

Decision No. 35285

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LAKE HEMET WATER COMPANY

for an Order Authorizing it to Acquire
the Stock of Hemet Town Water Company
and to Issue Evidences of Indebtedness
Payable more than Twelve Months after
the Date thereof for the Purpose of
Acquiring said Stock, and thereafter
to Dissolve said Hemet Town Water Com-
pany and to Acquire its Assets and
Assume its Liabilities; and

In the Matter of the Application of
HEMET TOWN WATER COMPANY

to Dissolve and Transfer its Assets
to Lake Hemet Water Company.

ORIGINAL

Application
No. 25510

Brobeck, Phleger & Harrison, by
Theodore R. Meyer, for Applicants.

BY THE COMMISSION:

O P I N I O N

In this application, the Commission is asked to
enter its Order authorizing Lake Hemet Water Company to
acquire at a cost of \$28,500, all of the outstanding stock
of Hemet Town Water Company and issue evidences of indebted-
ness payable at more than twelve months after date for the

purpose of acquiring said stock, and thereafter to dissolve Hemet Town Water Company and to acquire its assets and assume its liabilities in the course of such dissolution, and, further, authorizing Hemet Town Water Company to dissolve and distribute its assets to Lake Hemet Water Company.

Hemet Town Water Company was organized in 1901. It has an authorized stock issue of \$25,000, consisting of 250 shares, each of the par value of \$100. All of the stock is outstanding. It is owned or held by the following:

Mattie S. Weir	107-1/2 shares
Jane W. Sypher	20 "
Genevieve Bothin Lyman	20-10/12 "
American Trust Company, Trustee	41-2/3 "

Lake Hemet Water Company was organized in 1937, and acquired the properties of Lake Hemet Water Company organized in 1887. It has an authorized stock issue of \$516,000, consisting of 5,160 shares of the par value of \$100 each. All of the stock is outstanding. It is owned or held by the following:

Mattie S. Weir	2,370 shares
Jane W. Sypher	1,500 "
Genevieve Bothin Lyman	430 "
American Trust Company, Trustee	860 "

Hemet Town Water Company owns the water distributing system situate in four square blocks of the City of Hemet. The area is bounded on the north by Devonshire Street, on the east by Buena Vista Street, on the south by Acacia Street, and on the west by Gilbert Street. Within this area, Hemet Town Water Company sells water for domestic, commercial and other purposes. All of the water, which it sells, is ac-

quired from Lake Hemet Water Company. On December 31, 1942, it had 391 active service connections. Its operating revenues for 1942 are reported at \$9,847.49 and its net income at \$2,106.32. Its investment and its liabilities are reported in its balance sheet at December 31, 1942 as follows:

<u>Assets</u>		
Tangible Fixed Capital		\$ 7,537.77
Distribution Mains	\$10,957.20	
Service Connections	4,798.75	
Meters and Measuring Devices	4,416.84	
Hydrants	156.07	
General Office Equipment	23.06	
Subtotal	<u>\$20,351.92</u>	
Less - Reserve for Depreciation	<u>12,814.15</u>	
Cash		6,392.86
Due from Consumers		727.64
Note Receivable from Lake Hemet Water Co.		14,000.00
Intangible Capital --- Water rights regarded as valueless but carried on books at		12,000.00
Note Receivable due from Fairview Land and Water Company		11,506.25
Unexpired Insurance		<u>46.17</u>
Total Assets		<u>\$52,209.69</u>
<u>Liabilities</u>		
Capital Stock		\$25,000.00
Accounts Payable		295.62
Consumers' Deposits Refundable		172.58
Accrued Taxes - Other than Federal Income Taxes		108.58
Donations in Aid of Construction		5.17
Surplus		<u>26,627.74</u>
Total Liabilities		<u>\$52,209.69</u>

Lake Hemet Water Company owns and operates a public utility water system and supplies water to the inhabitants of the City of Hemet, except to those in the area served by Hemet Town Water Company, and also supplies water for domestic, commercial, irrigation, and other purposes in the territory adjacent to the City of Hemet. The company's domestic and irrigation systems are two distinct collecting and distributing systems. In the event of a water failure on the domestic system, water can be diverted into that system from the irrigation system. Lake Hemet Water Company on December 31, 1942 had 1,051 metered and seven flat rate active service connections. Its operating revenues for 1942 amounted to \$72,304.72, and its net income to \$16,809.78. It sold, during 1942, for domestic purposes, 21,931,542 cubic feet of water as compared with 5,694,449 cubic feet sold by Hemet Town Water Company. For industrial purposes, the former sold 3,186,485 cubic feet, the latter 37,892 cubic feet. For public purposes, Lake Hemet Water Company sold 576,934 cubic feet and Hemet Town Water Company, 253,950 cubic feet. In addition, Lake Hemet Water Company sold for irrigation purposes, 204,630.23 miner's inch days.

The same personnel manages, maintains, and operates the properties of Lake Hemet Water Company and Hemet Town Water Company. The acquisition of the properties of the latter by the former will do away with the maintenance of two corporate organizations, the distribution of expense between the two companies, the maintenance of separate records, and the filing of separate reports.

The metered rates for domestic service, consisting of a regular and an optional schedule are identical for each system. However, under the Lake Hemet Water Company rates, the optional schedule is in effect from May 15 to November 15, while for Hemet Town Water Company, it is in effect from May 26 to November 26. We believe that if the properties of the two companies are consolidated, Lake Hemet Water Company should file a uniform schedule which will do away with the variation in dates when service may be taken under the optional rate schedule, and also file uniform rules and regulations.

No one appeared at the hearing to protest the granting of the application.

O R D E R

A public hearing having been held on the above-entitled application before Examiner Fankhauser, and the Commission having considered the record in this application and it being of the opinion that this application should be granted subject to the provisions of this Order, therefore

IT IS HEREBY ORDERED as follows:

1. Lake Hemet Water Company may acquire at a cost of not exceeding \$28,500, all of the outstanding stock of Hemet Town Water Company, provided that the consideration paid for said stock is not construed as a finding by the Railroad Commission of the value of the properties of Hemet Town Water Company for the purpose of fixing rates.
2. In part payment for said stock, Lake Hemet

Water Company may issue after the effective date hereof, and on or before June 30, 1943, its unsecured 2% note for \$9,500, payable on or before one year after date, and its 2% unsecured note for \$9,500, payable on or before two years after date.

3. Upon the acquisition of said stock by Lake Hemet Water Company, Lake Hemet Water Company may cause the dissolution of Hemet Town Water Company, and through such dissolution receive and hold the assets of Hemet Town Water Company, provided it assumes all liabilities and obligations of Hemet Town Water Company.

4. Hemet Town Water Company may, on or before June 30, 1943, dissolve and distribute its assets to Lake Hemet Water Company.

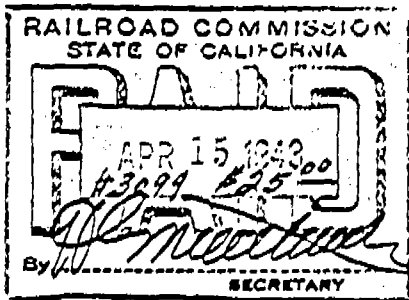
5. Lake Hemet Water Company shall, if it acquires the properties of Hemet Town Water Company, file with the Railroad Commission within sixty (60) days after it acquires said properties a uniform rate schedule showing charges for water served for domestic, commercial, irrigation, and other purposes, and also uniform rules and regulations covering its water service.

6. The authority herein granted will become effective when Lake Hemet Water Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act which minimum fee is Twenty-five (\$25.00) Dollars.

7. If Lake Hemet Water Company acquires the properties of Hemet Town Water Company, it shall file with the Railroad Commission a statement showing the date when it

acquired the stock of Hemet Town Water Company and the date when Hemet Town Water Company was dissolved. It shall also file with the Railroad Commission a copy of the deed under which it acquires and holds title to the properties formerly owned by Hemet Town Water Company and a copy of each note issued under the authority herein granted.

Dated at Sacramento, California, this 13th day of April, 1943.



Francis H. Havener
J. B. M.
Justus J. Cooney
Richard Lamb
Thomas O. Long
Commissioners.