

ORIGINAL

Decision No. 43097

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

SUBURBAN WATER COMPANY, a corporation,)
and CALIFORNIA WATER SERVICE COMPANY,)
a corporation,)

for an order authorizing (1) the)
transfer by Suburban Water Company of)
the water system now operated by it to)
California Water Service Company, (2))
the assumption by California Water)
Service Company of certain indebted-)
nesses and liabilities of Suburban)
Water Company, (3) the issuance by)
California Water Service Company of)
an additional amount of its First)
Mortgage Bonds and (4) the furnishing)
of water service by California Water)
Service Company to service area of)
Suburban Water Company at rates and in)
accordance with rules of Suburban Water)
Company now in effect in said area.)
-----)

Application
No. 33941

O P I N I O N

This is an application for an order of the Commission authorizing Suburban Water Company to transfer its water system to California Water Service Company and authorizing the latter to assume the payment of indebtedness and to issue \$540,000 of its First Mortgage 3-5/8% Bonds, Series D. In this decision Suburban Water Company will be referred to as Suburban and California Water Service Company as California.

California is engaged in operating public utility water systems in various places in the state, including Los Altos, Santa Clara County. Suburban is engaged in operating a system supplying approximately 5,200 customers in unincorporated territory in Santa Clara County adjacent to the Los Altos District of California. It

has reported for the year 1951 operating revenues of \$289,838.40 and net earnings from operations of \$80,479.57, and for the first ten months of 1952 operating revenues of \$289,247.32 and net earnings from operations of \$82,080.74. In Exhibit C filed in this proceeding it has reported its assets, liabilities and net worth as of October 31, 1952, as follows:

<u>Assets</u>		
Fixed capital (net of depreciation)		\$1,305,955.10
Nonoperating property		1,499.71
Current assets -		
Cash	\$152,033.84	
Accounts receivable	38,654.26	
Materials and supplies	39,390.16	
Prepaid expenses	<u>1,854.36</u>	
Total current assets		<u>231,932.62</u>
Total		<u>\$1,539,387.43</u>
<u>Liabilities and Net Worth</u>		
Notes payable		\$ 540,500.00
Current liabilities -		
Accounts payable	\$ 27,429.43	
Accrued liabilities	106,430.66	
Consumers' meter deposits	<u>3,575.00</u>	
Total current liabilities		137,435.09
Consumers' line extension deposits		268,056.45
Contributions in aid of construction		49,989.85
Net worth -		
Common stock	107,687.23	
Earned surplus	385,718.81	
Capital surplus	<u>50,000.00</u>	
Total net worth		<u>543,406.04</u>
Total		<u>\$1,539,387.43</u>

By Decision No. 48031, dated December 9, 1952, the Commission authorized California to purchase all the outstanding shares of stock of Suburban under the terms of an agreement providing for a purchase price based on the stated value of the capital stock and the earned and capital surplus. California now reports that it proposes to purchase said shares, as authorized by the Commission, on or about January 2, 1953, and immediately thereafter, subject to receiving authorization from the Commission, to cause the dissolution

of Suburban and the conveyance, transfer and assignment of its entire water system and all its properties and assets to it, upon surrender for cancellation of all the issued and outstanding shares of capital stock of Suburban and the assumption by California of all outstanding debts and liabilities except federal taxes on income. The liabilities to be assumed will include, among other items, outstanding 4% notes in the aggregate amount of \$540,500 in favor of Pacific Mutual Life Insurance Company heretofore issued by Suburban pursuant to authorization granted by the Commission. The application shows that California proposes, in consideration of and upon surrender for cancellation of said notes and the release and discharge of the mortgage and supplemental indenture securing the same, to issue to the insurance company \$540,000 in principal amount of its First Mortgage 3-5/8% Bonds, Series D, and to pay to it \$19,985.83 in cash representing \$500 in principal amount of notes which cannot be refunded because no bonds of less than \$1,000 each are authorized under California's bond indenture, and \$19,485.83 representing premiums for prepayment of the notes. The insurance company has agreed to this refunding.

Upon completion of the transfer of the system, California proposes to operate the same as its Suburban District and to furnish water service in the area which Suburban now is obligated to serve at the rates now being charged by Suburban and in accordance with its rules and regulations now in effect.

The Commission has considered this application and is of the opinion that the proposed transfer will not be adverse to the public interest and accordingly should be authorized.

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 bonds herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Suburban Water Company is authorized to transfer, convey and assign to California Water Service Company, on or before January 31, 1953, its water system, franchises, permits and operative rights and all of its properties and assets, under the terms set forth in this application.
2. California Water Service Company, concurrently with such transfer, conveyance and assignment, shall assume the indebtedness, obligations and liabilities of Suburban Water Company, including the notes outstanding in favor of Pacific Mutual Life Insurance Company and consumers' line extension deposits.
3. California Water Service Company is authorized to issue to Pacific Mutual Life Insurance Company, on or before March 31, 1953, not exceeding \$540,000 in aggregate amount of its First Mortgage 3-5/8% Bonds, Series D, to refund the \$540,000 in principal amount of notes in favor of Pacific Mutual Life Insurance Company.
4. The rates, rules and regulations of Suburban Water Company now on file with the Commission shall be refiled within thirty (30) days after the date of transfer under the name of

California Water Service Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, California Water Service 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.

5. On or before the date of actual transfer, Suburban 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 California Water Service Company.

6. If the authority herein granted is exercised, California Water Service Company, within thirty (30) days after the transfer of the properties, shall notify the Commission in writing of the date of completion of the transfer.

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

8. California Water Service 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.

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

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

[Signature]
President

Justus J. Calver
Harold P. Kels

[Signature]
[Signature]
Commissioners