

Decision No. 84105**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 GREAT OAKS WATER CO., a California)
 corporation, for an order authorizing)
 applicant to issue as a stock dividend)
 81,778 shares of its \$2.50 par value)
 Voting Preferred Stock and 122,667)
 shares of its \$5.00 par value Non-Voting)
 Preferred Stock.)

Application No. 55450
 (Filed January 21, 1975)

O P I N I O N

Great Oaks Water Co. seeks authority to issue, as a stock dividend, 81,778 shares of its \$2.50 par value Voting Preferred Stock and 122,667 shares of its \$5.00 par value Non-Voting Preferred Stock.

Applicant is a California corporation furnishing public utility water service in a portion of Santa Clara County. Its balance sheet as of August 31, 1974, as summarized from Exhibit B attached to the application, is as follows:

Assets

Current assets	\$ 577,742
Net plant	3,915,667
Other assets	600
Total	<u>\$4,494,009</u>

Liabilities

Current liabilities	\$ 316,064
Long-term debt	10,875
Common stock	403,890
Capital surplus	150,021
Earned surplus	916,900
Advances for construction	2,212,751
Contributions in aid of construction	392,065
Other liabilities	86,443
Total	<u>\$4,494,009</u>

The company's outstanding common stock consists of 81,778 shares having a par value of \$5 each. The utility proposes to issue, as a stock dividend, 122,667 shares of its \$5 par value (6% Cumulative) Non-Voting Preferred Stock and 81,778 shares of its \$2.50 par value (6% Non-Cumulative) Voting Preferred Stock. The shares of Non-Voting Preferred Stock and Voting Preferred Stock would be issued on the basis of 1.5 shares and 1 share, respectively, for each share of common stock outstanding. The transactions would be accomplished by transferring \$817,780 from the Earned Surplus Account to the Preferred Capital Stock Accounts. Each share of the Voting Preferred Stock is entitled to one vote.

The application indicates that the voting provisions of the proposed stock would insure retention of control by the Roeder family, while making it possible for dispositions of common stock to be made in order to reduce potential estate taxes, and thereby preventing a forced sale of a substantial interest in the utility. According to the application, the proposed transactions would assure applicant's water users a continuation of the excellent service which they have received through the years as a result of local control and operation.

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Applicant's retained earnings from operations exceed the proposed stock dividend to the extent that it may properly issue the stock dividend against such earnings.
3. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

The action taken herein is based upon the merits of this particular application, and is not to be construed as a precedent.

O R D E R

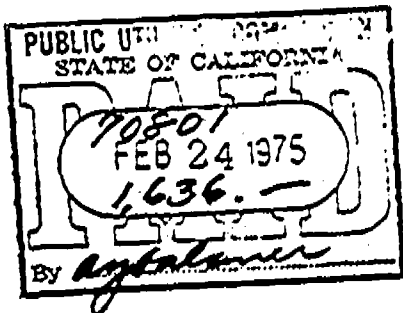
IT IS ORDERED that:

1. Great Oaks Water Co., on or after the effective date hereof and on or before April 30, 1975, may issue and distribute as a stock dividend not exceeding 81,778 shares of its \$2.50 par value Voting Preferred Stock and not exceeding 122,667 shares of its \$5 par value Non-Voting Preferred Stock, in the manner and for the purpose set forth in this proceeding.

2. Great Oaks Water Co. shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Great Oaks Water Co. has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$1,636.

Dated at San Francisco, California, this 19th day of February, 1975.



Yusuf L. Shuman
President
William J. Quinn
Donald R. Ross
Commissioners