

Decision No. 47491

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

EXCELSIOR WATER CO., INC. and
SOUTHERN CALIFORNIA WATER COMPANY

for an order or orders (a) authorizing Excelsior Water Co., Inc. 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 Excelsior Water Co., Inc.; and (d) approving the value at which Southern California Water Company may enter said properties in its fixed capital accounts.

Application
No. 33534

O P I N I O N

This is an application for an order authorizing the sale and transfer of the properties of Excelsior Water Co., Inc. to Southern California Water Company and authorizing Southern California Water Company to assume certain liabilities of Excelsior Water Co., Inc. and further authorizing Southern California Water Company to render water service in the territory now being served by the former company.

Excelsior Water Co., Inc. was organized in 1948. By Decision No. 43944 dated March 14, 1950 in Application No. 30570, it was granted a certificate of public convenience and necessity to furnish water as a public utility in certain subdivided tracts located in the vicinity of Norwalk in Los Angeles County. In Exhibit A attached to the application Excelsior Water Co., Inc. reports its March 31, 1952 investment in fixed capital at \$270,715.02, the depreciation accrued thereon at \$13,051.49, leaving \$257,663.53 as the net or depreciated investment. Exhibit A also indicates that

this net investment in property together with net current assets of \$45,341.95 has been financed through the issue and sale of capital stock in the amount of \$50,000, through the use of advances in aid of construction in the amount of \$221,152.73, and through the use of retained earnings in the amount of \$31,852.75. In the application the company reports that it currently is serving 1,774 consumers.

Excelsior Water Co., Inc. now proposes to sell and transfer its public utility water properties to Southern California Water Company, under the terms and conditions set forth in an agreement for purchase and sale of property. A copy of the agreement is attached to the application as Exhibit C. The agreement between the parties provides that the basic purchase price of the property to be sold thereunder to Southern California Water Company shall be \$275,000. To this basic price there shall be added or deducted certain adjustments as provided in the agreement for the purpose of giving effect to depreciation and net additions subsequent to February 15, 1952. The agreement also provides that if the sale of said properties to Southern California Water Company is consummated, Excelsior Water Co., Inc. shall apply \$221,152.73 of the proceeds of such sale to the payment of advances in aid of construction now carried on its books in that amount. The agreement also contains provisions regarding the accounting for advances which Excelsior Water Co., Inc. may receive subsequent to February 15, 1952 and prior to the consummation of the sale, and for the assumption by Southern California Water Company of the liability for the repayment of consumers' deposits.

The application contains a request that the Commission approve the value at which the properties of Excelsior Water Co., Inc., if acquired by Southern California Water Company, may be entered in its fixed capital accounts. In this connection the Commission has taken cognizance of the fact that under date of

April 22, 1952 the Commission received from Excelsior Water Co., Inc. a request to restate its fixed capital and depreciation reserve accounts to reflect an historical cost appraisal. Under date of May 27, 1952, the Commission replied to this letter and authorized the company to adjust its books so as to increase the fixed capital accounts in the aggregate sum of \$4,677.28 representing omitted items. Accordingly, we will authorize Southern California Water Company to record the acquisition on its books of accounts using the recorded figures appearing in the books of accounts of Excelsior Water Co., Inc. adjusted to reflect the additional sum of \$4,677.28 referred to above. The difference between the adjusted net investment in fixed capital plus any current assets acquired and the proposed purchase price of \$275,000 less any liabilities to be assumed should be charged to the company's surplus account, or to a deferred debit account for amortization by charges to income or surplus over a period of not exceeding 10 years.

A review of the application indicates that the proposed transfer will not be adverse to the public interest and should be granted. In entering this order the Commission has not made a finding of the value of the rights and properties herein authorized to be transferred.

ORDER

The Commission has considered this matter and is of the opinion that a public hearing thereon is not necessary and the request of applicant should be granted as provided herein; therefore,

IT IS HEREBY ORDERED as follows:

1. Excelsior Water Co., Inc. after the effective date hereof and on or before December 31, 1952, may convey and transfer all of its public utility water properties to Southern California

Water Company and thereupon discontinue rendering service in accordance with the terms and conditions as set forth in the agreement attached to the application as Exhibit C.

2. Southern California Water Company may acquire said properties subject to the assumption of certain liabilities of Excelsior Water Co., Inc. as set forth in the agreement attached to the application as Exhibit C.

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

4. The rates, rules and regulations of Excelsior Water Co., Inc. now on file with the Commission shall be refiled within 30 days after the 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 refileing, Southern California Water Company may file a notice of adoption of the presently filed rates, rules and regulations. No increase in the present rates shall be made unless authorized by the Commission.

5. If Southern California Water Company acquires said properties it shall record on its books the balances in the fixed capital accounts and depreciation reserve of Excelsior Water Co., Inc. subject to an adjustment of \$4,677.28 for omitted items referred to in the opinion. The excess of the purchase price paid by it over the net book value of assets acquired less liabilities to be assumed shall be charged to its surplus account, or to a deferred debit account for amortization by charges to income or surplus over a period of not exceeding 10 years beginning in 1953.

6. Southern California Water Company shall file a copy of each journal entry used to record on its books the acquisition of the properties of Excelsior Water Co., Inc., such filing to be made within 30 days after the date of such entries.

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

Dated at San Francisco, California, this 22nd day of July, 1952.

J. J. [Signature] President
Justice J. [Signature]
Harold [Signature]
Fremont [Signature]
 Commissioners