

Decision No. 41764

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 Southern California Water Company and  
 Clara Street Water Company for an  
 order (a) authorizing Southern Cali-  
 fornia Water Company to acquire all of  
 the outstanding stock of Clara Street  
 Water Company (b) authorizing Southern  
 California Water Company, in the event  
 that it shall acquire all the out-  
 standing stock of Clara Street Water  
 Company, to acquire all of the property  
 and assets of Clara Street Water Com-  
 pany and to assume all obligations and  
 liabilities of that company, and (c)  
 authorizing Clara Street Water Company,  
 in the event that all of its stock shall  
 be acquired by Southern California  
 Water Company, to convey and transfer  
 all of its properties and assets to  
 Southern California Water Company.

-----)

**ORIGINAL**

Application  
No. 28952

O'Melveny & Myers, by Frederick N. Edwards, for  
Southern California Water Company; C. F.  
Culver, for Clara Street Water Company.

O P I N I O N

This is an application for an order:

(a) Authorizing Southern California Water Company to acquire and hold all of the outstanding stock of Clara Street Water Company, and

(b) Authorizing Clara Street Water Company to convey and transfer, through its dissolution, all of its properties and assets to Southern California Water Company, and

(c) Authorizing Southern California Water Company to assume all obligations and liabilities of Clara Street Water

Company, and

(d) Authorizing Southern California Water Company to enter said properties and assets on its books at the price paid by it for the shares of stock of Clara Street Water Company.

Southern California Water Company is a public utility, and as such engages principally in the business of distributing and supplying water in certain areas in the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento, in the State of California. It also engages as a public utility in the distributing and supplying of electricity at Bear Valley, in San Bernardino County, State of California.

Clara Street Water Company is a public utility, and as such engages in the business of distributing and supplying water in an area in the vicinity of Bell, in the County of Los Angeles, State of California. For 1947, Clara Street Water Company reports operating revenues of \$43,678.62, and net operating revenue of \$5,516.37. At the end of the year it had 2,372 active service connections, and had on its water system 100 fire hydrants. Of the active service connections, 408 were metered. The testimony shows that if the properties had been under the management of Southern California Water Company, the net operating revenue would have been about \$6,641. The net operating revenue for 1948 is estimated at \$8,928.

Clara Street Water Company has 15 shares of stock outstanding. Seven and one-half shares are owned by Bertha W. Dimmitt and seven and one-half shares by Xelis Gephart. They have agreed to sell their stock to Southern California Water Company for \$150,000, subject to the terms and conditions of the agreement on file in this application.

as Exhibit "A". The \$150,000 purchase price is subject, among others, to the following adjustments:

"(a) There shall be added to said sum of \$150,000 the following: (i) the cost to the Company of Gross Property Additions, as hereinafter defined, and (ii) an amount, if any, whereby the Current Position of the Company (as defined below in this paragraph 3) at the opening of business on the Closing Date is improved in terms of dollars over its Current Position at the close of business on December 31, 1946.

"(b) There shall be deducted from said sum of \$150,000 the following: (i) the value of Retirements as hereinafter defined, (ii) an amount, if any, whereby the Current Position of the Company at the opening of business on the Closing Date has decreased in terms of dollars as compared to its Current Position at the close of business on December 31, 1946, and (iii) the aggregate amount, if any, refunded pursuant to paragraph 6 hereof on account of unpaid tax liability of the Company."

Historical cost appraisals of the properties as of December 31, 1946, of Clara Street Water Company have been presented by Southern California Water Company and by the Valuation Division of the Public Utilities Department of the Commission. The company's testimony is to the effect that its appraisal is based on its costs for like installations. The Valuation Division's appraisal is predicated primarily on unit costs obtained from the books and records of Clara Street Water Company. The following is a summary of the two appraisals:

Account No.	Account	Southern California Water Company Appraisal	Commission Staff Appraisal
<u>Intangible Capital</u>			
C-1	Organization	\$ 500.00	\$ 417.00
C-2	Franchises and water rights	200.00	200.00
	Total intangible capital	\$ 700.00	\$ 617.00
<u>Tangible Capital</u>			
C-5	Land	\$ 11,000.00	\$ 11,000.00
C-6 A	Source of water supply buildings	2,757.70	- -
C-6 B	Pumping station buildings and fixtures	579.70	1,377.00
C-10	Wells	16,500.00	14,446.00
C-12	Collecting reservoirs	3,289.00	- -
C-14	Pumping equipment	30,528.30	27,032.00
C-18	Distribution mains	120,421.35	60,395.00
C-19	Distribution reservoirs, tanks and standpipes	- -	1,799.00
C-20	Hydrants	4,180.00	3,120.00
C-21	Services	21,120.00	18,669.00
C-22	Meters	3,286.86	2,744.00
C-24 A	General office equipment	545.00	584.00
C-24 B	General shop equipment	200.00	589.00
C-24 D	General garage equipment	1,028.00	897.00
	Total tangible capital	\$215,435.91	\$142,652.00
	Total capital--operative	\$216,135.91	\$143,269.00
<u>Nonoperative Capital</u>			
C-19	Distribution reservoirs, tanks and standpipes	- -	1,620.00
	Total capital	\$216,135.91	\$144,889.00
<u>Accrued Depreciation</u>			
		51,330.12	29,481.00
<u>Total Capital Less Accrued Depreciation</u>			
		\$164,805.79	\$115,408.00

The records of Clara Street Water Company are incomplete in that some of the properties donated to the company were not recorded thereon. Errors were made in accounting procedure in that certain costs included in operating expenses should have been charged to fixed capital accounts. We believe, however, that the appraisal prepared by the Commission's staff more nearly reflects the costs of the Clara Street Water Company as they would have been incurred by that company than does the appraisal submitted by Southern California Water Company. In recording the acquisition of the Clara Street Water Company properties on its books, Southern

California Water Company should record the same in line with the historical cost appraisal prepared by the Valuation Division.

This application does not involve any change in the rates charged by Clara Street Water Company.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

O R D E R

The Commission has considered the evidence submitted at the hearing had on this application before Examiner Fankhauser and is of the opinion that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company may, after the effective date hereof and on or before December 31, 1948, acquire all of the outstanding stock of Clara Street Water Company under the terms and conditions set forth in the agreement dated September 5, 1947, on file in this application as Exhibit "A".

2. After the effective date hereof and on or before December 31, 1948, Clara Street Water Company may convey and transfer, through its dissolution, to Southern California Water Company, all of its properties and assets.

3. Concurrently with the acquisition of the properties and assets of Clara Street Water Company, Southern

California Water Company shall assume all obligations and liabilities of Clara Street Water Company.

4. If Southern California Water Company acquires the properties and assets of Clara Street Water Company, it shall record the same, other than current assets and current liabilities, on its books in line with the historical cost appraisal prepared by the Valuation Division of the Commission. The difference between the amount paid for said properties and assets and the depreciated cost of the same shall be recorded in Account 15, Other Suspense, and concurrently charged to Capital Surplus.

5. Upon acquiring said properties and assets, Southern California Water Company shall adopt as its own, the rates, rules and regulations now on file with the Commission in the name of Clara Street Water Company.

6. Within sixty (60) days after the conveyance and transfer of the properties and assets of Clara Street Water Company to Southern California Water Company, Southern California Water Company shall file with this Commission a copy of each and every entry used to record the acquisition of said properties and assets.

7. The authority herein granted will become effective twenty (20) days after the date hereof.

6

Dated at San Francisco, California, this 22nd day  
of June, 1948.

A. J. Dinterman  
Julius J. Casner  
Joseph A. Powell  
Harold P. Hule  
Samuel F. Potter  
 Commissioners