

ORIGINAL

Decision No. 68891

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of San Gabriel Valley Water )  
Company for an Order authorizing )  
it to issue and sell 20,000 )  
shares of a new series of its )  
Preferred Stock; to issue and )  
sell not to exceed 13,800 shares )  
of its Common Stock; to issue )  
and sell \$1,500,000 principal )  
amount of its First Mortgage 5% )  
Improvement Fund Bonds, Series I, )  
Due October 1, 1994, and to )  
execute to Bank of America )  
National Trust and Savings )  
Association, as Trustee, an )  
Indenture supplemental to its )  
existing Indenture, as amended, )  
securing the Company's bonded )  
indebtedness. )

Application No. 47224  
Petition for Modification  
Filed March 10, 1965

FIRST SUPPLEMENTAL ORDER

By Decision No. 68514, dated January 19, 1965, in this proceeding the Commission, among other things, authorized San Gabriel Valley Water Company to issue and sell not to exceed 13,800 shares of its \$10 par value common stock at a price of \$20 per share for a total cash consideration of \$276,000.

The Petition for Modification indicates that preliminary negotiations with the proposed purchasers have caused the company to question the advisability of setting the offering price substantially in excess of the book value which is stated to be \$14.77 per share, as of November 30, 1964. Applicant

therefore requests modification of said Decision No. 68514 to the extent of authorizing the issue and sale of 13,800 shares of its \$10 par value common stock at a price of \$15 per share for a total cash consideration of \$207,000. The company asserts that the proposed reduction of \$69,000 in proceeds would not affect its capital structure or financing program materially. It reports further that the common stock is closely held and that no market value exists.

The Commission has considered this Petition for Modification and finds that the proposed reduction in the price of the common stock would not be adverse to the public interest. On the basis of this finding we conclude that the Petition for Modification should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Ordering Paragraph 4 of Decision No. 68514, dated January 19, 1965, is hereby amended to read as follows:

4. San Gabriel Valley Water Company, on or before December 31, 1965, may issue and sell not to exceed 13,800 shares of its \$10 par value common stock at a price of \$15 per share for a total cash consideration of \$207,000.

2. Decision No. 68514, dated January 19, 1965, shall remain in full force and effect, except as modified by this First Supplemental Order.

3. The effective date of this First Supplemental Order is the date hereof.

Dated at San Francisco, California,  
this 13<sup>th</sup> day of APRIL, 1965.

Fredrick B. Holbrook  
President

George T. Hoover

Augustus

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Commissioners

*I would not grant  
the modification  
William B. Bennett*

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 and sell 20,000 shares of a new series )  
 of its Preferred Stock; to issue and )  
 sell not to exceed 12,800 shares of )  
 its Common Stock; to issue and sell )  
 \$1,500,000 principal amount of its )  
 First Mortgage 5% Improvement Fund )  
 Bonds, Series I, Due October 1, 1994, )  
 and to execute to Bank of America )  
 National Trust and Savings Association, )  
 as Trustee, an Indenture supplemental )  
 to its existing Indenture, as amended, )  
 securing the Company's bonded indebted- )  
 ness. )

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COMMISSIONER PETER E. MITCHELL DISSENTING:

I would request that the majority be more explicit in their decision. The order recites that: "The Petition for Modification indicates that preliminary negotiations with the proposed purchasers have caused the company to question the advisability of setting the offering price substantially in excess of the book value which is stated to be \$14.77 per share as of November 30, 1964."

Would the majority please elaborate on who the proposed purchasers are? Are the proposed purchasers and the company essentially the same? If they are, how can they negotiate with themselves?

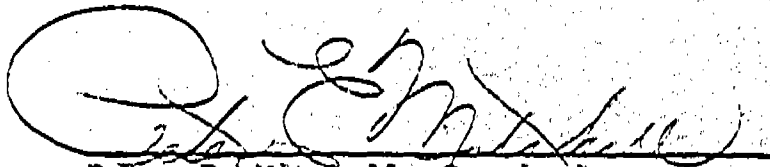
Would the majority please explain their rationalization for reducing the offering price of the proposed common stock issue from \$20 <sup>1/</sup> to \$15 per share? Why not \$10 a share, or even \$5 a share?

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1/ Authorized by Decision No. 63514

Comparison of the earnings of San Gabriel Water Company with other water companies <sup>2/</sup> shows that further explanation is required before the petition should be granted.

The majority, in authorizing this modification and particularly without a hearing, have failed to exercise the power vested in them under Article 5, Chapter 4, Part I, of the Public Utilities Act. <sup>3/</sup>

  
Peter E. Mitchell, Commissioner

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<sup>2/</sup> Page 50, Public Utilities Fortnightly, Vol. 75, No. 7,  
April 1, 1965  
<sup>3/</sup> Stocks and Security Transactions