect the changes in its capital stock referred to in this proceeding.

Dated at San Francisco, California,
this 21st day of December, 1959.



President




Commissioners