

Decision No. 28457

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
for an order authorizing BEAR VALLEY
UTILITY COMPANY to merge with Amer-
ican States Water Service Company of
California and for an order author-
izing said American States Water Ser-
vice Company of California as the
surviving corporation to make a mort-
gage or deed of trust of its proper-
ties and franchises to secure issuance
of its serial first mortgage bonds,
and to issue \$3,400,000. principal
amount of said first mortgage bonds,
Series A 4-1/2%.

ORIGINAL

Application No. 20272

Paul Overton, for applicants.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its order authorizing the merging of Bear Valley Utility Company into the American States Water Service Company of California as the surviving corporation pursuant to the terms and conditions of the agreement of merger filed in this proceeding as Exhibit No. 2, and authorizing the said American States Water Service Company of California as such surviving corporation to issue \$3,400,000. principal amount of first mortgage bonds Series A 4-1/2%, for the purpose of paying outstanding indebtedness and to execute a trust indenture and a supplemental trust indenture substantially in the same form as the trust indenture and supplemental trust indenture filed in this proceeding as Exhibit No. 1.

The Bear Valley Utility Company is a California corporation and is engaged in the distribution and sale of water for domestic, commercial and irrigation purposes and in the distribution and sale

of electric energy in Bear Valley, San Bernardino County, California. All of the company's capital stock is owned by American States Public Service Company.

The American States Water Service Company of California is a California corporation engaged generally in the distribution and sale of water for domestic, commercial and irrigation purposes in the Counties of Los Angeles, Orange, Imperial, Ventura and Sacramento in California. The outstanding stock of this corporation is likewise owned by the American States Public Service Company.

For 1934 the American States Water Service Company of California reported operating revenues of \$993,695.42 and the Bear Valley Utility Company, operating revenues of \$36,558.83. The operating revenue of the two companies aggregated \$1,030,254.25. The operating expenses of the combined properties are reported at \$691,729.29, resulting in net operating revenues of \$338,524.96. The companies further report nonoperating revenues of \$11,549.59 and uncollectible bills of \$6,422.51. The amount available for interest, dividends and surplus is reported at \$343,652.04.

It is of record that the Bear Valley Utility Company has outstanding \$100,000. of common capital stock. Prior to or concurrently with the merging of its properties with those of the American States Water Service Company of California the \$100,000. of stock will be cancelled. No change will occur in the authorized or issued capital stock of the surviving corporation by reason of the merger of the two corporations. From the agreement of merger filed as Exhibit No. 2 it appears that any action or proceeding now pending by or against Bear Valley Utility Company may be prosecuted to judgment, and any such judgment shall bind the surviving corporation, to-wit; American States Water Service Company of California, or any such action or proceeding may be prosecuted directly against said surviving corpora-

tion or said surviving corporation may be substituted in lieu of said Bear Valley Utility Company.

Upon the merger of the two companies the surviving corporation, to-wit, the American States Water Service Company of California, will have outstanding at the time such merger takes effect, the following obligations which are owned and held by the American States Public Service Company:-

a. Obligations of American States Water Service Company of California:

Unsecured 25-year 6% notes dated May 1, 1934 to order of American States Public Service Company	\$3,003,728.00
Unsecured demand 8% note dated June 1, 1934 to order of American States Public Service Company	10,000.00
Unsecured demand 8% note dated June 1, 1934 to order of American States Public Service Company	51,000.00
Portion of balance due American States Public Service Company on open account	36,724.20

b. Obligations of Bear Valley Utility Company:

Unsecured demand 8% note dated June 1, 1934 to order of American States Public Service Company	190,500.00
Unsecured demand 8% note dated June 1, 1934, to order of American States Public Service Company	80,000.00
Portion of balance due American States Public Service Company on open account	28,047.80

Total.....	<u>\$3,400,000.00</u>
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The 25-year 6% unsecured note in the sum of \$3,003,728.00 mentioned above was issued under the authority granted by the Railroad Commission under Decision No. 27286 dated August 20, 1934 in Application No. 19560. The \$190,500.00 unsecured 8% demand note issued by Bear Valley Utility Company represents ^{moneys} borrowed by that company for the purpose of paying \$190,500.00 of outstanding bonds. The remainder of the indebtedness was incurred for the purpose of paying for additions and betterments and for reimbursing the company by reason of income expended for additions and betterments.

The American States Water Service Company of California proposes to issue \$3,400,000.00 of 4-1/2% bonds due October 1, 1960 for the purpose of paying the above mentioned outstanding notes. Through the refunding of the notes the company will save approximately \$53,750.00 annually in interest charges.

The payment of the \$3,400,000.00 of 4-1/2% bonds will be secured by a trust indenture which will be a lien on all of the properties now owned by the American States Water Service Company of California and on properties which it may hereafter acquire except accounts receivable, bills receivable, money on hand and in bank, materials and supplies, commodities constituting the whole or part of any water or stock of merchandise kept for sale and accounts arising from and contracts with respect to the sale of such water or merchandise, contracts and operating agreements with other companies, and all bonds and other securities and shares of stock not specifically required by any provision of the indenture to be deposited or pledged with the trustee. However, the trust indenture provides that upon the happening of an event of default as defined in Section one of Article eight of the indenture, the foregoing property will forthwith become and be subject to the lien of the indenture, and that all of said property or the evidences thereof shall forthwith be delivered by the company to the trustee.

No one appeared at the hearing to protest the granting of this application. While the properties of Bear Valley Utility Company are now under the same management as are the properties of the American States Water Service Company of California, it appears that some minor economies can be effected through the merger of the two corpo-

rations. The principal saving that will be effected through the merger of the corporations and the issue of the bonds will be the annual interest charge because of the refunding of the outstanding notes through the issue of 4-1/2% bonds.

We believe that the merger of the properties will not adversely affect the service rendered by either of the companies and that it is desirable that the outstanding indebtedness of the two companies be refunded through the issue of the bonds.

O R D E R

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held on this application before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by American States Water Service Company of California through the issue of \$3,400,000.00 of first mortgage bonds, Series A 4-1/2%, due October 1, 1960, is reasonably required by said American States Water Service Company of California for the purposes herein stated, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Bear Valley Utility Company and American States Water Service Company of California may, on or before March 1, 1936, enter into an agreement of merger substantially in the same form as the agreement filed in this proceeding as Exhibit No. 2.
2. American States Water Service Company of California may execute a trust indenture and a supplemental trust indenture substantially in the same form as the trust indenture and supplemental trust indenture filed in this proceeding as Exhibit No. 1, provided that the authority herein granted to execute said trust indenture and said supplemental trust

indenture is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the provisions of the Public Utilities Act and is not intended as an approval of said trust indenture and said supplemental trust indenture as to such other legal requirements to which said trust indenture and said supplemental trust indenture may be subject.

3. American States Water Service Company of California may issue at not less than par on or before March 1, 1936, \$3,400,000.00 of its first mortgage bonds, Series A 4-1/2%, due October 1, 1960 and use said bonds for the purpose of paying the indebtedness referred to in the foregoing opinion.
4. The authority herein granted will become effective when American States Water Service Company of California has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Three Hundred and Ninety-seven (\$397.00) Dollars.
5. American States Water Service Company of California shall keep such record of the issue of the bonds herein authorized and of the purposes for which said bonds are issued as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
6. Within thirty(30) days after the execution of said agreement of merger, said trust indenture and said supplemental trust indenture, American States Water Service Company of California shall file with the Commission two certified copies of said agreement of merger and two certified copies of said trust indenture

and two certified copies of said supplemental trust indenture.

DATED at San Francisco, California, this 21st day of
December, 1935.

Leon White

M. A. C.

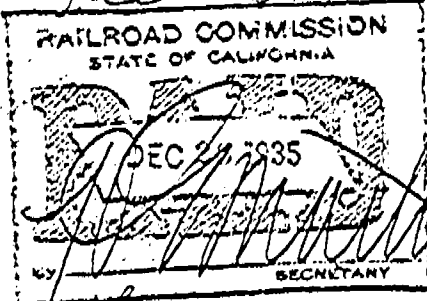
W. B. Lewis

W. H. Brown

Frank R. Allen

Commissioners.

Fee # 397⁰⁰/₁₀₀



Fee # 31783