

ORIGINAL

Decision No. 65084

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SAN GABRIEL VALLEY WATER COMPANY  
for authority to issue Common  
Shares as a Stock Dividend.

Application No. 45172  
Filed February 8, 1963

O P I N I O N

San Gabriel Valley Water Company has filed this application for authorization to issue 53,200 shares of common stock of the par value of \$10 each. It proposes to issue its shares by the capitalization of retained earnings and to distribute them, as a share dividend, to the holders of its presently outstanding common shares.

The company has 133,000 common shares outstanding. It reports that it paid no dividends from the date of its incorporation in 1945 to 1957, but instead retained its earnings in its business to assist in the financing of plant; that in 1957 it inaugurated a dividend policy based on a limited pay-out which resulted in the retention of the major portion of its earnings in its business, the records showing an average pay-out ratio during the years subsequent to 1956 of 37.7%; and that as a result of its policies it had accumulated a balance of \$978,287 in its earned surplus

account as of November 30, 1962. To accomplish the capitalization of a portion of its retained earnings, the company will transfer \$532,000 from its earned surplus account to its capital stock account, the stockholders' total investment in the business, as represented by the net worth, being unaffected, of course, by the transaction.

A review of recorded results of operations shows that the company has had earnings from operations in excess of the proposed share dividend, that it had need for such earnings in financing the expansion of its plants and facilities, and that an order is warranted authorizing the capitalization of a portion of such earnings, as now proposed, through the issue of the \$532,000 of stock.

In issuing such an order, we are making no finding of the value of applicant's stock or properties and we place the company upon notice that we will not regard the dividends paid on its common shares as measuring the rate of return it should be allowed to earn on its investment. The authorization herein granted is for the issue of stock and is not to be construed as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates.

In our opinion, 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 such

purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. San Gabriel Valley Water Company, on or after the date hereof and on or before June 30, 1963, may issue not to exceed 53,200 shares of common stock, at par, for the purpose specified in this application.

2. On or before July 31, 1963, San Gabriel Valley Water Company, in lieu of a General Order No. 24-A report, shall file with the Commission a statement showing the number of shares issued under the authorization herein granted and the journal entries used to record such issue on its books of account.

3. The authorization herein granted shall become effective on the date hereof.

Dated at San Francisco, California,  
this 19th day of August, 1963.

George Hoover  
President

[Signature]

[Signature]

Fredrick B. Holboff

[Signature]  
Commissioners