

ORIGINAL

Decision No. 47052

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 )  
 SOUTHLAND WATER COMPANY and )  
 SOUTHERN CALIFORNIA WATER COMPANY )  
 )  
 for an order or orders (a) authorizing )  
 Southland Water Company to sell and )  
 transfer its properties to Southern )  
 California Water Company; (b) authorizing )  
 Southern California Water Company to )  
 purchase said properties and to render )  
 water service in the territory now served )  
 thereby; (c) authorizing Southern )  
 California Water Company to assume certain )  
 liabilities of Southland Water Company; )  
 and (d) approving the value at which )  
 Southern California Water Company may )  
 enter said properties in its fixed capital )  
 accounts for rate making purposes. )  
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Application  
No. 33240

O'Melveny & Myers, by F. N. Edwards and L. M. Wright,  
for Southern California Water Company; F. J. Russell,  
for Southland Water Company.

O P I N I O N

Southland Water Company is a corporation engaged in operating a public utility water system serving approximately 1,100 customers in unincorporated territory near the community of Norwalk, in Los Angeles County. In this application it seeks authorization to sell and transfer its properties to Southern California Water Company.

The record shows that Southland Water Company has received certificates of public convenience and necessity granted by the

Commission by Decision No. 45105 and Decision No. 45758, (1) that it commenced its operations on or about February 1, 1951, and that up to November 30, 1951, it had recorded on its books the sum of \$209,045.97 in its fixed capital accounts, with a depreciation reserve of \$3,026.68, leaving a net recorded balance of \$206,019.29. Exhibit C attached to the application shows that on February 18, 1952, Southland Water Company entered into an agreement, subject to receiving authorization from the Commission, to sell all its properties used and useful in rendering water service, including its certificates of public convenience and necessity, to Southern California Water Company.

The agreed basic price to be paid by the purchaser is the sum of \$195,000, the amount to be adjusted for the cost of net additions subsequent to November 30, 1951, as set forth in the agreement, and for depreciation accruing from November 30, 1951, or from the date of installation, whichever is later, to the date of transfer. The agreement shows that the purchaser will assume the liability with respect to any prepayments by customers for water service and with respect to consumers' advances for construction. According to the testimony given at the hearing on this application, such advances amounted to approximately \$7,800 at the close of 1951, with additional advances of approximately \$7,000 being made during April.

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(1)

Decision No. 45105, dated December 5, 1950, in Application No. 31531, as amended, authorized Southland Water Company to serve Tracts Nos. 16151, 16230, 16645, 16767, 16362, 16360 and 16361, an area lying east of the San Gabriel River, south of Little Lake Road, west of Pioneer Boulevard and north of Firestone Boulevard, as delineated on a map marked Exhibit A and attached to said decision, it being provided, however, that the company shall not make any extensions of service into other territory contiguous to any of the certificated area without authority therefor first having been obtained from the Commission.

Decision No. 45758, dated May 29, 1951, in Application No. 32295, authorized Southland Water Company to extend its water system into the school site referred to in said application and delineated on the map attached to it.

It appears from the testimony that Southland Water Company's reported investment in properties in some particulars has not been classified to the proper fixed capital accounts, that some facilities have been recorded on the books which have not been installed, and that additional depreciation should have been taken on certain production plant. For these reasons Southern California Water Company has caused an historical cost study to be made of the properties, which shows the estimated historical cost as of November 30, 1951, in the amount of \$203,837.16 and the depreciation reserve in the amount of \$5,669.50, as shown in some detail in Exhibit D, leaving net investment of \$198,167.66. Southern California Water Company, in the event it acquires the properties, proposes to record the results of its historical cost study on its books and it asks the Commission to approve them as the basis for rate making purposes.

Upon acquiring the properties, Southern California Water Company will adopt the rate schedules of Southland Water Company then in effect. For operating purposes, it intends to consolidate such properties with other systems into what will be known as its Norwalk District. It reports that through such consolidation economies in operations can be effected.

We have considered this application and are of the opinion that the proposed transfer will not be adverse to the public interest. We will not at this time make a finding with respect to the rate base we might use for these properties in the event we are called upon to fix rates in the future. We believe, however, that sufficient justification exists for replacing the present book figures with the historical cost figures produced in this proceeding, and that the purchaser should not carry into its records the book figures of Southland Water Company. Southern California Water Company, in setting

up its records, should charge to its fixed capital accounts said sum of \$203,837.16 and credit to its depreciation reserve the \$5,669.50, adjusted to give effect to transactions occurring since November 30, 1951. It may charge or credit to its surplus account the difference between the net amounts thus set up on its books and the purchase price to be paid by it.

ORDER

A public hearing having been held on the above entitled matter and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Southland Water Company, after the effective date hereof and on or before August 31, 1952, may sell and transfer its rights and properties to Southern California Water Company, under and pursuant to the terms of the agreement dated February 18, 1952, filed in this proceeding as Exhibit C. Southern California Water Company may acquire said rights and properties and render water service to the public in the territory included in the certificates of public convenience and necessity granted to Southland Water Company by Decision No. 45105 and Decision No. 45758.

2. Southern California Water Company, in acquiring said rights and properties, may assume the liabilities of Southland Water Company with respect to any consumers' prepayments on deposit with Southland Water Company for water service subsequent to the date of transfer and under the agreements for consumers' advances for construction outstanding at the date of transfer.

3. Southern California Water Company, in recording the purchase on its books of account, shall charge to its fixed capital accounts the sum of \$203,837.16 and credit to its depreciation reserve the sum of \$5,669.50, adjusted to give effect to transactions since November 30, 1951, as set forth in the agreement of sale. The difference between the net amounts thus entered on the books of Southern California Water Company and the purchase price paid may be charged or credited to Southern California Water Company's surplus account.

4. On or before the date of actual transfer, Southland Water Company shall refund all deposits which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund of Southern California Water Company.

5. The rates, rules and regulations of Southland Water Company now on file with the Commission shall be refiled within thirty (30) days after the date of transfer under the name of Southern California Water Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Southern California Water Company may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the present rates shall be made unless authorized by the Commission.

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

7. Within thirty (30) days after the transfer of the rights and properties under the authority herein granted, Southern California Water Company shall file with the Commission a copy of the

deed, or deeds, of conveyance.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of April, 1952.

[Signature]  
President

[Signature]

[Signature]  
[Signature]

Commissioners

Commissioner Justus F. Cramer, being necessarily absent, did not participate in the disposition of this proceeding.