

Decision No. 44883

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAMUEL I. BERG and LILA R. BERG, doing)
 business under the firm name RIVERA)
 WATER SYSTEM, and ERNST LEIBACHER, doing)
 business under the firm name of LEIBACHER)
 WATER COMPANY, to sell and RIVERA WATER)
 SYSTEM, a corporation, to purchase water)
 systems of Sellers, and RIVERA WATER)
 SYSTEM, a corporation, to issue and sell)
 stock.)
 -----)

ORIGINAL
 Application
 No. 31785

O P I N I O N

This is an application for an order of the Commission authorizing Samuel I. Berg and Lila R. Berg, doing business as the Rivera Water System and hereinafter referred to as the Bergs, and Ernst Leibacher, doing business as Leibacher Water Company, to sell their public utility water systems to Rivera Water System, a corporation, and authorizing said corporation to issue \$75,000 par value of its preferred stock and \$20,000 par value of its common stock.

It appears that the Bergs since 1947, and that Leibacher since 1948, have been engaged in operating public utility water systems in or near the Town of Rivera, Los Angeles County.⁽¹⁾ In financial statements filed with the Commission they report the following:

(1)
 By Decision No. 40059, dated March 17, 1947, the Bergs acquired by purchase the water system and a certificate of public convenience and necessity originally granted by Decision No. 21988, dated January 7, 1930, authorizing the operation of a water system for the purpose of supplying water for domestic and other purposes in the Town of Rivera, Los Angeles County.

By Decision No. 41625, dated May 25, 1948, applicant Leibacher was granted a certificate of public convenience and necessity to supply water for domestic, commercial, industrial and agricultural purposes in the 6½-acre parcel of land, including Tract No. 13654, in Los Angeles County, located at the intersection of Studebaker and Kenny Road, near the Town of Downey.

Samuel I. Berg and Lila R. Berg

	<u>Fixed Assets</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Service Connections</u>
1947	\$ 29,305	\$2,905	\$593	130
1948	30,462	4,015	871	145
1949	31,559	4,287	777	176
1950-to June 30	117,417	3,620	568	539

Ernst Leibacher

1949	5,272	129	(166)	16
1950-to July 31	5,272	166	6	24

The increase during 1950 in the fixed assets of the system operated by the Bergs is due to increased activity in building in the Rivera community. Their financial statements indicate that the costs of the additional facilities have been financed in large part with money borrowed on a short-term note issued to Camille A. Garnier, Carr H. Dietz, John E. Burke and Robert Carvey, and with advances from consumers for construction purposes.

In Exhibit F and Exhibit G attached to the application, the assets and liabilities of the two systems are reported as follows:

	<u>Bergs June 30, 1950</u>	<u>Leibacher July 31, 1950</u>
<u>Assets</u>		
Fixed assets	\$117,417.91	\$5,271.77
Less-depreciation reserve	13,670.43	520.54
Balance	103,747.48	4,751.23
Intangible capital	10,362.09	100.00
Cash and accounts receivable	3,721.98	90.00
Construction work in progress	20,849.00	- -
Total	<u>\$138,680.55</u>	<u>\$4,941.23</u>
<u>Liabilities</u>		
Current liabilities	\$ 6,691.47	\$ - -
Note payable	70,000.00	- -
Consumers' advances	37,536.00	- -
Donations in aid of construction	1,680.00	- -
Proprietorship	22,773.08	4,941.23
Total	<u>\$138,680.55</u>	<u>\$4,941.23</u>

The application shows that the Bergs have made arrangements to incorporate their business and to acquire the system of

Leibacher and to that end have caused the organization of Rivera Water System, a corporation, to take over the two systems and to continue the operations. It is proposed that the new corporation will acquire the system owned by the Bergs, subject to outstanding indebtedness, for the sum of \$15,000, of which \$5,000 is payable in cash and \$10,000 in common stock of the corporation, and that the corporation will acquire the system owned by Leibacher for the sum of \$6,000, payable in cash.

The new corporation has an authorized capital stock of 10,000 shares of the par value of \$100 each, divided equally into common stock and 5% cumulative preferred stock. It proposes at this time to issue and sell, for cash, \$75,000 par value of its preferred stock and \$10,000 of its common stock, and in addition to issue \$10,000 of common stock for properties, as follows:

To pay in part for the water system of the Bergs	\$10,000
To provide cash payments for the water systems to be acquired	11,000
To liquidate note in favor of Camille A. Garnier, et al.	70,000
To provide working capital	<u>4,000</u>
Total	<u>\$95,000</u>

Upon completion of the transaction the new corporation will have no indebtedness other than the current liabilities of \$6,691.47, as of June 30, 1950, and the consumers' advances of \$37,536 to be taken over from the Bergs.

The proposed issue of preferred stock will require the payment of annual dividends in the amount of \$3,750. In Exhibit I filed in this proceeding, applicants estimate that during the 12-month period from July 1, 1950, to June 30, 1951, the water systems will be extended to serve approximately 2,200 consumers. They estimate the revenues and expenses for the period as follows:

Revenues -	
July 1, 1950-Oct. 1, 1950	\$ 4,241.00
Oct. 1, 1950-Dec. 31, 1950	9,524.50
Jan. 1, 1951-Mar. 31, 1951	13,076.50
Apr. 1, 1951-June 30, 1951	<u>17,762.50</u>
Total revenues	<u>44,604.50</u>
Expenses -	
Pumping	8,920.90
Distribution labor and repair	5,850.00
Collection and meter reading	4,240.50
General expense	7,200.00
Property and franchise taxes	2,621.50
Taxes on income	2,492.90
Depreciation	<u>5,800.00</u>
Total expenses	<u>37,125.80</u>
Net income	<u>\$ 7,478.70</u>

A review of the application indicates that the earnings and assets should be ample to support the proposed issues of stock. Accordingly, an order will be entered pursuant to applicants' requests.

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

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the sale of the properties as here proposed will not be adverse to the public interest; 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 the stock herein authorized is reasonably required for the purposes specified 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. Samuel I. Berg and Lila R. Berg, doing business as Rivera Water System, and Ernst Leibacher, doing business as Leibacher Water Company, after the effective date hereof and on or before December 31, 1950, may sell their public utility water systems to Rivera Water System, a corporation, under the terms and conditions outlined in this application.

2. Rivera Water System, a corporation, after the effective date hereof and on or before December 31, 1950, may issue not exceeding 100 shares of its common stock of the aggregate par value of \$10,000, in part payment for the properties to be acquired from Samuel I. Berg and Lila R. Berg, and may issue and sell, at par for cash, 750 shares of its preferred stock of the aggregate par value of \$75,000 and 100 shares of common stock of the aggregate par value of \$10,000, for the purposes set forth in this application.

3. Within thirty (30) days after the date of transfer of said properties, the rates, rules and regulations of Samuel I. Berg and Lila R. Berg and of Ernst Leibacher now on file with the Commission, shall be refiled in the name of Rivera Water System, a corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refileing, Rivera Water System, a corporation, may file a notice of adoption of said presently filed rates, rules and regulations. No increases in the present lawfully filed rates shall be made unless authorized by the Commission.

4. On or before the date of actual transfer, Samuel I. Berg and Lila R. Berg and Ernst Leibacher shall refund all deposits which customers may be entitled to have refunded. If any deposits remain unrefunded, they shall be transferred to and become the obligations for refund of Rivera Water System, a corporation.

5. If the authority herein granted to sell properties is exercised, Rivera Water System, a corporation, within thirty (30) days thereafter, shall notify the Commission in writing of the date of the completion of the sale of said properties.

6. Rivera Water System, a 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. It shall file also a copy of each journal entry to record on its books the purchase of said water systems and the distribution to primary fixed capital and other accounts.

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

Dated at San Francisco, California, this 10th day of October, 1950.

R. E. Indragan
Justus F. Casmen
Earl H. Russell
Harold P. Kula
Herbert H. Potter
Commissioners