

Decision No. 42802

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA WATER COMPANY)
 for an Order (a) authorizing it)
 to acquire all of the outstanding stock)
 of MARTIN AND GOULD WATER CORPORATION,)
 and (b) to issue in part payment there-)
 of an aggregate of 1,750 of its Common)
 Shares.)
 -----)

Application
No. 30941

O P I N I O N

This is an application by Southern California Water Company for an order authorizing it to acquire all the outstanding stock of Martin and Gould Water Corporation and to issue 1,750 shares (\$43,750 par value) of its common stock.

Applicant is a corporation engaged, among other things, in the business of producing, distributing and supplying water in certain areas of the Counties of Los Angeles, Orange, San Bernardino, Ventura, Imperial and Sacramento, and of distributing electricity in Bear Valley, San Bernardino County. For the twelve months ending November 30, 1949, it reports its operating revenues at \$2,607,118.05 and its net income at \$452,828.84. As of the close of November, 1949, it reports its investment in fixed capital at \$15,655,984.95 and its reserve for depreciation at \$3,675,114.37. It has outstanding \$6,100,000 of bonds, \$2,492,500 of preferred stock and 83,879.8 shares of common stock of the par value of \$25 each and of the aggregate par value of \$2,096,995.

Martin and Goold Water Corporation is engaged in supplying water in certain portions of Los Angeles County near the city of Arcadia, its service areas being in the vicinity of applicant's Walnut Grove and Wilmar systems. It has reported its revenues at \$48,941.54 during 1948 and at \$42,209.32 during the first nine months of 1949, with profit of \$4,225.61 in 1948 and of \$5,185.36 for the nine months of 1949. As of October 1, 1949, its assets and liabilities are stated as follows:

Assets

Fixed capital		\$223,829.58
Current assets -		
Cash	\$ 455.49	
Materials and supplies	2,552.32	
Accounts receivable	<u>3,621.71</u>	
Total current assets		<u>6,629.52</u>
	Total	<u>\$230,459.10</u>

Liabilities

Notes payable	\$ 8,969.72
Consumers' deposits	4,163.05
Consumers' advances for construction	68,409.43
Reserve for depreciation	57,713.00
Donations	22,777.60
Capital stock	50,000.00
Surplus	<u>18,426.30</u>
	Total
	<u>\$230,459.10</u>

Applicant reports that its engineers have made a study of the properties of Martin and Goold Water Corporation and estimate the original cost as of December 31, 1949, at \$279,631.59 and the estimated accrued depreciation reserve at \$44,967.95.

It appears that applicant desires to extend its operations and to that end has obtained an option, dated November 23, 1949, as amended on December 1, 1949, to purchase all the outstanding stock of Martin and Goold Water Corporation. The agreed purchase price is

\$76,500 in cash and \$43,750 par value of applicant's stock, a total of \$120,250, plus a sum in cash equivalent to the increase, if any, in the surplus of Martin and Goold Water Corporation during the period between October 31, 1949, and the date applicant exercises the option. Under the terms of the option, the sellers have agreed that between the date thereof and the closing date, Martin and Goold Water Corporation shall not pay any dividends or make any other distributions upon its stock, shall not issue any stock in addition to that now outstanding and shall not, without prior written consent, enter into any material transaction other than in the ordinary business operation nor make any capital improvements.

The acquisition of the shares of stock by applicant, as herein proposed, is not contrary to the public interest and an order accordingly will be entered. The action taken herein shall not be construed to be a finding of value of the stock or properties of Martin and Goold Water Corporation or as authorizing that corporation to place on its books the estimated original costs or the reserve for depreciation, as estimated by applicant's engineers, to which estimates reference has been made. Those matters, as well as the transfer of the properties, are not now before us.

ORDER

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 1,750 shares of stock is reasonably required by Southern California Water Company for the purpose specified herein

and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Southern California Water Company, after the effective date hereof and on or before June 30, 1950, may acquire the outstanding shares of stock (\$50,000 par value) of Martin and Goold Water Corporation, in accordance with the terms set forth in this application, and thereafter hold said shares of stock.

2. Southern California Water Company, after the effective date hereof and on or before June 30, 1950, may issue 1,750 shares of its common stock in part payment for the shares of stock of Martin and Goold Water Corporation it herein is authorized to acquire and hold.

3. Southern California Water Corporation, within thirty (30) days after acquiring the shares of stock of Martin and Goold Water Corporation, shall file with the Commission a copy of each journal entry by which it recorded on its books the acquisition of said shares, a statement showing the names of the officers of Martin and Goold Water Corporation following its acquisition of said shares, and a report of its issue of its 1,750 shares of stock, as required by General Order No. 24-A.

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

A. 30941 MMW

Dated at San Francisco, California, this 14th day
of February, 1950.

R. B. Anderson
Justice J. Garrison
James H. Powell
Harold H. Hill
James H. Potter
Commissioners