

Decision No. 49074**ORIGINAL**

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

In the Matter of the Application  
of SAN GABRIEL VALLEY WATER  
COMPANY, for authority to in-  
crease rates in its FONTANA  
DISTRICT.

Application No. 33814

## OPINION AND ORDER DENYING REHEARING

Applicant has filed a petition for rehearing respecting Decision No. 48942 rendered herein by the Commission on August 10, 1953, which dismissed the above-entitled application for an increase of water rates in applicant's Fontana District. Said order of dismissal resulted from applicant's failure to make a full and complete disclosure concerning transactions between applicant and certain affiliated interests.

Said petition for rehearing indicates that applicant, apparently, misconceives the issues herein involved. The order of the Commission, concerning which rehearing is sought, did not pass upon the reasonableness of the transactions between these affiliated interests for the reason that the proceeding had not reached the stage where the Commission had sufficient evidence before it to make such a decision. In order to reach such a decision, it was necessary that the Commission have before it the information which applicant refused to produce. That the Commission was entitled to this information is elementary. While the Commission could have employed its subpoena and contempt powers to secure this information, it was not required to do so. It had the authority to dismiss the application for a rate increase when applicant defaulted in the production of the information required.

The undisputed facts of this case clearly show that Vesco and the president of applicant are the alter ego of each other and we so hereby find. Vesco is merely a device or conduit through which the president of applicant does a segment of his business. The record amply shows and we hereby find that the president of applicant effectively controls applicant. The fact that applicant, as a corporation, owns no stock of Vesco and Vesco owns no stock of applicant is wholly immaterial. The affiliated interests with which the law and factual substance are concerned are the domination and control which the president of applicant exercises over both applicant and Vesco. It is a case of the president of applicant dealing on behalf of applicant with himself as the alter ego of Vesco. The law does not permit an official of a corporation to profit by dealings he has with such corporation. It follows that the Commission is duty bound to prevent the ratepayers of applicant from being saddled with the burden resulting from profits made by applicant's president at the expense of applicant. That such unreasonable charges may be disallowed by the Commission for the purposes of rate-fixing is beyond question. (Pacific Telephone and Telegraph Co. v. Public Utilities Commission, 34 Cal. (2d) 822, 826). And, if this power is to be effectively exercised, the Commission must insist upon a full and complete disclosure of all the facts and circumstances surrounding these affiliated transactions.

What has been said with regard to the transactions between Vesco and applicant applies with equal force to the transactions relating to the water stock. The president of applicant is the dominating factor in each of these situations. A man may not, by the device of dividing up his business into corporate segments or otherwise, circumvent the law which applies to him as an individual where it is shown that such procedure is under his domination and control.

In the circumstances of this case, it is little short of jesting with the law to contend that applicant had not the ability to furnish the information which the staff of the Commission demanded.

For the foregoing assigned reasons, the petition for rehearing is hereby denied.

Dated, San Francisco, California, this 15<sup>th</sup> day of ~~August~~<sup>September</sup>, 1953. 22

R. J. Anderson  
President  
James J. Casper  
Kenneth Lott  
Harold P. Huls  
John C. Mitchell  
Commissioners