

Decision No. 53985

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WARREN O. WAGNER, doing business as
GREAT WESTERN WATER SERVICE, for per-
mission to Transfer, and GREAT WESTERN
WATER SERVICE, a California corporation,
for permission to have transferred to
it the operating rights of, and all of
the assets of that certain public utility
doing business as GREAT WESTERN WATER
SERVICE.

Application No. 38394

GREAT WESTERN WATER SERVICE, a California
corporation, for a Permit to sell and
issue certain of its common shares.

Gray and Guy, attorneys, by Arthur D. Guy, Jr.,
Dr. Warren O. Wagner, president, and David Baron, secretary,
for applicants.
Theodore Stein and Charles W. Drake, for the Commission
staff.

I N T E R I M O P I N I O N

Warren O. Wagner,^{1/} an individual doing business as Great
Western Water Service, and Great Western Water Service, a corpor-
ation,^{2/} by the above-entitled application, filed September 6, 1956,
as amended at the hearing and on September 20, 1956, seek authority
to transfer and assign Wagner's operating rights pursuant to a certifi-
cate of public convenience and necessity to Great Western, and to
transfer and assign Wagner's public utility water assets to Great
Western. Authority is also sought by Great Western to sell and issue
27,691 shares of its common stock at a par value of \$10 per share.

A public hearing in this matter was held before Examiner
Stewart C. Warner on September 13, 1956, at Los Angeles. There were

1/ Hereinafter referred to as Wagner

2/ Hereinafter referred to as Great Western

no protests to the granting of the application. The instant captioned matter was consolidated for hearing with Applications Nos. 37838 of Desacros Water Company and 37874 of Warren O. Wagner, an individual, doing business as Great Western Water Service, each of which sought a certificate of public convenience and necessity to extend its water system into enlarged areas. Said applications were continued to a date to be set in accordance with a stipulation entered into at the hearing between counsel for each applicant that the matters be taken off calendar pending the working out of a verbal agreement by Wagner to purchase Desacros.

Great Western filed its Articles of Incorporation with the Secretary of State on June 13, 1956. Its officers constitute its board of directors, and said officers are Dr. Warren O. Wagner, president, Henry Suzuki, vice-president, David Baron, secretary, and Rose Marie Wagner, treasurer. By said Articles, the corporation is authorized to issue two classes of shares of stock to be designated as common, in the number of 50,000 shares of a par value of \$10 per share, and 3% cumulative preferred, of the number of 50,000 and of a par value of \$10 per share. The aggregate par value of all shares authorized to be issued is \$1,000,000.

By Decision No. 52534, dated January 31, 1956, in Application No. 37453, Wagner was authorized to and did acquire the operating rights of the public utility water system known as Chester C. Bagstad Water Company. According to Wagner's balance sheet as of July 6, 1956, Exhibit "A" attached to the instant application, the water system assets amounted to \$84,458.00. The water system operated by Wagner now furnishes water service to 36 consumers in the area comprising approximately 325 acres of land in unincorporated territory near Littlerock, Los Angeles County, about seven miles southeast of the community of Palmdale, as shown in red on the map Exhibit No. 2 filed at the hearing. The area is known as the Circle-C-Ranchos.

The consideration proposed to be paid to Wagner by Great Western for Wagner's public utility water assets is \$76,907.83, for which Great Western seeks authority to issue 7,691 shares of stock of par value of \$10 per share, for a total par value of \$76,910.

Applicant Great Western plans, has applied for authority, and expects to extend its water system, and to that end proposes to acquire from Wagner \$200,000 face value of land sales contracts and/or trust deeds owned by Wagner which will yield at least \$1,200 per month. Said sum will be used as working capital. Great Western proposes to issue to Wagner therefor 20,000 shares of its common shares of a par value of \$10 per share, and an aggregate par value of \$200,000.

By the amendment to their application (supra), Wagner and Great Western seek permission to designate the 7,691 shares, total par value \$76,910, to be issued for the public utility water assets, as Class A common stock, and the 20,000 shares, total par value \$200,000, to be issued for the land sales contracts and/or trust deeds, as Class B common stock. They further request that when funds are received by Great Western from said contracts or trust deeds, and those funds are utilized by Great Western for the acquisition of facilities used and usable by Great Western, or are expended as acceptable organization expenditures of the corporation, to the extent of said investment or expenditures, Class B shares may be exchanged for Class A shares, share for share.

The Commission finds and concludes that the granting of the request of Wagner and Great Western for authority to transfer Wagner's operating rights and water utility assets to Great Western would not be adverse to the public interest and the order will so provide.

Great Western's request to issue Class B common stock for the purpose of providing it with approximately \$1,200 per month working capital through transfer assignment of up to \$200,000 face value

of land sales, contracts, and/or trust deeds owned by Wagner will be authorized by the order which follows; provided, however, that Great Western shall place said stock authorized to be issued in escrow until such time as satisfactory proof has been furnished to the Commission that said funds have been expended for the acquisition or construction of facilities used and usable as a part of the water system installations. The order will also prohibit the sale of such shares without Commission approval.

The request of Great Western to issue Class A common stock will not be authorized at this time as the record is not clear as to the validity of the book entries of utility plant and depreciation reserve as they appear on the books of Wagner and which entries are intended as the basis for issuance of said stock. The order which follows will provide for setting aside of submission in this matter and require applicant Warren O. Wagner, or his successor Great Western Water Service, a corporation, to furnish within a reasonable period of time the original cost, estimated if not known (historical cost appraisal), of the public utility water system properties being transferred herein, together with the related depreciation reserve requirement, as of the date of transfer of said properties acquired by Wagner from Chester C. Bagstad.

The approval herein indicated is for the issuance of certain securities only, and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates, nor as a finding of value of the properties herein authorized to be transferred.

I N T E R I M O R D E R

Application as amended having been filed, a public hearing having been held, the matter having been submitted and now being ready for interim decision,

IT IS HEREBY ORDERED as follows:

1. That Warren O. Wagner, an individual, doing business as Great Western Water Service may, on or after the effective date hereof, and on or before March 31, 1957, sell and transfer his public utility water system properties described in the application, to Great Western Water Service, a corporation.
2. That on or before the date of actual transfer Wagner shall refund all deposits and advances for construction which seller is obligated to refund. Any unrefunded deposits or advances for construction shall be transferred to and become the obligation for refund by Great Western Water Service, a corporation.
3. If the authority herein granted is exercised, Wagner shall, within thirty days thereafter, notify this Commission in writing of the date of such completion of the property transfer herein authorized and of his compliance with the conditions thereof.
4. That upon due compliance with all the conditions of this order, Warren O. Wagner, an individual, doing business as Great Western Water Service, shall stand relieved of all further public utility obligations and liabilities in connection with the operations of the water system herein authorized to be transferred.
5. That the rates and tariff service area maps adopted in compliance with Decision No. 52534 by Warren O. Wagner, an individual, doing business as Great Western Water Service, and on file with this Commission, together with rules reflecting present day practices, shall be refiled within thirty days after the date of actual transfer under the name of Great Western Water Service, a corporation, in accordance with the procedure prescribed by General Order No. 96. No increase in the present rates and rules shall be made unless authorized by this Commission. Such rates, rules and tariff service area maps shall become effective on five days' notice to the Commission and the public after filing as hereinabove provided.

6. On or before the date of actual transfer of the properties herein authorized, Warren O. Wagner shall transfer and deliver to Great Western Water Service, a corporation, and the latter shall receive and preserve all records, memoranda and papers pertaining to the ownership, construction and operation of the properties of Seller's water system.
- 7a. Great Western Water Service, a corporation, be and it is authorized to issue, within one year from the effective date of this order, up to 20,000 shares of its Class B common stock at a par value of \$10 per share, in the aggregate amount of \$200,000, to Warren O. Wagner, in exchange for the transfer by said Wagner to said corporation of land sales, contracts and/or trust deeds to an aggregate face value of not less than \$200,000, the income from which is for the acquisition or construction of facilities used and usable as a part of the water system installations. The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of such stock is reasonably required by Great Western for the purposes herein stated and that such purposes are not reasonably chargeable to operating expenses or to income.
- b. That none of the shares of stock authorized by Paragraph 7a. hereof shall be sold or issued unless and until Great Western first shall have selected an escrow holder and said escrow holder first shall have been approved by the Commission; that when issued all documents evidencing any of said shares of stock shall be deposited with said escrow holder forthwith, and that the owners or persons entitled to such shares shall not consummate a sale or transfer of such shares, or any interest therein, or receive any consideration therefor, until further order of the Commission.
8. That the foregoing authorizations are without prejudice to the authority of this Commission with respect to rates, service, accounts, valuation, estimates or determinations of cost which may come before this Commission.
9. That Great Western Water Service, a corporation, shall file with the Commission monthly reports as required by General Order No. 24 A, which order in so far as applicable is made part of this order.

IT IS HEREBY FURTHER ORDERED as follows:

- A. That Warren O. Wagner, an individual, or Great Western Water Service, a corporation, whichever is then the owner of the public utility water system properties authorized to be transferred hereinabove, shall furnish this Commission in writing within 60 days after the effective date hereof the original cost, estimated

if not known (historical cost appraisal), of said properties, together with the related depreciation reserve requirement, as of the date of transfer of said properties acquired from Chester C. Bagstad.

B. Submission of the above-entitled matter heretofore entered be and it is set aside to receive into evidence the above ordered original cost determination and related depreciation reserve requirement of the hereinabove indicated properties, and the matter is reopened for further hearing before such Commissioner or Examiner at such time and place as may be hereafter designated.

C. The Secretary is directed to cause appropriate notice of further hearing to be mailed to parties of record at least 10 days before the date of such further hearing.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 30th day of OCTOBER, 1956.

Walter E. Marshall
President

Ray G. Linterman

Maxwell D. Dale

R. Hardy

Commissioners

Commissioner Justus F. Craomer, being necessarily absent, did not participate in the disposition of this proceeding.