

Decision No. 44503

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of THE CALIFORNIA OREGON POWER
COMPANY for authority to sell and
transfer certain water properties
and of DUNSMUIR WATER CORPORATION
for authority to acquire and oper-
ate said water properties.

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) Application
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) No. 31502
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In the Matter of the Application
of Dunsmuir Water Corporation for
Authority to Issue and Sell Com-
mon Stock.

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) Application
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) No. 31503
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E. R. Vinson and Allan A. Smith, for Dunsmuir Water
Corporation; J. P. Correia and Brobeck, Phleger &
Harrison, by George D. Rives, for The California
Oregon Power Company.

O P I N I O N

In Application No. 31502, the Commission is asked to make
an order authorizing The California Oregon Power Company, hereinafter
referred to as Seller, to sell and transfer its public utility water
systems located at Fort Jones and Dunsmuir, in the County of
Siskiyou, to Dunsmuir Water Corporation.

In Application No. 31503, the Commission is asked to make
an order authorizing Dunsmuir Water Corporation, hereinafter referred
to as Buyer, to issue and sell 100 shares of stock without par value
for the sum of \$290,000.

A public hearing was held in Dunsmuir on June 28, 1950, at
which time the two applications were consolidated for the purpose of
receiving evidence. They will be considered in one decision.

Seller proposes to sell and transfer all its public utility water properties and operations in California. Such properties now are used in supplying water for domestic, commercial, industrial and other purposes to approximately 1,380 customers in and about Fort Jones and Dunsmuir. As shown in Exhibit 2 filed at the hearing, Seller reports the revenues and expenses from the operation of the two systems for the twelve months ending April 30, 1950, in summary form, as follows:

	<u>Fort Jones</u>	<u>Dunsmuir</u>	<u>Total</u>
Operating revenues	<u>\$7,083.48</u>	<u>\$46,747.52</u>	<u>\$53,831.00</u>
Expenses -			
Operation	3,787.66	20,690.59	24,478.25
Maintenance	3,216.73	7,503.50	10,720.23
Depreciation	392.86	3,262.11	3,654.97
Taxes	614.96	7,138.78	7,753.74
Total expenses	<u>8,012.21</u>	<u>38,594.98</u>	<u>46,607.19</u>
Net income	<u>\$ (928.73)</u>	<u>\$ 8,152.54</u>	<u>\$ 7,223.81</u>

The original cost of the properties comprising the two systems, and certain other items of property included in the transaction, the depreciation reserve and contributions in aid of construction, as of April 30, 1950, are reported as follows:

Water plant -	
Land	\$ 1,416.75
Water rights	2,677.02
Wells and springs	26,335.80
Structures and improvements	7,550.78
Pumping equipment	2,041.95
Transmission mains	41,894.66
Distribution mains	129,689.44
Booster pumps	3,122.39
Services, meters, hydrants	72,787.93
Tools and work equipment	595.02
Construction equipment	139.04
Sub-total	<u>288,250.78</u>
Electric plant -	
Land	236.32
Structures	520.06
Automobile	2,661.94
Total	<u>291,669.10</u>
Depreciation reserve	<u>(38,530.47)</u>
Contributions in aid of construction	<u>(2,782.24)</u>
Balance	<u>\$250,356.39</u>

The purchase price to be paid by Buyer is the said sum of \$250,356.39 plus the cost, estimated at approximately \$6,000, of materials, supplies and small tools, plus the cost of additions to plant between April 30, 1950, and the closing date of the transaction which is expected to be July 15, 1950.

Buyer is a California corporation organized on or about May 5, 1950, with an authorized capital stock of 100 shares without par value. The record shows that it was organized by Boise Water Corporation⁽¹⁾ which has agreed to purchase all of Buyer's authorized shares at a price of \$2,900 each, a total of \$290,000. Buyer alleges that it will have need for the proceeds, in excess of those required to purchase Seller's properties, to provide working capital and to extend, maintain and improve the same.

A review of the record shows that Seller primarily is engaged in the generation and distribution of electric energy in the northern part of California and the southern part of Oregon but that also it owns and operates, in addition to the Fort Jones and Duns-muir water systems, other water systems in Roseburg, Oakland and Klamath Falls in Oregon. Its revenues from its water operations have been approximately 5% of its total revenues and its investment in water plant is approximately 5% of its total net investment in plant.

Seller's president testified that at no time has Seller considered the purchase of other water systems, that it desires to withdraw from the water business, that it is of the opinion that the money invested in water properties could be employed better in the

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Boise Water Corporation is engaged in distributing water in Boise, Idaho. It is a subsidiary of General Waterworks Corporation, a Delaware corporation engaged in operating, directly or through subsidiaries, 29 water plants in Arkansas, Delaware, Florida, Idaho, Illinois, Indiana, Missouri, New Jersey and Pennsylvania.

prosecution of its electric operations and that from time to time it has had negotiations for the sale of its water plants which finally culminated in the proposed sale at this time, not only of the two California systems, but also the three Oregon systems. Seller has entered into an agreement to sell the Oregon systems to a new Oregon corporation, named Oregon Water Corporation, which also has been organized and will be financed by Boise Water Corporation. The record shows that the sale of the five water systems, in both states, will net Seller approximately \$2,700,000, and that not less than \$2,200,000 of this amount will be applied by Seller to the reduction of outstanding bank loans and the balance to the financing of its 1950 electric plant construction program.

It is urged that better utility service can be offered if the management confines its efforts to one class of utility operation and that it will be in the public interest if the water systems of Seller are transferred to and operated by those experienced in and engaged solely in the water business, as here proposed. Buyer's president, who also is president of Boise Water Corporation, testified that the present employees of Seller would continue in the operation of the properties, that headquarters will be established at Dunsmuir and the books maintained at that place, and that it is not intended for Boise Water Corporation to charge Buyer a management fee. He testified that Buyer would adopt the present rates of Seller and, under existing conditions, would continue in effect such rates.

Applicants hope to close the transaction on July 15, 1950, and have requested the Commission, if it concludes to approve the applications, to make its order, or orders, effective upon the date thereof. Notice of the hearing on these applications was given by

the Commission to the officials of the Town of Fort Jones and the City of Dunsmuir and also was published in newspapers of general circulation in the two communities. No appearance was entered at the hearing on behalf of the communities and no protest has been received by the Commission to the granting of the applications.

Upon the basis of the information submitted, we find that the proposed transactions will not be adverse to the public interest and that accordingly the applications should be granted. 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

A public hearing having been held in the above entitled matters, the Commission having considered the evidence submitted and being of the opinion that the applications should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 100 shares of stock is reasonably required by Dunsmuir Water Corporation for the purposes indicated herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The California Oregon Power Company, after the effective date hereof and on or before September 30, 1950, may sell and transfer to Dunsmuir Water Corporation the water systems at Fort Jones and Dunsmuir referred to in these proceedings, and Dunsmuir Water Corporation may acquire and operate said water systems.

2. Dunsmuir Water Corporation, after the effective date hereof and on or before December 31, 1950, may issue and sell not exceeding 100 shares of its capital stock for a sum not less than \$2,900 a share, and use the proceeds to pay for the water systems herein authorized to be transferred and to construct, complete, extend or improve such systems, to improve and maintain its service, and to provide working capital.

3. The rates, rules and regulations of The California Oregon Power Company now on file with the Commission naming rates for water service at Fort Jones and Dunsmuir shall be refiled within thirty days from the date of transfer of said water systems, under the name of Dunsmuir Water Corporation, in accordance with the procedure prescribed by General Order No. 96 or, in lieu of such re-filing, Dunsmuir Water Corporation may file a notice of adoption of said presently filed rates, rules and regulations. No increases in the presently filed rates, rules and regulations shall be made unless properly authorized by the Commission.

4. Dunsmuir Water Corporation shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. If the authority herein granted is exercised, Dunsmuir Water Corporation, within thirty days after the sale and transfer of the properties, shall notify the Commission in writing of the date of completion of such sale and transfer.

6. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 11th day of
July, 1950.

W. E. Anderson
Justus J. Casper
Orville D. Powell
Harold F. Kula
Fessette Potter
Commissioners