

ORIGINAL

Decision No. 51192

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
 OF)
 LA MIRADA WATER CO., a California)
 corporation, for permission to)
 transfer a portion of its Certi-)
 ficate to Southwest Water Co., to)
 sell assets, and to execute and)
 perform Notes and Conditional Sales)
 Contracts with Whittier Utility Supply)
 Co., a California corporation,)
 OF)
 SOUTHWEST WATER CO., a California cor-)
 poration, for permission to purchase)
 from said La Mirada Water Co. certain)
 of its assets for cash, for a Certi-)
 ficate of Public Convenience and)
 Necessity, to issue common stock for)
 cash, to exchange its common stock for)
 outstanding refund agreements of La)
 Mirada Water Co., for permission to)
 issue shares of its preferred stock for)
 cash, and to execute and perform Notes)
 and Conditional Sales Contracts with)
 Whittier Utility Supply Co.)
 -----)

Application
No. 36678

C. L. Gardner, for Southwest Water Co.,
Eric C. Pepys, for La Mirada Water Co.,
James Wilson, for the staff of the Commission.

O P I N I O N

In this application the Commission is asked to make its orders as follows:

1. Authorizing La Mirada Water Co., a corporation hereinafter referred to as La Mirada, to transfer a portion of its certificated area and of its assets to Southwest Water Co., a corporation hereinafter referred to as Southwest; and,

2. Authorizing Southwest to issue and sell 3,000 shares of common stock (\$150,000 par value) and 2,000 shares of Class A, 5½%

preferred stock (\$100,000 par value) to finance the acquisition of the assets of La Mirada and to pay for additions; and,

3. Authorizing Southwest to issue 4,000 shares of common stock (\$200,000 par value) in exchange for advances for construction, on a dollar for dollar basis; and,

4. Authorizing La Mirada and Southwest to execute notes and conditional sales contracts with Whittier Utility Supply Co. for the purchase of water pipes and meters; and,

5. Granting to Southwest a certificate of public convenience and necessity to operate within the service area to be acquired from La Mirada.

The application was filed on January 24, 1955. A public hearing was held before Examiner Coleman in Los Angeles on February 24, 1955, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

La Mirada is a California corporation organized on or about March 24, 1953. It holds a certificate of public convenience and necessity granted by Decision No. 49169, dated September 29, 1953, for the construction and operation of a public utility water system in a portion of Los Angeles County northwest of Buena Park, Orange County, and up to the close of November, 1954, it had acquired or constructed water facilities and had undertaken service to approximately 400 customers. The development in the area up to this time has resulted in two separate water systems, each having its own source of supply and pipelines. The two systems are not interconnected.

Applicant La Mirada, according to Exhibit 4, had invested \$313,830 in tangible capital up to the close of November, 1954, \$40,000 in water stock and \$7,817 in current and other assets, a

total of \$361,647, and had financed itself primarily with consumers' advances for construction of \$139,085 and common stock of \$139,000, the remainder of the costs having been met with notes and accounts payable. The record shows that the outstanding stock is controlled by John Moore Robinson and Camille A. Garnier and their associates.

It now appears that Robinson and Garnier desire to terminate their joint control of La Mirada and that they have concluded to request the Commission to divide the area heretofore certificated for La Mirada. They have made arrangements, upon receiving the appropriate authorization from the Commission, whereby said Garnier and his associates will surrender their stock of La Mirada and will acquire from that corporation the water facilities in the western portion of the territory for the sum of \$125,200, which is the reported cost of such facilities. It is intended that the transfer of the properties and operations will be made to Southwest, a corporation Garnier has caused to be organized to take over the properties, to finance the same, and to continue the operations.

At the conclusion of the transactions La Mirada will be controlled through stock ownership by John Moore Robinson. Its service area will consist of approximately 900 acres, with approximately 100 customers attached to its lines at the outset. Southwest will be controlled by Camille A. Garnier and his associates through the acquisition of shares of stock and its territory will consist of approximately 1,100 acres, with approximately 300 customers. Southwest will conduct its operations under the same rates, rules and regulations now appropriate to the area which have been filed by La Mirada.

The following tabulation shows La Mirada's reported investment in assets and liabilities as of November 30, 1954, and the

effect of the proposed division of assets and liabilities:

<u>Assets</u>	<u>Book Balances</u>	<u>Retained by La Mirada</u>	<u>Acquired by Southwest</u>
Fixed assets -			
Land and structures	\$317,765	\$51,968	\$265,797
Less-reserve	<u>3,934</u>	<u>-</u>	<u>3,934</u>
Balance	313,831	51,968	261,863
Stock--Cal. Dom. Water Co.	40,000	-	40,000
Deposits	82	82	-
Organization	560	560	-
Franchises	462	462	-
Accounts receivable	<u>6,713</u>	<u>1,074</u>	<u>5,639</u>
Total assets	<u>\$361,648</u>	<u>\$54,146</u>	<u>\$307,502</u>
 <u>Liabilities</u>			
Current liabilities	\$ 72,586	\$19,443	\$ 53,143
Consumers' deposits	375	275	100
Notes payable	12,368	3,214	9,154
Sales contract	4,320	985	3,335
Advances for construction	<u>139,085</u>	<u>16,430</u>	<u>122,655</u>
Total liabilities	<u>\$228,734</u>	<u>\$40,347</u>	<u>\$188,387</u>

La Mirada estimates it will attach approximately 2,500 services to its lines during the next two years, on the basis of subdivision activities now in progress. While it has not reported its construction program in detail, the record shows that it expects to meet the requirements in part with its own funds and in part with notes and conditional sales contracts for the purchase of mains and meters and with subdividers' advances.

As to the territory to be served by Southwest, it is estimated that ultimately there will be 6,000 residences and 250 acres of industrial property. The company estimates it will take on 1,674 new customers during 1955. In Exhibit 9 it reports its present capital requirements and its proposed sources of funds as follows:

Capital Expenditures

Purchase of La Mirada properties	\$125,200.00
Fence and improve real estate	1,500.00
Drill 16-inch well to 960 feet	15,000.00
Pump and piping for new well	9,000.00
Booster pump at reservoir	6,000.00
New roof on reservoir	20,000.00
Transmission main	30,000.00
1,674 meters	58,000.00
Services	15,000.00
General office and garage equipment	5,500.00
Working capital	<u>17,237.20</u>

Total \$302,437.20

Sources of Funds

Common stock	\$150,000.00
Class A preferred stock	100,000.00
Notes payable	<u>52,437.20</u>

Total \$302,437.20

Upon taking over the assets under the arrangements provided herein, Southwest will take over the obligations for refunding subdividers' advances in the amount of \$122,655. It reports that the development of certain tracts in its service area now under way will result in additional refund agreements of \$242,620. It hopes to refinance a portion of these advances through the issue of common stock and it reports that some of the present and future holders of the subdividers' agreements have indicated their willingness to make an exchange on a dollar for dollar basis. Southwest seeks at this time authorization to issue \$200,000 par value of its stock in exchange for indebtedness of like amount.

Both La Mirada and Southwest plan to obtain temporary financing of meters and mains over the next two years through the medium of 3-year, 5% notes and 3-year, 6% conditional sales contracts to be executed and issued in amounts equivalent to approximately 40% of the purchase price. La Mirada requests authorization to issue notes in the aggregate amount of not exceeding \$70,000 for the purchase of pipe and contracts in the aggregate amount of not exceeding

\$21,800 for the purchase of meters, while Southwest, similarly, seeks permission to issue notes in the principal amount of not exceeding \$56,000 and contracts of not exceeding \$17,500.

A review of the application shows that as a result of the transfer there will be no change in the rates or service to the public and that La Mirada and Southwest will be equipped, financially and otherwise, to continue with the development of the area and to provide service. Under these circumstances we are of the opinion, and so find, that the transaction as proposed herein will not be adverse to the public interest.

It is hereby found as a fact that public convenience and necessity require, and will require, the operation of a public utility water system by Southwest Water Co. in the area delineated by the blue line shown on the map filed as Exhibit 1 and further described in Exhibit 3, both exhibits being attached to the application. The certificate thus issued herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the state as the consideration for the issuance of such certificate of public convenience and necessity or right.

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

O R D E R

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, that the money, property or labor to be procured or paid for by the issue of the shares of stock and the execution of the notes and conditional sales contracts herein authorized is reasonably required by applicants 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. La Mirada Water Co., a corporation, on or after the effective date hereof and on or before September 1, 1955, may transfer to Southwest Water Co., a corporation, that portion of its certificated service area delineated by the blue line shown on the map filed as Exhibit 1 and further described in Exhibit 3, together with the assets comprising the water system located therein subject to outstanding liabilities, as set forth in Exhibit 4.

2. Southwest Water Co., a corporation, may acquire said assets and assume the payment of said outstanding liabilities.

3. A certificate of public convenience and necessity hereby is granted to Southwest Water Co., a corporation, to operate a public utility water system for the distribution and sale of water within the territory hereinabove described, in accordance with the finding of fact set forth in the opinion preceding this order.

4. The certificate of public convenience and necessity heretofore granted to La Mirada Water Co. by Decision No. 49169, dated September 29, 1953, is hereby revised to include only that portion of the formerly certificated area remaining after the transfer of the territory to Southwest Water Co. herein authorized. The boundaries of such revised area are indicated in Exhibit 1 and are further described in Exhibit 2.

5. Southwest Water Co., on or after the effective date hereof and on or before September 1, 1955, may issue and sell, at par for cash, 3,000 shares of common stock of the aggregate par value of \$150,000 and 2,000 shares of Class A 5-1/4% preferred stock of the aggregate par value of \$100,000, to finance the acquisition of the assets of La Mirada Water Co., to pay for additions and betterments and to provide working capital.

6. Southwest Water Co. may issue, at par, not exceeding 4,000 shares of common stock of the aggregate par value of \$200,000 in exchange for advances for construction, such exchange to be made on a dollar for dollar basis.

7. La Mirada Water Co. may issue notes in the aggregate amount of not exceeding \$70,000 and execute conditional sales contracts providing for the payment of not exceeding \$21,800 for the purchase of pipe and meters, under the terms and conditions set forth in this application.

8. Southwest Water Co. may issue notes in the aggregate amount of not exceeding \$56,000 and execute conditional sales contracts providing for the payment of not exceeding \$17,500 for the purchase of pipe and meters, under the terms and conditions set forth in this application.

9. La Mirada Water Co., within 40 days after the date of actual transfer of its properties under the authorization herein granted, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and the territory served, including a metes and bounds description thereof, and the principal water production, storage and distribution facilities and the location of the various properties.

10. Southwest Water Co., within 40 days after the date of acquisition of the properties under the authorization herein granted, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and the territory served, including a metes and bounds description thereof, and the principal water production, storage and distribution facilities and the location of the various properties.

11. On or before the date of actual transfer, La Mirada Water Co. shall refund all deposits, appropriate to the operations being transferred, which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund of Southwest Water Co.

12. Southwest Water Co. is authorized to file in quadruplicate with this Commission, after the effective date of this order, schedules of rates and rules substantially the same as those now on file by La Mirada Water Co., together with four copies of a tariff service area map acceptable to this Commission, all in conformity with the Commission's General Order No. 96, such tariff schedules to be effective on or before service is first rendered to the public in the area herein authorized to be transferred to it. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

13. La Mirada Water Co. shall, within 30 days after the date of actual transfer, revise its presently filed tariff schedules, including the tariff service area map, in conformity with the Commission's General Order No. 96, to provide for the application of said tariff schedules for water service in the area it is retaining.

Such tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

14. La Mirada Water Co. and Southwest Water Co. 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.

15. The authorization herein granted La Mirada Water Co. to issue notes and contracts will become effective when it has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$92. The authorization herein granted Southwest Water Co. to issue notes and contracts will become effective when it has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$74. In other respects the authorization herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 15th day of March, 1955.

[Signature]
President
Justus J. Calmes
Raymond W. [unclear]
[Signature]

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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Commissioners
PUBIC UTILITIES COMMISSION
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