

# ORIGINAL

Decision No. 476S2

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
WHITTIER WATER COMPANY, a California )  
corporation, for permission to pur- )  
chase from RIVERA WATER SYSTEM, a )  
California corporation, and the )  
application of said Rivera Water )  
System, for permission to sell to said )  
Whittier Water Company all of the assets )  
of Rivera Water System, and Application )  
of Whittier Water Company for per- )  
mission to issue stock to Rivera Water )  
System as part of the consideration )  
therefor, )  
and )  
Application of WHITTIER WATER COMPANY, )  
a California corporation, for per- )  
mission to borrow money and to issue )  
its Promissory Notes in evidence of )  
said indebtedness, secured by a )  
Mortgage on substantially all of its )  
real and personal property. )  
----- )

Application  
No. 33680

### O P I N I O N

This is an application for an order authorizing Rivera Water System, hereafter referred to as Rivera, to transfer its assets to Whittier Water Company, hereafter referred to as Whittier, and authorizing Whittier to assume the payment of indebtedness, to issue shares of its preferred and common stocks of the aggregate par value of \$305,000, to execute a mortgage, and to issue promissory notes in the aggregate principal amount of \$750,000.

Rivera and Whittier are corporations engaged in the public utility water business in Los Angeles County. They operate in areas adjacent to each other, are controlled and managed by the same interests and are operated by the same personnel. A condensed

statement of their assets and liabilities as of June 30, 1952, is as follows:

<u>Assets</u>	<u>Whittier</u>	<u>Rivera</u>
Current assets	\$ 260,070.83	\$ 14,460.33
Tangible capital, less depreciation reserve	1,265,007.22	434,048.80
Intangible assets	456,171.72	9,340.05
Other investments	42,761.01	-
Total	<u>\$2,024,010.78</u>	<u>\$457,849.18</u>
<u>Liabilities</u>		
Current liabilities	\$ 240,393.73	\$133,540.04
Long-term liabilities	246,750.00	-
Consumers' advances for construction	540,445.22	141,620.95
Donations in aid of construction	48,000.93	9,479.05
Other credit balances	93,850.00	-
Capital stock -		
Common	175,600.00	10,000.00
Class A preferred	78,000.00	75,000.00
Class B preferred	-	73,100.00
Total capital stock	<u>253,600.00</u>	<u>158,100.00</u>
Surplus	<u>600,970.90</u>	<u>35,109.14</u>
Total	<u>\$2,024,010.78</u>	<u>\$457,849.18</u>

The numbers of the customers served by the two systems, as of the end of the year for each of the last five years, have been reported as follows:

	<u>Whittier</u>	<u>Rivera</u>
1947	1,275	130
1948	1,378	145
1949	2,068	176
1950	2,465	1,271
1951	4,748	2,100

It appears that both applicants have been expanding their plants and operations rapidly and that both are in need of additional funds to pay outstanding indebtedness and to finance the cost of extensions and additions. They have had negotiations looking toward the borrowing of additional sums for these purposes and they report that prospective lenders have required that the ownership and operation of the two systems be consolidated as a condition to the making of loans.

Accordingly, it is proposed by those in control of the affairs of applicants for Whittier to acquire the assets of Rivera, to assume the payment of outstanding indebtedness of that corporation, and to issue \$10,000 par value of its common stock, \$75,000 par value of its Class A 5½% cumulative preferred stock, and \$73,100 par value of its Class B 3% cumulative preferred stock, a total issue of all classes of stock of the aggregate par value of \$158,100, an amount equal to the par value of the presently outstanding shares of stock of Rivera. The application shows that the rates to be charged and the rules and regulations to be made effective in the service of water within the areas to be taken over by Whittier from Rivera will be the same as those under which service now is performed by Rivera.

Among the liabilities to be assumed by Whittier are consumers' advances for construction which are refundable under certain conditions. It appears that the Commission, by Decision No. 46508, dated December 11, 1951, authorized Rivera to issue \$210,000 par value of Class B 3% preferred stock in exchange for such advances, and that Rivera had issued \$73,100 of the amount authorized up to June 30, 1952, as shown in the preceding balance sheet. Whittier proposes to proceed with the program of exchanging shares of stock for consumers' advances for construction and it reports that on the basis of the present advances a total of 2,938 shares of its Class B preferred stock, of the aggregate par value of \$146,900, will be needed for this purpose, in addition to the shares of Class B stock to be issued upon acquisition of the properties of Rivera.

Whittier reports that it has made, or is making, arrangements to borrow \$750,000 from Pacific Mutual Life Insurance Company and Lincoln National Life Insurance Company, upon acquisition of the properties of Rivera, in order to enable it to pay presently outstanding indebtedness and to finance the cost of improvements and

additions as follows:

Indebtedness	\$550,000
Land	15,000
Buildings	8,000
Pumping equipment at the Bartolo Avenue and Mills Avenue plants	18,500
Transmission mains--30" main on Whittier Blvd.	12,000
Reservoir at Murphy Ranch--4,000,000 gallons	121,500
Meters and services	<u>25,000</u>
Total	<u>\$750,000</u>

It appears that Pacific Mutual Life Insurance Company will advance \$250,000 of the total amount and Lincoln National Life Insurance Company the remaining \$500,000. The sums to be borrowed will be secured by a mortgage on Whittier's properties and will be represented by notes payable on or before twenty years after date with interest at the rate of 4 $\frac{1}{2}$ % per annum, interest payable semi-annually. A copy of the loan agreement and copies of the notes and the mortgage have been filed in this proceeding as Exhibit M.

Giving effect to the consolidation as here proposed, applicants estimate that at the close of 1952 the combined investment in utility plant will aggregate more than \$2,516,000, with an offsetting reserve of approximately \$306,000. They estimate that the total revenues from the combined operations for the year 1952 will be \$378,619 and the net income \$65,453, after making provision for depreciation, taxes on income, and interest.

Upon a review of the application it appears to us that the proposed transfer under the terms set forth will not be adverse to the public interest and that Whittier will have need for additional funds from the issue of notes to enable it to proceed with its construction program to meet demands for service. Accordingly, an order will be entered granting applicants' requests.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required by Whittier Water Company 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. Rivera Water System, after the effective date hereof and on or before December 31, 1952, may transfer all its assets to Whittier Water Company, under the terms and conditions set forth in this application.
2. Whittier Water Company, after the effective date hereof, may acquire said properties and assume the outstanding indebtedness of Rivera Water System and, on or before June 30, 1953, may issue in part payment for said properties not exceeding \$10,000 par value of its common stock, \$75,000 par value of its Class A preferred stock, and \$73,100 par value of its Class B preferred stock.
3. Whittier Water Company, after the effective date hereof and on or before June 30, 1953, may issue not exceeding \$146,900 par value of its Class B preferred stock in exchange, at dollar for dollar, for consumers' advances for construction.
4. Whittier Water Company, after the effective date hereof and on or before June 30, 1953, may execute and enter into a loan agreement, may execute a mortgage, and may issue its promissory notes in the aggregate amount of not exceeding \$750,000 for the purposes set forth in this application, which loan agreement, mortgage and

notes shall be in, or substantially in, the same form as those filed in this proceeding.

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

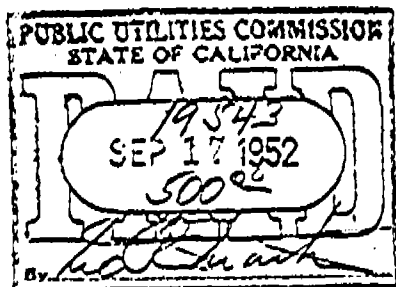
6. The rates, rules and regulations of Rivera Water System now on file with the Commission shall be refiled within thirty (30) days after the date of transfer under the name of Whittier Water Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Whittier 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.

7. Whittier Water Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

8. If the authority to transfer properties is exercised Whittier Water Company, within thirty (30) days thereafter, shall notify the Commission in writing of the date of the transfer, and shall file a copy of the deed or deeds of conveyance as executed.

9. The authority herein granted will become effective when Whittier Water Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is five hundred (\$500.) dollars.

Dated at San Francisco, California, this 16<sup>th</sup> day of September, 1952.



[Signature]  
President  
[Signature]  
[Signature]  
[Signature]