

Decision No. 22131.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY, a corporation, for order authorizing issue of bonds and stock and mortgage of certain public utility properties, and, jointly with The Marysville Water Company and Raymond Beeny, for order authorizing sale and purchase of certain public utility securities and properties.

ORIGINAL

Application No. 16226

McCutchen, Olney, Mannon & Greene,  
by James D. Adams and Henry D. Costigan,  
for applicants.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order authorizing:-

1. California Water Service Company to acquire the outstanding stock of The Marysville Water Company;
2. The Marysville Water Company to sell and transfer its business, franchises and properties to California Water Service Company and to discontinue its public utility obligations upon transfer of its business, franchises and properties;
3. California Water Service Company to purchase the business, franchises and properties of The Marysville Water Company and to issue and sell \$289,000.00 of its first mortgage five percent bonds, Series "A", due 1958, \$96,400.00 of its six percent preferred stock and \$96,400.00 of its common stock, for the purpose of acquiring said stock and business, franchises and properties of The Marysville Water Company; and

4. California Water Service Company to execute a supplemental trust indenture.

The application shows that California Water Service Company is a corporation engaged in the business of a public utility water company in numerous municipalities and other localities in the State of California. It appears that it desires to add to its chain of water plants through the acquisition of the water system supplying Marysville and adjacent territory and to that end has made arrangements to purchase the stock of The Marysville Water Company and thereafter to cause the transfer to it of the business, franchises and physical properties of The Marysville Water Company.

In making their petition for authority to carry their proposal into effect, applicants have filed, as Exhibit A-2, a financial statement of The Marysville Water Company showing that it has outstanding \$200,000.00 of common stock, divided into 2000 shares of the par value of \$100.00 each and no bonds or other liabilities, except current obligations. Its assets and liabilities as of November 30, 1929, are reported as follows:-

<u>ASSETS:</u>		
Fixed capital . . . . .		\$425,162.23
Investments . . . . .		2,000.00
Current assets:		
Cash . . . . .	\$1,113.14	
Accounts receivable, net . . . . .	5,224.90	
Sundry . . . . .	213.62	
Materials and supplies . . . . .	<u>8,356.15</u>	14,907.81
Prepaid accounts . . . . .		<u>1,860.69</u>
	TOTAL ASSETS . . . . .	<u>\$443,930.73</u>
<u>LIABILITIES:</u>		
Capital stock . . . . .		\$200,000.00
Current liabilities:		
Contract payable . . . . .	1,250.00	
Accounts payable . . . . .	455.49	
Accruals . . . . .	3,993.50	
Due California Water Service Company . . . . .	817.41	
Consumers' deposits . . . . .	56.00	
Overdraft . . . . .	<u>869.73</u>	7,442.13
Reserves . . . . .		52,985.59
Capital surplus . . . . .		21,000.00
Surplus . . . . .		<u>162,503.01</u>
	TOTAL LIABILITIES . . . . .	<u>\$443,930.73</u>

The record shows that recently the outstanding stock of The Marysville Water Company was acquired by Raymond Beeny, the secretary and treasurer of California Water Service Company. It appears that Mr. Beeny purchased such stock and now holds it on behalf of Federal Water Service Corporation and that it is planned to transfer said stock to California Water Service Company at the price paid for it by the present holder. To obtain the funds necessary to make the purchase, California Water Service Company asks permission to issue and sell \$289,000.00 of its first mortgage five percent bonds at 92; \$96,400.00 of its preferred stock at 91; and \$96,400.00 of its common stock at 100.

At the time this matter came up for hearing on February 5, 1930, applicants had not caused any valuations of the properties of The Marysville Water Company to be made in support of the request to issue securities in the amounts mentioned. The hearing was continued to enable the applicants and the Commission's Engineering Department to make a study of the cost and/or value of the properties to be transferred. California Water Service Company has requested, that pending the completion of the engineers' study, the Commission enter a preliminary order permitting the transfer of the properties and the issue of some of the stock and bonds. This request we believe may be granted. The order herein will permit the transfer and authorize California Water Service Company to issue, at this time, \$150,000.00 of bonds and \$50,000.00 of common stock. An order authorizing the issue of additional securities will be entered after the engineering studies have been completed and this matter submitted for a final determination of the total

amount of stocks and bonds California Water Service Company should be permitted to issue to acquire the aforesaid stock and properties. The price which California Water Service Company may pay for the stock and/or the properties of The Marysville Water Company shall be charged to a suspense account and carried thereunder until such time as the Commission has entered a final order in this matter and determined how much of said price may be charged to fixed capital accounts.

Following the acquisition of the properties, California Water Service Company proposes to execute a supplemental indenture specifically subjecting the properties to the lien of its indenture of April 1, 1928, securing the payment of its outstanding bonds. A copy of the proposed instrument is filed as Exhibit "C" and seems to be in satisfactory form.

#### ORDER

Application having been made to the Railroad Commission, as set forth in the preceding opinion, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that California Water Service Company should be authorized, at this time to acquire the stock and properties of The Marysville Water Company, to execute a supplemental indenture and to issue \$150,000.00 of bonds and \$50,000.00 of common stock; and being further of the opinion that the issue of such stock and bonds is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:

1. California Water Service Company may acquire on or before June 30, 1930, the outstanding stock of The Marysville Water Company.
2. The Marysville Water Company may sell and transfer on or before June 30, 1930, all of its business, franchises and properties to California Water Service Company, and California Water Service Company may purchase such business, franchises and properties.
3. The Marysville Water Company may discontinue its public utility obligations and services if, when and as the transfer of its properties to California Water Service Company becomes effective.
4. California Water Service Company may issue and sell, on or before June 30, 1930, not exceeding \$150,000.00 of its first mortgage five percent bonds at not less than 92 percent of the face value plus accrued interest, and \$50,000.00 of its common stock at not less than par, and may use such bonds and stock, or the proceeds to be received therefrom, to pay in part for the stock and/or properties of The Marysville Water Company.
5. California Water Service Company may execute on or before June 30, 1930, a supplemental indenture substantially in the same form as that filed with the application herein as Exhibit "C".
6. California Water Service Company shall charge the price it may pay for the stock and/or business, franchises and properties of The Marysville Water Company to a suspense account and shall carry the amount in such account until such time as the Commission has entered a final order in this matter and determined

how much of said price may be charged to fixed capital accounts.

The authority herein granted is subject to the following conditions:

- (a) The authority herein granted to execute a supplemental indenture is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such trust indenture as to such other legal requirements to which it may be subject.
- (b) California Water Service Company shall file with the Commission within sixty days after the execution of the deed, or deeds, conveying to it the properties herein authorized to be transferred, a copy thereof, and at the same time a statement showing the exact date upon which it took possession of the properties of The Marysville Water Company and commenced to operate them, and a verified statement, as required by the Railroad Commission 's General Order No. 24, which order, insofar as applicable, is made a part of this order.
- (c) The Commission reserves the right to make such further order in this proceeding as it may deem necessary, with reference to the issue of additional securities, the filing of General Order No. 24 reports, the recording of the transaction on the books of account of California Water Service Company and

other matters.

- (d) The authority herein granted will become effective five days after California Water Service Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Fifty (\$150.00) Dollars.

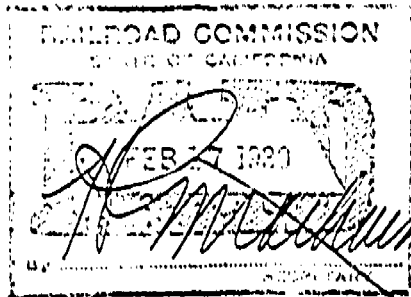
DATED at San Francisco, California, this 15<sup>th</sup> day of February, 1930.

Al Seamy

Leon C. Kelly  
Thos. J. Luitel

W. J. [Signature]

Commissioners.



Fee # 24737