

ORIGINAL

Decision No. 54062

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCED WATER COMPANY, a corporation,
for authority to issue shares of its
capital stock to CROCKER-HUFFMAN LAND
AND WATER COMPANY, a corporation, in
exchange for the public utility business
of supplying water to the general public
in the City of Merced and neighboring
territory in the County of Merced, State
of California, together with all operative
properties, rights and franchises
appertaining to said business,

and

In the Matter of the Application of
CROCKER-HUFFMAN LAND AND WATER COMPANY,
a corporation, for authority to sell
and transfer to said MERCED WATER COMPANY
the said public utility business and the
said operative properties, rights and
franchises appertaining thereto in
exchange for all the issued and out-
standing shares of the capital stock
of said Merced Water Company.

Application
No. 38490

O P I N I O N

This is an application for an order (1) authorizing Crocker-Huffman Land and Water Company to sell and transfer its public utility water system to Merced Water Company, and (2) authorizing Merced Water Company to issue \$1,000,000 par value of capital stock to Crocker-Huffman Land and Water Company in exchange for its public utility water properties, rights, franchises and business.

Crocker-Huffman Land and Water Company was organized in 1888. It owns and operates a public utility water system located in and about the City of Merced and extensive agricultural lands,

improved San Francisco real property and securities, the larger portion of its investment being represented by its nonutility holdings. It now reports that it desires to separate its public utility business from its other activities and that it has organized Merced Water Company in order to accomplish this objective and has made arrangements to transfer to the new corporation all its public utility properties in exchange for shares of common stock. It is intended that the transaction will be consummated as of the close of business on December 31, 1956, and applicants have presented a pro forma balance sheet containing estimated figures as of that date, which balance sheet is as follows:

Assets

Utility Plant -		
Utility plant	\$1,604,518	
Reserve for accrued depreciation	<u>340,436</u>	
Total utility plant less reserves		\$1,264,082
Current and Accrued Assets -		
Cash	\$ 5,000	
Due from consumers and agents	12,830	
Materials and supplies	<u>35,000</u>	
Total current and accrued assets		<u>52,830</u>
Total assets		<u>\$1,316,912</u>

Liabilities and Capital

Capital -		
Capital stock (\$10 par value)		
Authorized, Issued and Outstanding		
100,000 shares	\$1,000,000	
Premium on capital stock	<u>205,282</u>	
Total capital		\$1,205,282
Consumers' deposits		757
Customer advances for construction		93,746
Contributions in Aid of Construction		<u>17,127</u>
Total liabilities and capital		<u>\$1,316,912</u>

The Commission has reviewed the operations and properties of Crocker-Huffman Land and Water Company and by Decision No. 49938, dated April 20, 1954, in Application No. 34632, approved increases in rates and prescribed schedules designed to produce annual net revenues of \$66,500, the amount being equivalent to a return of 6.52% on a rate base of \$1,020,000 for the year 1954. Subsequent financial filings show that the net revenues from the operation of the water system amounted to \$67,804 in 1955 and to \$35,087 in the first half of 1956. The recorded net investment in utility plant was \$1,256,566 as of June 30, 1956.

The present application shows that the properties will be transferred to the new corporation at their book values, that Crocker-Huffman Land and Water Company will continue to hold all the outstanding stock of said new corporation and that there will be no change in the rates or service to the public as the result of the transfer. Upon a review of the matter, we are of the opinion, and so find, that the transfer will not be adverse to the public interest and that an order should be entered approving the transaction.

The action taken in this decision shall not be construed to be a finding of the value of the properties herein authorized to be transferred. The authorization granted is for the purpose of this proceeding only and is not to be taken as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

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 herein authorized is reasonably required by Merced Water Company 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. Crocker-Huffman Land and Water Company, on or after the effective date hereof and on or before March 31, 1957, may sell and transfer to Merced Water Company all of its public utility water properties, business, good will, rights and franchises.
2. Merced Water Company, on or after the effective date hereof and on or before March 31, 1957, in payment for such properties, shall assume the payment of outstanding indebtedness consisting of customer advances for construction and may issue not to exceed \$1,000,000 par value of its capital stock.
3. On or before the date of actual transfer Crocker-Huffman Land and Water Company shall refund all deposits which the customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and shall become the obligation for refund of Merced Water Company.
4. If the authority herein granted is exercised, Crocker-Huffman Land and Water Company, within 30 days thereafter, shall notify the Commission in writing of the date of the completion of the transfer.

5. The rates, rules and regulations of Crocker-Huffman Land and Water Company now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of Merced Water Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Merced 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.

6. Upon due compliance with all conditions of this order, Crocker-Huffman Land and Water Company shall stand relieved of all further public utility obligations and liabilities in connection with the operation of the public utility water system hereinabove authorized to be transferred.

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

8. The authority herein granted will become effective when Crocker-Huffman Land and Water Company has filed a written stipulation in which it agrees that it will make available to the Commission and its staff, whenever they desire, its books and supporting documents pertaining to the construction and operation of the water system herein authorized to be transferred.

Dated at San Francisco, California, this 13th day of November, 1956.

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

Commissioners